

FACTORS AFFECTING INDUSTRIAL
EMPLOYMENT - CASE STUDY No.5



A. Introduction.

Case Study No.5 is on Sikh Saw Mills and Ginners Ltd. This is a family-owned Company -- of the Gills. It was incorporated in 1936. The Company has many other business interests in Uganda and Tanzania. The headquarters are located on a 9-acre piece of land in Jinja. On this site are situated the Company's Saw Mill, Plywood, and Residential Estates' factories, a furniture making department, a timber drying kiln and a timber spraying plant. Two other Saw Mills are located at Kitumbezi and Nakivumbi, a couple of miles from Jinja. The Company is at the moment erecting a tea factory in Bunyoro.

The Company has a Capital of £4.6 million distributed among family members.

B. Employment Policies

Recruitment

Unskilled Recruits are either got from:

- (1) Regional Labour Exchange at Jinja OR
- (2) The Factory's gates.

The second method is the most used.

Skilled and semi-skilled

People in this category are mostly Clerks, drivers and machinists. The Company uses Labour Exchange and advertises in the papers.

The Company has no aptitude testing unit. However, in departments like Engineering the workers seeking employment are put on a practical test e.g. fitting a machine before they are taken on.

Promotions

Promotions are usually made on the recommendation of Heads of Sections. Recommendations are based on ability and seniority. Passing a trade test also pushes an employee into a job with a higher pay.

In the case of Foremen and Supervisors, educational background, experience and knowledge of the job, matter tremendously.

Annual wage increments are a matter of Management - Union Agreement. The Agreement covering 1965 was signed in February this year. Under this agreement, an employee will receive an increment for 1965 if he has completed 280 days in the previous year.

Increments are:

- (1) Unskilled 25 cents a day
- (2) Semi-skilled 50 cents a day
- (3) Skilled 100 cents a day

Working Hours

The Company has a 45 hour working week, 8 hours a day Monday through Saturday. Only the Plywood factory operates on a three-shift system (also the Askaris). The Impregnating Plant works on a two-shift basis, the rest are on a day shift.

LENGTH OF SERVICE (Employees 1965)

YEARS	NUMBER	% OF TOTAL
0 - 2	78	22
2 - 5	190	53
5 -10	72	20
10+	20	5

Source: Sikh Saw Mills Files.

Most employees have been with the Company for over 2 years (over 75%). There are quite a considerable number of Luos in the Company's work force and with the relative stable situation above, it would seem to augment our earlier findings, that the Luos as a tribe, are industrially stable. The other reason with considerable weight in Jinja is that getting employment is not easy because of a large number of unemployed folk.

For the employees with less than two years' service, it is believed that the turnover is high mainly because the Company pays low wages by Jinja standards and annual increments are low.

EDUCATIONAL COMPOSITION OF WORKERS - 1965

Standard	Number	% of Total
Illiterate	104	29
PI - 6	175	49
J.I - 3	75	21
S.I - 4	6	1

Source: Sikh Saw Mills Files.

A large number of employees have either had Primary Schooling (49%) or no education at all (29%). Education is very helpful to employees aspiring for semi-skilled and skilled jobs e.g. Trade Test etc., otherwise, the work is largely manual and simply needs physical effort.

Training

The Company has no formalized or elaborate training programme as was the case with most other companies that we have examined. As indicated earlier, the work is largely manual. It is the practice of the Company to send some of its technicians to India for training; last year only two people went on such a training. Sometimes, technicians from India are brought on secondment to stay with the Company for two years. At the time I visited the factory, the Company had two people on such a scheme.

People like Personnel Officer and others of that rank have been to Industrial Relation's Courses organized by the Labour Department and Uganda Federation of Employers.

In general, employment policies at Sikh Saw Mills are different from the policies of most companies we have studied.

- (1) On Factory or departmental level the employees are few.
- (2) There is little formal or red-tape approach to settling problems.
- (3) Supervisors or headmen know employees in their sections well.
- (4) There is a considerable Asian element in the business practices.

C. Capital Equipment

The growth of Capital in the 1960s has been low but steady. There is an increase of 14% 1964 over 1960 and an annual growth of 3.5%.

The mechanization of some of the jobs apparently took place in the 1950s. For example, felling trees, hauling logs, sawing and lifting timber all of which used to be done by men have been mechanized. There are mechanical saws powered with engines for felling trees, there are winches to haul logs, there are band saws to saw big logs and lifting electrical cranes are used to remove timber. The management contends, the use of machines has led to:

- (i) Increase in production
- (ii) lowering of cost of timber
- (iii) company gaining a competitive advantage since they can afford to sell at lower prices.

D. Output

The Company's Sales have gone up by about 52% since 1959 (by 27% 1964 over 1960) - table 2. Annual growth in the same period is 8.7% (6.2% 1964 over 1960).

The major produce are timber and plywood. The timber, especially the Muvule type which is produced at Kitumbezi and Nakivumbi Saw Mills is mainly for export. The major importing countries are United Kingdom, Germany and Holland. 40% of Plywood is exported to :

- (1) Congo (Leopoldville)
- (2) Mauritius.

The above external markets have helped the Company to maintain or to increase its sales. Internally, the 1960s have been poor years for the company because of marked decline in the Construction Industry. Until recently, the orders from Construction Companies, for a long time now, major customers, have declined. The Government orders are usually few. The Plywood output was not affected by the decline because the Company makes chest boxes for tea.

E. Employment

1961 and 1962 regarded as very bad years by management because of marked decline in economic activity in the Construction Industry and because of political uncertainty are not quite visible in employment figures (Table 3). In 1961, employment reached its highest level and in 1962 though lower than 1961, it was still at a reasonably high level.

Between 1960 and 1964, it has declined by 28% (at 5.8% on annual basis) compared to an increase of 27% (6.2% p.a.) in sales and 14% (3.5% p.a.) in fixed assets.

There are some jobs that are still labour-intensive, namely:

- (a) loading and unloading of timber on and from lorries and railway wagons.
- (b) stacking of timber.
- (c) Lifting fletches of timber where cranes cannot move.
- (d) The Plywood factory uses second hand machinery and it is contended by management that if new ones were installed, labour would be reduced by at least 10%.

Productivity on the other hand between 1960 and 1964 has been going up, at an annual rate of 15.9%.

Trends in Output, Employment and Average Productivity 1960-1964

Growth in output	6.2% p.a.
" " Employment	-5.8% p.a.
" " Average Productivity	15.9% p.a.

F. Wages

The Company calculates the monthly pay on a basis of Shs.4.25 per day for all employees and then adds.

- (1) 25 cents a day to unskilled

(2) 50 cents a day to semi-skilled

(3) 100 cents a day to skilled *

It must be noted that Shs.4.25 has, up to the end of November this year, been the Minimum wage rate for Jinja. The Company has 200 housing units for its employees and it deducts Shs.20/- for each unit a month as rent.

An analysis of the wage structure (Table 4) shows that in 1962 i.e. before the Minimum Wage legislation of that year had come into force, 85% of total African employees earned less than Shs.100/- a month. In 1963 however only 25% of the total African workers earned less than Shs. 100/- a month. At Jinja Saw Mill, the wage bill in 1963 with employees less by 24 people over 1962, was 39% over 1962.

Reduction in employment which become very substantial in 1964 can be attributed to the Minimum Wage law. It would be interesting to see what happens to employment situation in 1966-67 now that the Jinja Minimum Wage has been raised to Shs. 145/- per month (Shs. 5/60 a day).

<u>WAGE</u>	<u>BILL</u>
	(£)
1959	34,276
1960	35,232
1961	43,261
1962	42,249
1963	45,863

Source: Annual responses to enumeration of Employees by permission of Sikh Saw Mills.

Trends in Wage Bill, Employment and Average Wage 1959-1963

Growth in Wage Bill	7.6% p.a.
Growth in Employment	-0.5% p.a.
Growth in Average Wage	8.3% p.a.

Wages have been increasing faster than output but because of substantial decline in employment, average productivity has kept above the growth rate of wages.

* Those who join the Company in the skilled category e.g. with trade test certificates get a daily rate which is above the Shs. 5.25 Minimum.

Conclusions.

The decline in employment at Sikh Saw Mills can be attributed to two major factors.

(1) the decline in the Construction Industry which has not fully recovered. Employees of one of the Company's Saw Mills were declared redundant in 1963.

(2) The Minimum Wage law.

The other reasons that can be advanced include:

(a) the nature of organization is conducive to close supervisory tactics.

(b) a limited form of mechanization has been going on.

On the Wage structure, 1962 Minimum Wage legislation had a definite closing up effect on wages. The effects of this year's Minimum Wage may even be greater not only in upgrading workers but in accelerating measures designed to save labour

TABLE I

CAPITAL EQUIPMENT 1959 - 1964

YEAR	FIXED ASSETS	ADDITIONS
	(£)	(£)
1959	408,974	
1960	462,399	53,425
1961	474,451	12,052
1962	483,112	8,661
1963	498,622	15,510
1964	531,083	32,461

Source: Sikh Saw Mills Files

TABLE 2

OUTPUT 1959 - 1964

	Sales Value	Additions
	(£)	(£)
1959	229,189	
1960	273,342	44,153
1961	279,083	5,741
1962	313,273	34,190
1963	294,608	-18,665
1964	347,296	52,688

Source: Sikh Saw Mills Files

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