



**BUSINESS STUDIES**  
**GRADE 11**  
**TERM ONE**  
**CHAPTER 3**  
**CONTEMPORARY SOCIO- ECONOMIC ISSUES**

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**This chapter consists of 11 pages**

**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 impact of contemporary socio-economic issues on business operations.
- Discuss/Explain/Describe types of ethical misconduct e.g. sexual harassment, corruption, mismanagement of funds etc.
- Discuss the impact of piracy on business operations.
- Define the following concepts and suggest ways in which businesses can deal with piracy e.g.
  - Copyright
  - Patent
  - Trademark
- Identify copyright/patent and trade mark from scenarios/case studies/statements/pictures.
- Define/Explain the meaning of industrial relations.
- Define the following concepts:
  - Strikes
  - Go slows
  - Lockouts
- Discuss/Explain/Describe the purpose of the Labour Relations Act.
- Define the term trade unions and the reasons for the establishment of trade unions. (Do not focus on the history 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.

## 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.

## 1 CONTEMPORARY SOCIO-ECONOMIC ISSUES

### Meaning and impact of contemporary socio-economic issues on businesses

#### 1.1. Low income levels

##### Meaning of low Income levels

- South Africa has one of the greatest inequalities in income in the world.
- This is due to the largest differences in salaries between high earnings and low earners.

##### 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.

#### 1.2 Inflation

##### Meaning of Inflation

- Inflation refers to the general increase in the prices of all products in the country.
- It leads to a decrease in the purchasing power of money.

##### 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.

#### 1.3 Social, cultural and demographic issues

##### Meaning of social, cultural and democratic issues

- Social and cultural factors have an impact on the market environment because they shape the way people live/work/produce/consume etc.
- Demographic factors are defined as the characteristics of the population of a country e.g. age distributions, the gender ratio and the racial composition of the country.

**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.

**1.4 Economic crime****Meaning of economic**

- Economic crime is also known as white collar crime, it includes the following criminal activities:
  - Fraud which refers to the unauthorised use of funds.
  - Money laundering which refers to hiding the source of money that was obtained illegally.
- A key feature of economic crime is that money is stolen from a business through the use of intellectual skills and deception.

**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.

**1.5 Ethical misconduct****Meaning of ethical misconduct**

- These are socio-economic issues that occur inside the business that also present threats and challenges to businesses.
- Ethical can be defined as acting in ways that are consistent with a person's value.
- Ethical misconduct can be defined as any behaviour by employees of the business that is not consistent with the values of the business.

**Types of ethical misconduct****Sexual harassment**

- Sexual harassment in the workplace involves unwelcome or unwanted conduct of a sexual nature from someone at work that causes discomfort

**Corruption**

- Refers to any act of dishonesty such as bribery/theft/collusion/kickbacks etc.
- It occurs when two parties enter into an illegal but mutually beneficial agreement.

**Mismanagement of funds**

- Mismanagement of funds refers to the wrongful use of funds that do not belong to a person/employee e.g. irregular expenses.
- 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.

**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.

**1.6 Population growth****Meaning of population growth**

- The word population refers to the number of people in a country.
- A population experiences growth when the number of people are born in a particular year exceeds the number of people who dies during the same year.
- It is a percentage change in the population resulting from births, deaths and migration.

**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

**1.7 Illiteracy****Meaning of illiteracy**

- Illiteracy refers to a person who cannot read or write.
- Many illiterate people cannot find work as most jobs require some reading and writing skills.

**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.

## **1.8 Lack of skills**

### **Meaning of lack of skills**

- South Africa is currently experiencing severe skills shortages in some fields such as education, medicine, engineering and the finance industry.

### **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.
- 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.

## **1.9 Unavailability of natural resources**

### **Meaning of unavailability of resources**

- Some natural resources such as oil/coal/ water/gold are scarce.
- The above mentioned natural resources may be used up if they are not monitored.

### **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 shedding 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.

## **1.10 Inefficiency in the use of resources**

### **Meaning of inefficiency use of resources**

- Inefficient use of resources implies that resources are being wasted.
- The wasting leads to further depletion of the natural environment and threatens the future supply of natural resources.
- More resources are used as the population grows.

### **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 resources.

### 1.11 Exhaustion of natural resources

#### Meaning of exhaustion of natural resources

- This refers to the over-use of natural resources leading to exhaustion.
- Resource depletion occurs mostly in relation to farming, mining and fossil fuel.

#### 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.

### 1.12 Dumping

#### Meaning of dumping

- It is when goods enter South Africa from other countries at a price that is cheaper than the normal value of the goods because more was produced than what that country can use.
- When companies in a developed world send goods that they have been unable to sell in their own countries, to countries in a developing world where they are sold below the normal asking price.
- Dumped products are usually cheaper than South African products.

#### 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.

### 1.13 Strikes

#### Meaning of strikes

- A strike can be defined as a collective, organised stopping of work by employees to force their employers to accept their demands.
- Strikes is usually the results of a labour dispute and it takes place when employees refuse to work.
- The most reasons why employees usually strike include wages, working hours and working conditions.

#### 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.

## 1.14 Piracy

### Meaning of piracy

- Piracy is the unauthorised use/reproduction of another person's original work.
- Products that are associated with piracy are computer software/DVD/CDs etc.
- Many people download music from the internet without being aware that they are infringing someone else's intellectual property right.

### Impact of piracy on businesses

- It can undermines 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 feel reluctant to develop new talents as the element of risk is too high.
- May cause damage to the value of the businesses.
- The businesses loses out on sales and income which in turn threatens industry
- The businesses loses out on productivity and profits.

## 2 Possible solutions to piracy/ Ways in which businesses can deal with piracy

### 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.

### 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.

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

### 3 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.

#### 3.1 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.

##### 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.

### 4 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.

## **5 Trade unions**

### **5.1 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.

### **5.2 Reasons for the establishment of trade unions**

- Engaging in industrial action such as protests and strikes.
- Taking a political action to influence the government strategy.
- Establishing minimum economic and legal conditions.
- Providing protection for their members.
- Engaging in collective bargaining for better terms and conditions.
- Assisting workers who have grievances such as disciplinary action/victimization.
- Negotiating with employers for decent working conditions/remuneration/ benefits in order to improve the standard of living.
- Negotiating recognition of the union and shop stewards by the employer.
- Protecting workers against unfair labour practices and dismissal.
- Take legal action on behalf of members when necessary.
- Educating shop stewards and other members' on how to carry out their tasks in the union.

### **5.3 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.

### **5.4 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.