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BUSINESS

STUDIES GRADE

11 TERM ONE

CHAPTER 3

CONTEMPORARY SOCIO- ECONOMIC ISSUES
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CONTEMPORARY SOCIO-ECONOMIC ISSUES

Learners must be able to:

- List/Name/Give examples of contemporary socio-economic issues that pose a challenge to businesses.
- Identify socio-economic issues from scenarios/case studies/statements.
- Discuss the negative impact of contemporary socio-economic issues on businesses.
- Discuss the negative impact of piracy on business operations.
- Define/Elaborate the following concepts and suggest ways in which businesses can deal with piracy e.g.
- Copyright
- Patent
- Trademark
- Identify copyright/patent and trade mark form scenarios/case studies/statements
- Explain/Discuss the above mentioned solutions to piracy.
- Define/Elaborate on the meaning of industrial relations.
- Define the following concepts:
  - Strikes
  - Go slows
  - Lockouts
- Discuss/Explain/Describe the purpose of the Labour Relations Act.
- Define/Elaborate the meaning of trade unions
- Outline/Mention/Discuss/Explain/Describe the roles of trade unions, e.g. addressing poverty reduction, job creation challenges etc.
- Outline/Discuss/Explain the functions of trade unions.
- Evaluate the functions of trade unions from scenarios/case studies and make recommendations for improvement.

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Terms and Definitions

TERM	DEFINITION
Economic crime	Known as white collar crime and committed in business for personal financial gain, e.g. fraudulent transactions.
Inefficient use of natural resources	Wasting of scarce resource through negligence or incorrect production methods.
Population growth	Percentage change in the population resulting from births, deaths and migration
Strikes	Refusal to work by two or more employees in an effort to pressurize employers to give in to their demands.
Corruption	This involves dishonest activities in which a person entrusted with authority in a business abuses his/her position of trust in order to achieve some personal gain
Dumping	It is when other countries dump their excess products on the SA market to dominate the local market. Dumped products are usually very cheap
Sexual harassment	Involves unwelcome or unwanted attention of a sexual nature from someone at work that causes discomfort, humiliation, offence etc that interferes with the job.
Piracy	Unauthorised use/reproduction or copying of original music, films, books or computer software, patent rights and trademarks without the consent of the rightful owner.
Ethical conduct	Acting in ways that are consistent with a person's values of the organisation and society.
Patent	Exclusive right granted for a new invention
Copyright	Exclusive right given to the creator of an original work
Trade mark	A symbol, word, or combination of words legally registered by use as representing a company or a product.
Workplace forums	Representative of employees in a business of 50 employees upwards who are delegated to act on behalf of employees within the business.
inflation	General increase in the prices of goods and services in the country
Retrenchment	Involuntary ending of a service contract of an employee by the employer due to operational requirements.
Patent	Exclusive right granted for a new invention
Trade union	An organized association of workers in a trade , group of trades, or profession formed to protect their rights and interest
Strike	A work stoppage as a form of protest or to strengthen one's bargaining position
Lock-out	When the employer keep their employees from their places of work until certain terms of a negotiation are agreed upon.
Industrial action	These are actions that include strikes or go slows
Trade union	An organized association of workers in a trade , group of trades, or profession formed to protect their rights and interest
Strike	A work stoppage as a form of protest or to strengthen one's bargaining position
Lock-out	When the employer keep their employees from their places of work until certain terms of a negotiation are agreed upon.

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1 CONTEMPORARY SOCIO-ECONOMIC ISSUES

1.1 Meaning and impact of contemporary socio-economic issues on businesses.

- Socio-economic issues are challenges that affect people and the economy in a negative way.
- These issues affect consumer spending, place extra burdens and expenditure on businesses, and puts extra strain on governments as the inability of businesses to create job opportunities places a financial burden on them.

1.2 Examples of contemporary socio-economic issues that pose a challenge to businesses.

- low income levels
- inflation
- social, cultural and demographic issues
- economic crime
- ethical misconduct
- population growth
- illiteracy
- lack of skills
- unavailability of natural resources
- inefficiency in the use of resources
- exhaustion of natural resources
- dumping
- strikes.

1.3 Negative impact of contemporary socio-economic issues on businesses.

1.3.1 Impact of low income levels on businesses

- Leads to a decrease in the demand for goods and services resulting to a fall in turnover and lower profits for businesses.
- People who earn low salaries and wages may become disheartened this will influence productivity in a negative way.
- Consumers shift to cheaper brands of certain products.
- Poverty can lead to crimes such as shoplifting and robberies
- Businesses will have fewer profits and will not have money to expand.
- Income level affects the morale of the workforce and could lead to lower productivity which impacts on the business turnover.

1.3.2 Impact of inflation on businesses

- Inflation increases the costs of raw materials and other inputs.
- This leads to optimum productivity whereby businesses has to produce the maximum possible output using the least possible input.
- It decreases consumer spending resulting to decreased sales and profitability.
- Employees may be retrenched which increases unemployment and decreases buying power even further.

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1.3.3 **Impact of social, cultural and democratic issues on businesses**

- Different groups of people with different cultures will behave differently as consumers, which will affect the business marketing strategy and sales.
- New fashion and cultural trends create different kinds of consumers which may result in the reduction of sales for existing products.
- Some businesses may not keep abreast with current trends and they may lose their market share.

1.3.4 **Impact of economic crime on businesses**

- Loss of income if the money was stolen from a business
- Loss of jobs if a business closes down.
- Businesses lose investors.
- Leads to a decrease in investors' confidence resulting poor economic and business growth.

1.3.5 **Impact of ethical misconduct on businesses**

- Employees who have been victims of sexual harassment may experience a lack of concentration/anxiousness/productivity.
- Corruption and mismanagement of funds will lead to a loss of income.
- Corruption undermines businesses and negatively influences investment.
- Mismanagement of funds can cost a business to lose a large amount of money through direct fraud and theft.
- Business owners involved will face criminal charges.
- There is a high staff turnover due to people leaving because they were sexually harassed.
- It may result to bad publicity and loss of customers/potential investors.

1.3.6 **Impact of population growth on businesses**

- Excessive growth increases unemployment and crime.
- The municipal and health services may be expensive resulting in the consumer having less money to spend on other products.
- More land will be used to build houses which mean a decrease in agricultural land and a decrease in basic food supply.
- Consumers will have less income and business will have a decrease in sales

1.3.7 **Impact of illiteracy on businesses**

- Business sometimes needs to employ people even though they do not have the correct skills.
- Training of these employees can be very costly and the business suffers a financial loss.
- Employees without the correct skills can also be the cause of accidents in the workplace and this could impact on the image of the business.
- Difficult to market products to people who cannot read or write.

1.3.8 **Impact of lack of skills on businesses**

- Businesses cannot find candidates with adequate skills and experience.
- Businesses end up appointing a candidate who lacks certain skills resulting in poor products and services.

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- Training employees is expensive and productivity will be affected as it takes time for newly trained employees to learn his/her new jobs.
- The cost of labour becomes expensive as some businesses recruit candidates from abroad.

1.3.9 **Impact of unavailability of resources on businesses**

- The unavailability of coal has led in part to a shortage of electricity in South Africa.
- Many businesses lose millions of rands because of load shading and power failure.
- The lack of transport due to the scarcity of oil which is used to manufacture fuel may affect businesses.
- When the supply of natural resources is threatened it may have negative impact on the operation of businesses and hampers the production processes.

1.3.10 **Impact of inefficiency in the use of resources on businesses**

- Businesses cannot continue with their operations if natural resources are depleted.
- Loss of productivity if business operations come to a halt due to unavailability of natural resource

1.3.11 **Impact of inefficiency exhaustion of natural resources on businesses**

- The supply and quality of natural resources may decline.
- Some natural resources may be scarce and possible be exhausted in future.

1.3.12 **Impact of dumping on businesses**

- Loss of profits as some local producers cannot compete with cheaper prices.
- Businesses may lose revenue and be forced to shut down their operations.
- Can lead to a decrease in local production and loss of jobs.
- Local businesses are unable to produce the same products at an equal or lower price.

1.3.13 **Impact of strikes on businesses**

- Strikes scares off potential investors.
- Businesses may be forced to close down especially those located in townships.
- May results in losses of production as employees stay absent from work during strikes.
- Many businesses suffer losses as a result of damage to property.
- They can lead to violence/assaults/looting/destruction of property and intimidation of workers who do not strike.
- Employees can lose their pays for all the days that they strike.
- Economy can be jeopardised since production is lost.
- Expense of increased salaries and wages is often passed on to the consumer, which causes inflation.
- Businesses loose income because productivity is low.

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1.4 **Impact of piracy on businesses**

- It can undermine the music/movie industry as they lose money.
- Drives up the prices of products in order to compensate for the loss in sales.
- Leads to job losses in the industry
- The music industry feels reluctant to develop new talents as the element of risk is too high.
- May cause damage to the value of the businesses.
- The businesses lose out on sales and income which in turn threatens industry
- The businesses lose out on productivity and profits.

1.5 **Possible solutions to piracy/ Ways in which businesses can deal with piracy**
copyright

- Businesses can sue someone who infringes the copyright.
- They can also sue someone who sells or distributes works that he/she knew were infringements of copyright.
- They can take legal action against people who copy their products.

Patent

- A patent prevents other businesses/people not to produce and sell the same product/ specific service.
- Businesses can take out a patent for new inventions and include a sample of their invention with application.
- They must register a patent with the patents office in South Africa.
- The invention must comply with Patent Act No. 57 of 1978.
- They can bring legal proceedings against anyone who uses the invention.

Trademarks

- Businesses can trademarks to identify themselves and their products.
- They must register their trademarks with the register of trademarks at the companies and intellectual property registration.
- A registered trademark is protected forever provided it is renewed every ten years and a renewal fee is paid.
- Claim damages from someone who infringes the trade mark.

NOTE: You must be able to identify copyright/patent and trade mark form scenarios/case studies/statements/pictures

1.6 **Meaning of industrial relations**

- Industrial relations refers to the relationship between the employer and employees.
- It influences the way in which businesses are guided by the Labour Relations Act.

1.7 **Types of industrial actions**

Strikes

- A strike is when employees stop working completely.
- Employees do not get paid for the days spent on strikes.
- Strikes represent the final stage of dispute/disagreement between management and employees.
- The purpose of a strike is to force employers to agree to the demands of the strikers.

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Go-slows

- Go slow is a collective industrial action taken by workers in protest against an employer.
- Workers work slowly as possible or reduce production output.
- Employees still have to be paid as they are doing their work whereas they do not get paid when they go on strike.

Lockouts

- A lockout occurs when an employer locks employees out of a workplace.
- Employers often lock employees out during a strike to ensure the safety of their premises, equipment and working conditions.
- A lock out is legal if it complies with the requirements of the Labour Relations Act.

1.8 Purpose of the Labour Relations Act

- Provides a framework where the employees, trade unions and employers work together to discuss matters relating to employment, e.g. wages, conditions of employment.
- Promotes orderly negotiations and employee participation decision making in the workplace.
- Promotes resolution of labour disputes.
- Promotes fair employment practices.
- Outlines the relationship between employees and employers.
- Provides simple procedures for the registration of trade unions and employers' organizations.
- Regulates the rights of trade unions and facilitates collective bargaining.
- Regulates the effectiveness of bargaining councils and statutory councils.
- Establishes workplace forums to promote the interest of all employees in the workplace whether they belong to the trade union or not.
- Allows workplace forums where employees may participate in decision making.
- Establishes the Commission for Conciliation, Mediation and Arbitration (CCMA) to resolve labour disputes through statutory conciliation, mediation and arbitration.
- Endorses the right to strike against retrenchments, and facilitates labour disputes.
- Clarifies the transfer of contracts of employment procedures.
- Establishes Labour Courts and Labour Appeal Courts to deal with labour issues.

1.9 Trade unions

1.9.1 Meaning of trade unions

- A trade union is an organisation that protects and lobbies for the rights of workers and represent their interest in negotiations with employers.
- It is a group of employees who associate together in a particular industry such as mining/steelworks/etc. with the purpose of protecting the rights of their members.

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1.10 **Roles of trade unions**

- Serves as mechanism through which employees have a collective voice in the workplace.
- Unions communicate to the company's management the members' grievances such as unfair dismissal, low wages and conditions of services.
- They ensure that the employers include employees in the decision making process.
- They ensure that employees are treated fairly and respected.
- Unions are involved with social dialogue regarding poverty alleviation, job creation and wealth distribution.

1.11 **Functions of trade unions**

- Improves conditions of employment.
- Ensures that all employees are treated equally in the workplace
- Representing the interest of general society and minority groups through media and negotiations.
- Influencing government decisions.
- Representing employees corporately and individually.
- Improving material benefits of their members.
- Establishing minimum economic and legal conditions/influencing economic policy and law.
- Playing a role as moral institutions that will uplift the weak and oppressed and give them the dignity and justice they deserve.
- Protecting workers from unfair labour practices and unfair dismissal.
- Take legal action on behalf of members when necessary.

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