

CHAPTER 1

GENERAL INTRODUCTION

1.1. INTRODUCTION

According to Lauer (1998:4), a personal problem is determined by “where the causes and solutions lie within an individual’s immediate environment”, whereas with a social problem, the causes and solutions lie outside an individual and his/ her immediate environment. Individuals with personal problems may utilize individual strategies or seek professional assistance to come up with solutions.

According to the researcher, financial problems developed into a national problem in South Africa due to a number of factors, such as the accessibility and availability of credits or loans, poor personal financial planning, changing economic conditions, the changing political climate and conflicting financial advice. One can regard financial problems as both personal and social when looking at the causes that may be identified (Lauer, 1998: 4-5). For instance, it is a real condition that is undesirable to almost everyone in the community, which poses a threat to the different systems of which an employee forms part. For example, an employee who has financial problems may start borrowing money from neighbours, colleagues and family members, thereby straining his/ her relationships when failing to repay the loan.

According to the researcher, employees who experience this problem need effective professional intervention, as this problem poses undesirable threats to their psychosocial functioning. It may affect the stress levels of employees, their motivation, job performance and families. Employees experiencing financial problems are not in the position to meet their basic needs, which

according to Maslow's Need Hierarchy Theory is essential, as it contributes to the employee's motivation to reach self-actualisation. According to Carrell, Elbert, Hatfield, Grobler, Marx, and Van der Schyf (1997:105), it was found that "if any need is not fulfilled, the individual will continually strive to fill that need; until the need eventually becomes a motivational factor".

It is important to understand financial problems as phenomena and acknowledge their seriousness in the workplace, in order to develop effective intervention methods. The researcher has been working as an EA Practitioner in the Office of the Premier for four (4) years. When the researcher assumed her duties, the Executive Management in the Office of the Premier requested the researcher to assist employees who were taking home less than 5% of their netto salary, due to loans or other personal factors. The request was not only for employees in the Premier's Office, but also for employees in other Provincial Departments. William, Haldeman & Cramer as quoted by Joo (2000:1) stated that "the interest of employers in the personal concerns of their employees has increased due to their need to improve productivity and lower costs".

Some employees approached the employer to grant them loans so that they can pay their debts, but without success. Others approached the Employee Assistance Programme (EAP) Unit for assistance. The researcher observed that employees who are experiencing financial problems often use work time to try and secure a loan to pay their debtors. According to Minton (2003:1), it is estimated that every week more than a quarter of the working population spends more than 30 minutes at work sorting out their debts and other financial issues. Absenteeism and stress are some of the symptoms of financial problems observed from such employees in the Office of the Premier.

Joo (2000:1) indicated that researchers estimate that 15% of the workforce is affected by financial problems that have a direct effect on their job

performance. Employers should acknowledge that employees' personal financial problems are increasing, and it is therefore essential for them to engage in a personal financial management education programme.

The researcher conducted an in-depth investigation into the nature and effects of financial problems among employees in the Office of the Premier, as there is lack of research on this phenomenon. Available literature shows the importance of managing personal finances properly. It is crucial to understand the phenomenon from those who experience financial problems. The information gathered will be of assistance to EAP Practitioners in the Office of the Premier and other Provincial Departments in the Limpopo Province when designing intervention strategies to provide assistance to employees experiencing financial problems.

Motswaledi, (2002) EA Practitioner in the Office of the Premier and a colleague to the researcher, was consulted during the study. She confirmed that financial problems are a predicament within the Office of the Premier and that it impacts negatively on the psychological well being of employees. Motswaledi is also of the opinion that in turn, this leads to poor productivity. She further indicated that a scientific study needs to be conducted that will assist EA Practitioners to understand the nature and effects of financial problems among employees in the Office of the Premier. Banyini, (2003) EA Practitioner in the Department of Finance and Economic Development supports Motswaledi, in that she also advised that this study be conducted to assist other EA Practitioners in understanding financial problems, in order to develop intervention strategies that will address the issue.

Adriaanse (2003), Senior Manager: Financial Management, Office of the Premier: Limpopo Province confirmed that the majority of employees are financially heavily indebted by micro-lenders, therefore unable to meet their basic needs. Based on her perceptions, a contributing factor to financial

problems could be that of migrant labour (with reference to those employees who have migrated from rural to urban areas).

1.2. PROBLEM FORMULATION

According to Mouton (1996:92) when formulating a problem it is important to distinguish clearly between what that you are investigating (the unit of analysis) and the data sources that have to be explored in gathering information or evidence about the unit of analysis. Bless and Higson-Smith (2000:26) stated that formulation of a problem introduces the necessity of defining clearly all the concepts used and of determining the variables and their relationships.

The researcher chose to investigate the nature and effects of financial problems on employees in the Office of the Premier. According to the researcher, employees who are experiencing financial problems seem unable to meet their basic needs, as their money is channeled to the repayment of loans or credits. This is supported by Whittaker, Heystek and Metz (1990:1-2) who indicated that nearly everybody has trouble living on their income, no matter what their income is. Kelly (1993:2) describes money as anything that is generally acceptable as a means of payment, or as a medium of exchange.

Money is so valuable that even employees exchange their labour for money so that they are able to pay for goods or services needed. As some employees are still unable to meet their needs after earning a salary, they opt for loans. Phillips, as quoted by Leider (1994:116), stated that there are four illusions about money, namely that “a lot of money lets me do what I want, people with a lot of money command more respect from others, I need more money for my family and money is necessary for security in old age”. The researcher concurs with the above author that some people tend to respect others for what they have rather than for who they are (respect based on material possessions),

which influences certain people to seek more money at all cost in order to earn respect from others.

According to Swart (1996:14) it is important for a person to have a personal financial plan which will help him/ her to ascertain his/ her current financial status or position, to consider the consequences of possible changes in such a position or status, to identify current and future needs as well as the probability of meeting them, to identify methods of achieving such needs and to adopt a purposeful lifestyle. Financial problems are progressive and will become worse if not attended to. The researcher observed that most employees in her workplace are experiencing financial problems, which seem to be a hidden problem for some individuals, while acceptable to others.

Usually, when an employee seeks help from a micro-lender, he/ she is already in a crisis situation and cannot meet his/ her basic needs. It has been observed that some employees are having more than one personal loan, which may be as a result of poor personal management or an inability to save money for emergency situations. It is socially and economically acceptable to borrow money in advance to meet life's needs. It seems as if the reactions of individuals towards money are influenced by their beliefs, personalities and attitudes. Some employees believe that if you do not buy on credit you will never own anything. Some even believe that it is impossible to live a debt free life, and hence find themselves in serious financial problems.

According to the researcher, financial problems increased when loans offered by micro-lenders became easily accessible to government employees. Another contributing factor to the increase of financial problems was the decision of government to cancel all repayments of loans through the salary system, because employees lack personal financial management skills as well as self-discipline.

Employees may even engage in criminal activities to get money. In South Africa, this is common among employees. The media often reports such incidents. Employees engaging in these activities are fully aware of the consequences of their actions, such as dismissal or imprisonment. The organization's image is also affected with these kinds of activities. Besides, employers invest in their employees as valuable assets by means of training to ensure that they perform according to the set standards. Should such employees be dismissed, the employer/ organization will experience a financial loss.

In summary, the researcher observed in the workplace that the lack of financial management skills, self-control and discipline over personal finances increase the debts of employees, especially through the use of loans to repay their debts or meet other needs.

1.3. PURPOSE, GOAL AND OBJECTIVES OF THE STUDY

1.3.1. Purpose

Mouton (1996:101) stated that the research purpose gives a broad indication of what the researcher wishes to achieve in his/ her research study. The purpose of this research was to conduct an in-depth investigation into the nature and effects of financial problems on employees in the Office of the Premier, Limpopo Province.

1.3.2. Goal

The goal of the study was to explore the nature and effects of financial problems on employees in the Office of the Premier, Limpopo Province.

1.3.3. Objectives

The objectives of the study were as follows:

- ✓ To determine the types of problems that emanates from financial problems through a literature study.
- ✓ To explore the nature and effects of financial problems on employees through an empirical study.
- ✓ To formulate conclusions and recommendations based on research findings for the Office of the Premier in order to address the financial problems of employees.

1.4. RESEARCH QUESTION

According to De Vos (1998a:115 -116), research questions are posed about the nature of real situations, while hypothesis are statements about how things can be. A research question has been chosen over a hypothesis, as this study is qualitative, and not much is known about financial problems among employees in the Office of the Premier.

The research question for this study was as follows:

What is the nature and effects of financial problems on employees in the office of the Premier?

1.5. RESEARCH APPROACH

According to the researcher, qualitative research and quantitative research differ in terms of focus and the procedure of investigation. According to Schurink (1998a: 242-243), the focus of qualitative research is more on understanding the phenomena, while the focus of quantitative research is more on testing the hypotheses, predicting or controlling the phenomena.

The researcher has followed a qualitative approach to explore the nature and effects of financial problems in the workplace through gaining firsthand information and understanding about the phenomena. Schurink further stated that the meaning of reality is obtained from the subjects who give their own perspective. The researcher used an inductive form of reasoning to develop concepts and understanding from the patterns in the data.

The qualitative approach focuses on the realities and how others interpret them. Creswell as quoted by De Vos (1998b: 44) stated that qualitative research involves interaction with participants, whether this interaction assumes the form of living with, or actual collaboration. In other words, there is no distance between the researcher and those being studied. The researcher's study is qualitative to gain an in-depth understanding of the nature and effects of financial problems to ensure that proper assistance is provided to employees experiencing financial difficulties.

1.6. TYPE OF RESEARCH

According to Grinnell (1993:439-446), basic research is a "...search for theoretical results that can be utilized to develop theory and expand the social work knowledge base, whereas applied research is a search for practical results that can be utilized to solve problems or be applied in practice". The type of research selected for the study was applied research; that is knowledge development to learn more about the nature and effect of financial problems on employees (Fouché & De Vos, 1998:70). Data collected in this study provided assistance to the employer and the EAP Unit in the Office of the Premier to apply the intervention strategies recommended in practice.

1.7. RESEARCH DESIGN

According to Grinnell (1993:448), research design is a plan of procedures for collecting and analyzing data, to investigate a research question or test a hypothesis. Mouton (1996:108) stated that the rationale for a research design is to plan and structure a research project in such a way that the eventual validity of the findings is maximized.

The purpose of an exploratory design is to gather facts or data at the lowest end of the research continuum. The purpose of a descriptive design is to describe and provide a highest level of knowledge, whereas the explanatory design explains in both a directional and cause-effect manner a top level of knowledge (Grinnell & Williams, 1990:171). According to Neuman (2000:223), experimental design is “commonly used to test casual relationships”. The design for this study is exploratory, and its intention is to gain understanding and insight into the nature and effects of financial problems on employees.

1.8. RESEARCH PROCEDURE AND STRATEGY

According to the researcher, the research procedure and strategy is a way in which research will be conducted to gather the required data within a specific period determined by the researcher. Patton, as quoted by Schurink (1998b: 253), mentioned that qualitative research requires that the data to be collected must be rich in description of people and places. Toseland, as quoted by De Vos & Fouché (1998:81), argued that “careful research exploration and analysis of the research questions and thorough understanding of the research design are essential before the specific method that provides complete, appropriate data about the variables in the research can be chosen”. Data collection methods are ways in which the data are actually obtained.

The researcher used a semi-structured interview schedule to gather facts about the nature and effects of financial problems on employees in the Office of the Premier. Informal sessions were held individually with the targeted individuals to recruit them, at the same time explaining the purpose and methods of the study, and to obtain the informed consent. The recruited individuals were informed about the commencement of the study. The researcher ensured that the logistical arrangements were made with the department.

According to Bless & Higson–Smith (2000:107), a semi-structured interview schedule is more useful in exploratory research, and helps to clarify problems and concepts in order to establish answers and solutions for later detailed research studies. A semi-structured interview schedule was used to collect data from nine respondents, which was audio taped to avoid note taking that might have interfered with the spontaneous nature of the individual.

The data collected was analysed by extracting themes. A semi-structured interview schedule provided general guidelines to the researcher during the interview to explore in detail all relevant topics and answers given by respondents.

1.9. PILOT STUDY

The pilot study according to Grinnell (1993:446) is the administration of a measuring instrument to a group of people who will not be included in the main study, to determine difficulties respondents may have in answering questions given by the measuring instrument. The following is the components of the pilot study:

1.9.1 Feasibility of the study

Strydom (1998a: 181) stated that the nature of the problem, the extent to which the problem is known to the researcher, the previous experience of the researcher, and the quality and quantity of the information available on the subject will determine the manner, range and depth of the relevant preliminary exploratory study, also known as the feasibility study. The research study was conducted during working hours as a result of transportation difficulties. The venue was not a problem, and costs were covered by the researcher's account.

The researcher requested permission in writing from the Departmental Head to conduct this study. The application letter explained the purpose and methods of the research in such a way that the Departmental Head can understand the benefits of the study (See the approval letter, appendix A).

1.9.2 Pilot test of the semi-structured one-to-one interview schedule

According to Babbie (1990:223), pilot testing involves the testing of the data collection method on a few people with the same characteristics as the respondents. The testing of the semi-structured interview schedule helped to address the shortcomings of the investigation before engaging in the main research process. These respondents were asked to comment on the wording of the questions, vague and confusing questions (Strydom, 1998a: 183). According to the researcher, pilot testing helped her to refine the wording of questions, reduce the length of the interview to a more manageable one and obtain the desired information.

A semi-structured interview was conducted with two employees who did not form part of the main study. During the interview the researcher explained the

purpose of the pilot study, the goal and objectives of the study. Based on the outcome of the pilot testing of the research interview schedule, the researcher revised the questions and removed one question that was not relevant to the study. The use of the audiotape did not disturb the respondents during the interview session.

1.9.3 Literature Study

According to Strydom (1998a: 179-180) the researcher must trace all available literature, which is broadly and specifically relevant to the study. This information helps the researcher to gain more knowledge about the subject. A detailed literature study becomes relevant during the main investigation. Previous researches conducted within the country and outside the country will be reviewed to place the problem in theoretical perspective.

The researcher utilised journal articles and books at the University Library (Fouché & De Vos, 1998:67). An inter-library loan system was used through the University of Pretoria, the Academic Information Service, the Polokwane Library and the Library within the Office of the Premier to access books and journal articles. The Internet was used to search for similar research studies conducted.

The researcher focused more on basic books about the subject before moving on to journal articles. The focus of the literature study was on the nature and effects of financial problems among employees, and on what the employer can do to assist employees with the said problems.

1.10. DESCRIPTION OF THE RESEARCH POPULATION, DELIMITATION OF THE SAMPLE AND SAMPLING METHOD

1.10.1 Research population

Seaberg, as quoted by Strydom & De Vos (1998:190), defined a population as the “total set from which the individuals or units of the study are chosen”. The population for this study is all the employees in the Office of the Premier who consulted the Employee Assistance Programme just over the past twelve (12) months due to financial problems. Therefore, the population for this study is eighteen (18) employees in the Office of the Premier who consulted the Employee Assistance Programme for the past twelve (12) months due to financial problems.

1.10.2 Delimitation of the Sample

Seaberg, as quoted by Strydom & De Vos (1998:191), defined a sample as a small portion of the total set of objects, events or persons which together comprise the subject of the study element of the population, considered for actual inclusion in the study. The researcher selected those employees who are on salary levels 1 to 8, since the majority of employees utilizing EAP services fall within this salary range category. Salary level 1-8 is the lowest salary category in the Public Service ranging from R34 107 to R135 438 per annum. It was not feasible to use demographics such as gender, race and age to select the sample, due to the size of the population of the study. Furthermore, the researcher selected the sample out of employees who had more than one garnishee order or loan.

1.10.3 Sampling method

The non-probability sampling method that was used, was purposive to select nine (9) respondents out of the population of eighteen (18) who consulted the Employee Assistance Programme just over the past twelve (12) months, due to financial problems. According to Grinnell & Williams (1990:126), purposive sampling is used when the research chooses the sample purposively, using own judgement to make the sample more representative. The recruitment was done through an informal interview with potential participants and the purpose, method, ethics and benefits of the study were explained to them.

1.11. ETHICAL ISSUES

Ethics as defined by Strydom (1998b: 24) is a set of moral principles. The following ethical issues are relevant to the researcher's study:

- **Harm to experimental subjects/ respondents**

This study did not include emotional or physical harm to respondents. The researcher ensured that respondents are protected from such harm by not deviating from the research purpose and strategy. During the pilot testing of the semi-structured schedule, it was clear that respondents never experienced any sign of discomfort as a result of the study. Furthermore, the researcher did not deviate from the interview schedule and asked questions that were relevant to the study.

- **Informed consent**

The respondents were informed of the purpose, procedure and impact of the research beforehand, so that they could withdraw if they so wished, or

continue with the project, being well informed. The respondents provided written consent before the research commenced (See Annexure C).

- **Violation of privacy**

The researcher adhered to anonymity and the principle of confidentiality. The respondents' names were not used, in order to protect their identities. An audiotape was used with the respondents' permission.

- **Release or publication of the findings**

The identities of respondents were not disclosed in the report on the findings. The respondents were informed that the report was given to top management in the Office of the Premier. The researcher agreed with the respondents that the findings of the study might be made available in the form of a mini-dissertation to the University Library. The researcher acknowledged all the sources consulted, to ensure recognition as well as the producing of a scientific publication.

- **Action and competence of the researcher**

The researcher remained objective throughout the investigation process and avoided any action that may influence the response of the respondents during the study. She was competent to undertake this research study due to the training she had on social problems and research methodology. She had close supervision during the research process.

- **Deception of the subjects/ respondents**

Prior to data collection, respondents were informed about the methodology used during selection, about their voluntary participation, and the fact that

there is no payment involved. Furthermore, the benefits of the study were also discussed prior to data collection. However, the purpose of the study was discussed with the respondents before and during data collection.

1.12. DEFINITIONS OF KEY CONCEPTS

▪ **Financial problems**

The researcher could not find a definition of financial problems in the literature reviewed. As a result, the words “finance” and “problems” will be defined separately. Thompson (1995:439) defined finance as “the money resources of a state, company or person”. A problem is defined as a “doubtful or difficult matter requiring a solution” (Thompson, 1995:950).

In the context of this study the researcher defined financial problem as personal money difficulties that requires attention because the person is unable to meet his/her personal needs.

▪ **Money**

According to Leider (1994:115), money is “something we trade our time for”. Kelly (1993:2) describes money as anything that is generally acceptable as a means of payment or as a medium of exchange. The description of money in the World Book Encyclopedia (2000:704) is similar to that of the latter author that money is “anything generally accepted by people in exchange for the things they sell or the work they do”. According to the researcher, money is a token used by the government in any country as a means of exchange or payment for goods or services.

- **Employees**

According to Thompson (1995:443), an employee is a “person employed for wages or salary, especially at non-executive level”. Mitchell (2003:104) defined an employee as “any person, excluding an independent contractor who works for another person or for the state and who receive or is entitled to receive any remuneration, and any other person who in any manner assist in carrying on or conducting the business of an employer”.

According to the researcher, an employee is a person who enters into a contract to exchange his/ her labour for a salary in a government department or private institution. This person can be regarded as a temporary or permanent employee, depending on the contract.

- **Limpopo Province**

Limpopo Province is one of the nine (9) South African Provinces situated in the North Eastern part of the country. It was formerly known as the Northern Province (See Annexure B).

- **Office of the Premier**

The Office of the Premier is one of the Departments in the Limpopo Provincial Government that provides leadership in terms of policy and direction, and that sets the style and tone of governments’ administration.

- **Garnishee order**

In terms of section 72 of the Magistrate Court Act, 1944 a garnishee order is an order against the garnishee to pay the judgement creditor or his/her

attorney so much of the debt as may be sufficient to satisfy the judgement and cost. Garnishee according to Martin (2003: 216) is a person who has been warned by a court to pay a debt to a third party rather than to his creditor.

The researcher defined the garnishee order as a court order issued to a person who failed to pay the creditor the amount agreed upon and has to pay his debt to a third party and not the creditor.

- **Micro lenders**

A micro lender is a loan shark who is defined as a money lender who charges exorbitant rates of interest (Pearsall, 2002:832). According to the researcher the micro lender is the money lender who borrows people money at a high interest rate.

- **Credit**

According to Pearsall (2002: 335) credit is the ability of a customer to obtain goods or services before payment, based on the trust that payment will be made in the future. The World Book Encyclopedia (2000:1124) described credit as a way that enables people to obtain goods and services even if they do not have enough money to pay for them right away. The researcher defined a credit as a mechanism used by sellers to enable people to acquire goods and services without money by entering into an agreement to pay in the future for a specific period of time determined by the creditor.

- **Loan**

According to Kavanagh (2002: 609) a loan is “a thing that is borrowed, especially a sum of money that is expected to be paid back with interest”. Rooney (1999: 1105) defined a loan as “an amount of money given to

somebody on the condition that it will be paid back later”. The researcher defined a loan as an amount of money borrowed from an person or institution by someone on condition it will be pack paid back with or without interest.

1.13 CONTENTS OF THE RESEARCH REPORT

A research report is a “written document produced as a result of procedures undertaken to reveal information (Darbyshire as quoted by Strydom, 1998c: 420). It is a way of conveying the knowledge and findings of the study to the public. There are similarities on the contents of research reports in different research literature, though the report format varies from one author to another.

Strydom (1998c: 424-425) illustrated the research report as follows:
Introduction, research methodology, findings, summary, conclusion and recommendations.

The content of this study report is as follows:

■ **Chapter 1:**

General introduction

■ **Chapter 2:**

Literature review on financial problems

■ **Chapter 3:**

Data analysis and interpretation

■ **Chapter 4:**

General summary, conclusion and recommendations.

1.14. LIMITATIONS OF THE STUDY

Regardless of the fact that respondents were recruited on time and agreed to form part of the study, they were reluctant to avail themselves for the interview.

This indicated the sensitivity of the subject under study. The pilot study could only be done with two respondents due unavailability of the other third respondent. This study was prolonged due to the unavailability of the respondents.

Due to the size of the sample of the study, the researcher could not make certain conclusions concerning the impact of the number of dependent children on the individual's cash flow problems. For the same reason, it was impossible to indicate which category of respondents according to the demographics, are more vulnerable to financial problems.

1.15. CONCLUSION

Financial problems have become a concern for employers. Employee Assistance Programme is used by some employees to address their problems. The researcher chose to investigate the nature and effects of the financial problems in order to gain more understanding of the subject from those who have first hand information.

The researcher followed a qualitative approach to collect data so that the knowledge gained may be used by EA practitioners when assisting such employees. The design used for this study was exploratory because little is known about the subject in the Office of the Premier.

In the next chapter focus would be on the review of literature related to personal financial problems among employees.

CHAPTER 2

LITERATURE REVIEW

2.1. INTRODUCTION

As people are striving to achieve their needs and gain financial independence, the process becomes very complex due to changing economic conditions, the changing political climate, inflation, the large number of financial institutions, conflicting financial advice and attractive advertisements in the media (Swart, 1996: 4).

This chapter provides a review of the literature related to personal financial problems, its causes and effects on employees, and intervention methods to assist such employees. Sufficient information on the nature and effects of financial problems, and South African practices and/ or malpractices impacting negatively on employees will be covered.

An Employee Assistance Programme has been established in the Office of the Premier because it acknowledges the existence of employees' personal problems, as well as that such problems may have a negative influence on productivity if not properly managed (EAPA-SA, 2005-5). It is estimated that 10 to 15% of the workforce in America is affected by personal problems that impact on job performance. Financial problems are one of the personal problems that employees are experiencing in the workplace (Joo, 2000:1). This chapter will also present an overview of some of the intervention guidelines.

2.2. THE NATURE OF FINANCIAL PROBLEMS AS A COMMON PHENOMENON

According to Lauer (1998:4) a personal problem is where the causes and solutions lie within the individual's immediate environment, whereas with a social problem, the causes and solutions lay outside the individual and his/ her immediate environment. Individuals with personal problems may utilize individual strategies or seek professional assistance to come up with a solution.

According to the researcher, financial problems have developed into a national problem in South Africa. It is progressive and can become worse if not attended to. It may be a hidden problem for some individuals or an acceptable problem for others. According to Orman (2000:22), some people experience fears or anxieties about money at some level, but will rarely admit them to those around them or to themselves. These fears are preventing them from taking control of their finances.

There are various factors that contribute to these problems, for instance: poor knowledge and skills on financial planning, accessibility and availability of credits or loans, alcohol and substance dependency or gambling. Garman et al. as quoted by Joo (2000:3), defined poor financial behaviours as "personal and family money management practices that have consequential, detrimental, and negative impacts on individuals' lives at home or at work".

2.3. THE MEANING OF MONEY

People attach different meanings to money due to childhood socialization. According to Orman (2000:18), a person's memory about the first money experience will reveal the roots of the fears that so strongly rule his/ her

current financial life. She further stated “each of our memories is different but leads to situations full of self-doubt, unworthiness, insecurity and fear”. It is clear that the meaning of money is derived from the first experience one had with money, whether good or bad.

Individuals’ beliefs about money influence their actions towards money. Vorster (1996:23) stated that person beliefs formulated in early childhood about him/ herself, relationships, debt making, happiness, fame, and money-matters would influence all his/ her thoughts and actions. Garman et al. as quoted by Joo (2000:30) provides examples of poor personal financial behaviours (see table 1. below).

Table 1: Poor Personal Financial Behaviours

<i>Regularly overspending money</i>
<i>Regularly overusing available credit</i>
<i>Writing bad checks</i>
<i>Having a low or non-existent emergency fund</i>
<i>Having liabilities in excess of assets</i>
<i>Obtaining cash advances on credits cards</i>
<i>Regularly obtaining consolidation of loans</i>
<i>Not contributing to a retirement plan</i>
<i>Filing bankruptcy</i>

In addition to the above examples, there are many situations that lead to financial problems for individuals or families. These situations are stress related variables, such as a “change in income, the birth of a child, the need to support a parent or another person, death, divorce, lawsuits, overestimating income or underestimating expenses because of poor records, using money for emotional reasons and not controlling expenses for alcohol, tobacco, drugs and gambling” (William as quoted by Joo, 2000:26).

2.4. CAUSES OF FINANCIAL PROBLEMS

- **Credit**

Joo (2000: 42) described credit as a “means for acquiring goods or services without the use of income and it is an alternative to cash for financing consumer goods and services. According to Swart (1996:14), most people desire more than they are able to handle. This often results in huge financial problems with far-reaching financial consequences. The author defined credit as “the ability to obtain goods and services immediately at a promised future cash repayment”. The researcher agrees with the author that credit is a convenient mechanism used by business companies and financial institutions to lend people money to purchase goods or services and repay the amount for a specified period.

This method of purchasing requires knowledge and understanding of the process involved, for instance understanding of the “pros and cons”. Swart (1996:475) indicated that there are right and wrong reasons for incurring debts. The right reasons are based on logical decisions, whereas wrong reasons are based on emotional decisions. The researcher agrees with the author when looking at the South African situation. Most people usually project false impressions to impress those around them, to gain a sense of belonging and social recognition. Their buying is not in terms of their personal or family budget. On the other hand, there is a lack of knowledge on how credit functions. For instance, they are not aware of the interest rate involved, the repayment period and the amount payable.

As it has been highlighted in the World book Encyclopedia (2000:1124), sellers extend credit to buyers because it increase sales and buyers pay interests. Most buyers are willing to take this route because payment is done

over a specified period of time and they use whatever they bought while paying for it. Some people find it difficult to refrain from incurring debts due to attractive media advertising, which encourages buying on easy terms.

The US census Bureaus as cited in Joo (2000:30) reported that in 1995 one in five Americans (about 49 million) lived in a household that had at least one difficulty meeting basic needs. Some of the difficulties they experience were inability to pay mortgage or rent, had services shut off, and did not get enough to eat.

- **Substance dependency**

One of the effects of substance dependency is a financial problem. People who abuse alcohol or drugs often have financial problems because they neglect other major activities, and make alcohol or drug their priorities. On the other hand, people with financial problems may use alcohol or drugs as a coping mechanism. These problems have a negative impact on an employee's job performance and may lead to dismissal if not addressed. Garman et al. (1996:7) revealed that substance abuse might be one of the factors that affect employees' productivity.

- **Gambling**

The South African Government has legalized gambling in terms of the National Gambling Act, 1996 (Act No. 33 of 1996) with the intention to advance, uplift, and empower categories of persons or groups disadvantaged by discrimination. According to the researcher the intention was good to the country but this is not realized due to the negative impact it has on some individuals, especially those who are already in a financial crisis.

In the National study report done by Collins and Barr (2003:24) for the National Responsible Gambling Programme (NRGP), gambling is defined as “the activity where two or more parties place at risk something of value (stake) in the hope of winning something of greater value (prize) where the outcome depends on the outcome of events which are unknown to the participants at the time of the bet (the result)”. It is further highlighted that gambling can be addictive as a result it is possible for a person to spend unlimited amount of money in a very short period of time. People who are addicted to gambling may experience financial problems.

According to George (2003:4), the gambler's work suffers greatly because his mind is preoccupied with how to pay the debts. The gambler may borrow money, either from co-workers or friends or relatives, or commit illegal acts such as fraud and theft. It is clear that gambling has a negative impact on some individuals, especially on those who are already in a financial crisis because they are likely to neglect their responsibilities to pursue gambling.

Although gambling attracts both the rich and poor, it is often the poor or the financially affected who are hit the hardest as they spend their income/savings on gambling, hoping to multiply them in order to get out of financial embarrassment. The lottery is one of the examples where employees use part of their salaries to try their luck. According to the NRGP study report there is an increase amongst those who only play lottery since 2001 to 2003. In 2001, 16% of problem gamblers play lottery only and in 2003 the number increased to 32.5%. It is further reported that the low-income group spend an average of R30-R60 a month on lottery and this is a significant amount for this particular group. The National lottery is regulated by Lotteries Act, 1997 (Act No. 57 of 1997), the aim is to fund Reconstruction and Development Programmes or projects, but in the process, the social functioning of individuals is affected.

- **Lack of financial planning**

People use their personal or family income without budgeting for such expenditure and therefore, they fall into the trap of purchasing goods or services, which are not priorities for them. Some people will borrow money to purchase goods on credit (for example, borrowing money to pay a deposit on a car). This indicates that a person is living beyond his/ her means and is therefore in danger of losing their possessions or being blacklisted.

De Klerk and Du Plessis (1990:151) defined budget as a “systematic statement of the expected income and expenditure for a particular future period, usually a month or a year which is drawn up to control expenditure and to serve as a measure for the evaluation of financial performance”. The purpose of a budget is to ensure that the individual utilize the available financial resource in an amicable way to achieve his/ her set goals.

According to Brigham, Gapenski and Ehrhardt (1999:5) it is important for one to have knowledge of finances to make many personal decisions, ranging from investing for retirement to deciding whether to lease or buy a car. The authors further stated that a cash budget is used in firms for planning purposes and that the daily or weekly budgets are for actual cash control. In case of an individual, a budget is also essential for planning purposes and for weekly or monthly monitoring of the individual's use of income. This plan provides detailed information so that the person can understand the cash flow and continue to plan ahead.

Leech as quoted by Atkinson (2001:3) stated that “people have not been taught how to manage their money appropriately”. He further highlighted that too many people either don't know how to manage their budget, or lack discipline to make or follow a budget. According to Whittaker et al. (1990:60-61) the reasons people do not plan their finances may be due to the fact that

some have never been told about it, some have fear of failure while some have the weakness of procrastination.

- **Health status**

People with chronic illnesses such as cancer or HIV and AIDS require expensive medication for treatment. Although some belong to a medical aid, all treatments are not covered by the medical aid. According to Swart (1996:562), the cost of a heart bypass operation is approximately R24 000 of which the medical aid pays about R15 000, leaving the patient to pay the balance. This situation usually leads to the application of loans if one did not make additional provision for such expenses.

The recent changes to the Medical Schemes Act have also brought significant changes, which at the end affect consumers. Because of legislative changes, Medical Aid Schemes have increased their subscriptions while offering fewer benefits to their clients.

The findings of the study conducted in Free State Province revealed that people living in both rural and urban areas cope with financial pressures emanating from illness such as HIV and AIDS by borrowing, utilization of savings and selling of assets (Ebony Consulting International, 2003).

- **Migrant labour**

Most South Africans moved to urban areas to seek employment. These people could not stay with their families because most organisations did not provide unit accommodation to cater for families. The people therefore had to support themselves as well as their families in the rural areas. In the Limpopo Province, there was an amalgamation of three former administrations and employees had to relocate to Polokwane, the capital city of Limpopo. Some

employees could not take their families along due to a number of factors (such as employment for their spouses or school fees involved).

Migrant labourers should have enough money to maintain themselves and their families, to pay transport expenses when visiting home, or to pay for their children's education. Due to low wages, most could not afford these costs/expenses. If a migrant labourer fails to provide financial support to the family, relationships may be affected, which may ultimately lead to divorce.

The State examined the issue of a living wage by means of the Basic Conditions of Employment Act, 1997 (Act No.75 of 1997). In terms of this legislation, a limit has been set in respect of various categories of work as the minimum wage employers can pay their employees. In spite of this, employees continue to experience financial problems due to inflation.

2.5. SYMPTOMS OF FINANCIAL PROBLEMS

The following are the symptoms of troubled employees experiencing financial problems: (Source: Garman et al., 1996:3-4)

SYMPTOMS

- Leave or being absent without leave, coming to work late or leaving early. Presenteeism may also pose a problem where employees are always at work but not productive. Poor performance may lead to disciplinary actions or even dismissal.
- Involvement in corrupt activities. The employee may engage in criminal activities to get money e.g. through theft. This may lead to imprisonment or dismissal.
- Regularly borrowing money from colleagues or friends or relatives.
- Having more than two cash loans (borrowing money to pay creditors).
- Legal problems e.g. garnishee orders or administration order.
- Refusal to accept visitors and pretending to be unavailable.
- High rate of absenteeism. The employee may misuse sick leave.
- Involvement in conflicts involving money.
- Self-withdrawal.
- Inability to control or manage personal or family income.
- Poor time management, for instance unexplained absences from work.
- Misuse of alcohol and/ or drugs.
- Financial Stress.
- Aggression.
- Selling valuable possessions/ assets
- Repossession of assets by creditors.
- Reluctance to open their mail.
- Refusal to answer telephone calls or excessive use of telephones.
- Suicidal or family murder threats.
- Depression.

2.6. EFFECTS OF FINANCIAL PROBLEMS ON EMPLOYEES

- **Absenteeism**

As indicated above by Garman et al. (1996:7), absenteeism may affect the employee's job performance, as well as working relationship with co-workers. According to the researcher this situation leads to disciplinary action against the employee as absenteeism is regarded as misconduct by law. Absenteeism may be a result of a lack of money for transport to work. Furham in Joo (2000:34) classified absenteeism as one of the behavioral systems.

- **Criminal activities**

The employee may engage in criminal activities to get money. In South Africa, this is common among employees. The media often reports such incidents. In 2004, it was alleged that some Members of Parliament used their travel vouchers to defraud the government (Sunday Times, 2004:210). According to the researcher employees engage in these activities with full knowledge of the consequences, such as dismissal or imprisonment. The organization's image is also affected by these kinds of activities. Besides, the employer invests in employees as valuable assets through training to ensure that they perform according to the set standards. If employees are dismissed, the organization will experience financial loss (the researcher's opinion).

- **Impaired social functioning**

The employee's social functioning is affected because he/ she is unable to fulfill his/ her role as the family provider, or is not in the position to meet basic needs which are essential according to Maslow's Hierarchy Theory (Carrell, Elbert, Hatfield, Grobler, Marx, and Van der Schyf, 1997:105). To cope with this problem, an employee may abuse alcohol or drugs. They may sometimes

sell all of their possessions to pay other debts. In the process, the families as well as job performance are affected as a result of inability to manage finances.

- **Economic distress**

Joo (2000:26) highlighted that the effect of economic distress does not only affect an individual but also his/ her family members. According to Jacobson, Aldana, Goetzel Vardell Adams and Pietras (in Joo 2000:29) stress related to personal finances may be an indicator of a lack of resources to meet basic needs. This stress is caused by an inability to meet financial obligation or the inability to maintain the desired standard of living.

The World Health Organization as cited in Joo (2000:31) defined health as a state of complete physical, mental and social well being, and not merely absence of disease or infirmity. The employee's psychological status is affected by this problem and as a result; they develop stress, depression or anxiety. If one is mentally not healthy, he/ she will not perform according to the set standards. The employee's ill health may lead to early retirement, which in turn might affect the employee if he/ she was not prepared for it. On the other hand, the employer may lose financially because of the increase in medical costs.

2.7 SOUTH AFRICAN PRACTICES AND MALPRACTICES IMPACTING NEGATIVELY ON EMPLOYEES

The government is currently regulating deductions made from the salaries of employees. Only 15% can be deducted from the employee's salary for insurance premiums and 25% for the repayment of loans. No deduction will be made if the deduction will make the employee earn less than R750-00 per month (Mongi Mali Magazine, 2001:6).

- **Micro lenders**

The business of lending money to individuals is increasing in South Africa. Some people are borrowing money from these financial institutions without knowledge of the interest rate applicable. Usually these institutions are not concerned about the borrower's ability to repay the loan because the repayments are deducted directly from the borrower's salary by means of a stop order. This is confirmed by Davel's (year unknown: 9) argument that some micro lenders worsen the situation by extending loans that exceed people repayments capacity. Lenders charge interest because it serves as compensation for risking the loss of money and waiting for repayment of the loan (World Book Encyclopedia, 2000:1124).

The worst victims of this kind of arrangement are government employees. Statistics of one of the government departments indicated that people take home less than five percent of their gross remuneration per month. For instance, gross salary is R5 195-80 but the netto is R131-29. A substantial portion of the salary goes to micro-lenders. The government decided to cancel the system of stop order deductions due to the problem. According to the Basic Condition of Employment Act, Act 1997, deductions are not supposed to be carried out without the employee's concern, unless by court order.

If a person is experiencing such a problem, job performance may be affected if there are no other sources of income. This person's basic needs will not be met and consequently the situation may lead to the person borrowing money and finding him/ herself in a vicious cycle. This situation encourages some people to sell their property. Swart (1996:482) indicates that in terms of legislation, no goods may be resold before being paid off, unless the creditor authorizes such an action in an agreement.

Persons unable to pay their debts, may in terms of the Magistrates' Courts Act, 1944 (Act no. 32 of 1944), approach the Magistrate Court and apply to have their estates placed under administration. The essence of this practice is that the person's estate, particularly the salary, will be administered by the person who is appointed as administrator in respect of the estate of the person concerned. The role of the administrator is to receive a certain amount from the salary of the person whose estate he/ she is administering, and distributing such money to the creditors. The only advantage of this is that it stops creditors from continuing with deductions against the person's salary and the person pays only a manageable amount to the administrator for distribution.

The disadvantage of this system is that it only lessens the burden of the person, without empowering such a person with financial management skills to prevent a recurrence of the problem. A further pitfall associated with this system is that it enables unscrupulous persons whose estates are under administration to use their now good-looking salary slips to obtain further credit from other unsuspecting credit grantors, compounding the person's financial problems even further. Most people do this without knowing that it is actually a criminal offence to continue to obtain credit while under administration without disclosing the situation to potential credit grantors.

- **Strikes**

In South Africa, most employees complain about wages. The Labour Relations Act, 1995 gives them the right to protest about wages in order to promote socio-economic interests. Some employees misuse this right in the sense that they strike for unrealistic wage increments. In the process, the company is losing financially which in turn may lead to bankruptcy and closure of the company. This situation will increase the rate of unemployment, crime or dysfunctional families in the communities, especially between the poorer of the poorest.

Some of the employees lack knowledge about the Labour Relations Act. As a result they involve themselves in unprotected strikes, which threaten their job security. They realize this when the employer dismisses them and the union is unable to protect them due to the wrong procedure followed. Sometimes they engage in strikes where employers apply the rule of “no work no pay” and this has negative consequences on the person’s financial position.

2.8. GUIDELINES ON HOW TO ASSIST TROUBLED EMPLOYEES

According to Garman (2002:7), 80% of employees with personal financial problems use work time to deal with their personal concerns. He further stated that such employees waste 20 plus work hours a month thinking about, and dealing with money matters. Kim as quoted by Garman (2002:17-18) has done research to test the effects of workplace financial education which revealed that three months after the education and advice programme, employees experienced financial prosperity, had personal savings satisfaction, experienced better health and obtained positive performance ratings. Bagwell as quoted by Garman (2002:19-20) conducted research to test the effects of credit counseling or debt management programmes which revealed that after one year there was improved employee financial well-being, job productivity and health status.

It is clear from these studies that employers should introduce these programmes in order to decrease poor performance and absenteeism. The results of the successful financial programme implemented by Ernst and Young as indicated by Garman (2002:26-27) are supervisors report few workers dealing with money problems during work hours; continuous attendance of workshops on financial planning, credit and money management and improved personal financial well-being.

2.9. CONCLUSION

It is clear from this chapter that financial problems are personal problems that impact negatively on employees in the workplace, as well as outside the workplace. This is a national problem that requires the government's intervention in educating employees on how to manage their own finances due to the costs involved, if not addressed. The Employee Assistance Programme should ensure that financial problems are addressed at the primary intervention level when employees do not experience any problems. This level of intervention will encourage most employers to be proactive to accelerate service delivery.

The next chapter will focus on data analysis and interpretation of the results of the empirical study.

CHAPTER 3

DATA ANALYSIS AND INTERPRETATION

3.1 INTRODUCTION

In this chapter, research findings under discussion are based on central themes, extracted from the viewpoints of respondents. A total of nine (9) interviews were conducted with the respondents who are staff members of the Office of the Premier, Limpopo Province, based in Polokwane.

At the time of the study, all respondents experienced financial problems and received two or more garnishee orders from a court of law and loans. The data was collected through a semi-structured one-to-one interview schedule, and the use of a tape recorder.

Responses made by the respondents allowed for various themes with regard to the nature and effects of financial problems on employees in the Office of the Premier, Limpopo Province. Firstly, the researcher will briefly discuss the research methodology followed. Secondly, a profile of the respondents in relation to the demographic factors will be provided. Thirdly, research findings according to the different themes will be presented. Literature will be integrated with findings.

3.2 RESEARCH METHODOLOGY

3.2.1 Research approach

According to Fouché and Delport (2002:79), qualitative research produces descriptive data in the participant's own written or spoken words, involving the identification of the participant's beliefs and values that underlie the phenomena. The researcher followed a qualitative approach while exploring the nature and effects of financial problems on employees within the Office of the Premier, by gaining first hand information and understanding about the phenomena.

3.2.2 Type of research

The type of research selected for the study is applied research that renders practical results that could be utilized to solve problems, or be applied in practice (Fouché & De Vos, 1998:70). This study aims at exploring the nature and effects of financial problems on employees in order to provide assistance to the employer and the EAP Unit in the Office of the Premier, and to apply intervention strategies recommended in practice.

3.2.3. Research procedure and strategy

According to the researcher, the research procedure and strategy describes the way/ manner in which the research will be conducted for the gathering of the required data within a specific period, as determined by the researcher.

Patton, as quoted by Schurink (1998b: 253), mentioned that qualitative research requires that the data collected must be rich in description of people and places. The researcher used a semi-structured interview schedule to gather facts about the nature and effects of financial problems on employees

in the Office of the Premier, Limpopo.

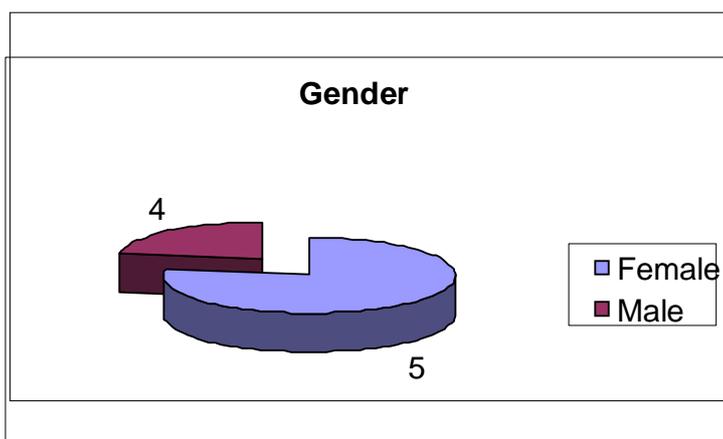
Informal sessions were held individually with targeted individuals to recruit them, at the same time explaining the purpose and methods of the study, whilst obtaining their informed consent. Thereafter, a semi-structured interview schedule was used to collect data from nine respondents. The data was audio taped to avoid note taking by the researcher, as it could interfere with the spontaneous nature of an individual.

The data collected was analysed by extracting themes. The semi-structured interview schedule provided general guidelines to the researcher during the interview to explore all relevant topics and answers given by respondents in detail.

3.3 PROFILE OF THE RESPONDENTS

- Gender

Figure 1: The gender of the respondents

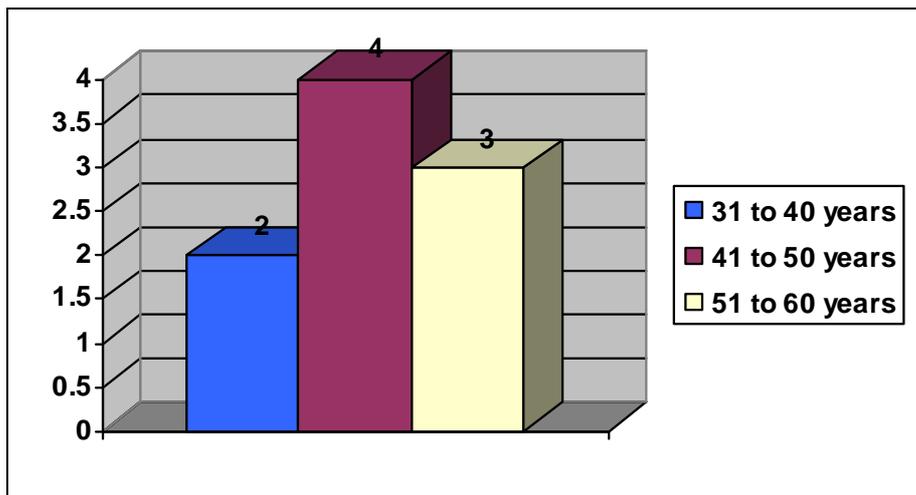


Interpretation

Out of a sample of nine respondents, five (5) were females while four (4) were males. This profile does not represent the gender profile of all the staff members in the Office of the Premier. It only includes those individuals who consulted the EAP Office for assistance with their garnishee orders and financial problems.

- **Age distribution**

Figure 2: The age distribution of respondents



Interpretation

Although the majority of respondents were between the ages 41 to 50 years, Figure 2 indicates that all age groups ranging between 31 to 60 years have definitely been affected by financial problems. They were also served with garnishee orders during the time of the study.

- **Marital status**

Table 2: The marital status of the respondents

Status	Frequency
Divorced	None
Married	5
Single	1
Widow	3
Total	9

Interpretation

It is obvious from the table above that most of the respondents in this study are married. Four of them are however married to unemployed partners while three respondents were widowed and left with the parental responsibility to raise children. Only one respondent is solely responsible to look after two dependants. This is the only category within the respondent group that has not received good representation, due to the unavailability of participants.

- **Salary level**

Table 3. The salary level of the respondents

Salary level	Frequency
1-4	6
5-8	3
9-12	None
13 and above	None
Total	9

Interpretation

It is clear from the above table that the majority of respondents being remunerated according to salary level 1 to 4 or 5 to 8 experience financial problems. The table further indicates that employees remunerated according to salary levels 9 to 13 and above have neither consulted the EAP Office in terms of financial problems, nor been garnished by a court of law due to bad credit. However, it has not been established that a low income can be associated with financial problems, due to the fact that other factors such as educational levels also play a role.

- **Period of service**

Table 4: The Period of service of respondents

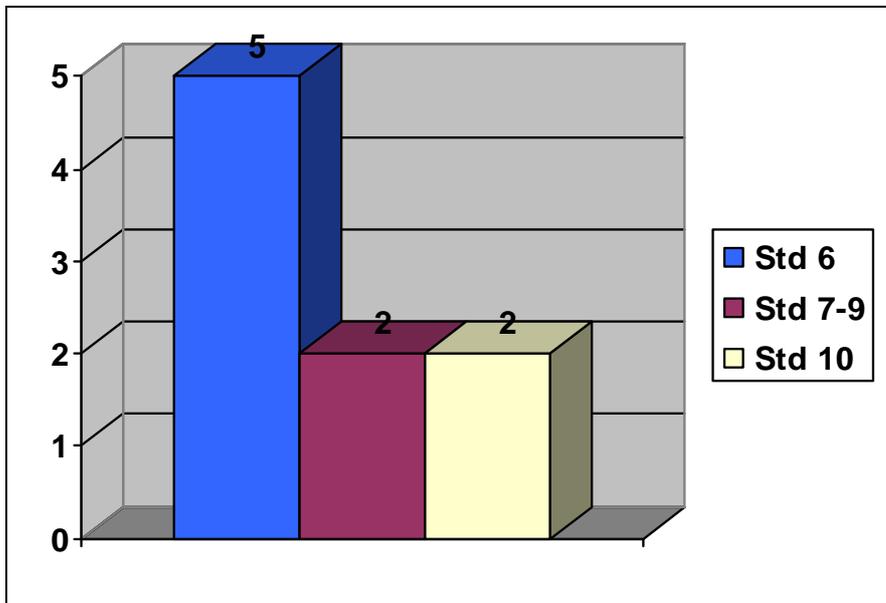
Period of service	Frequency
6-10	5
11-15	2
16-20	2
Total	9

Interpretation

The survey revealed that two members of the respondent group have been working longer than ten years, while two have been with the Office for more than 16 years. Five respondents have been working in the Office of the Premier for more than six years.

- Educational level

Figure 3: The educational level distribution of respondents

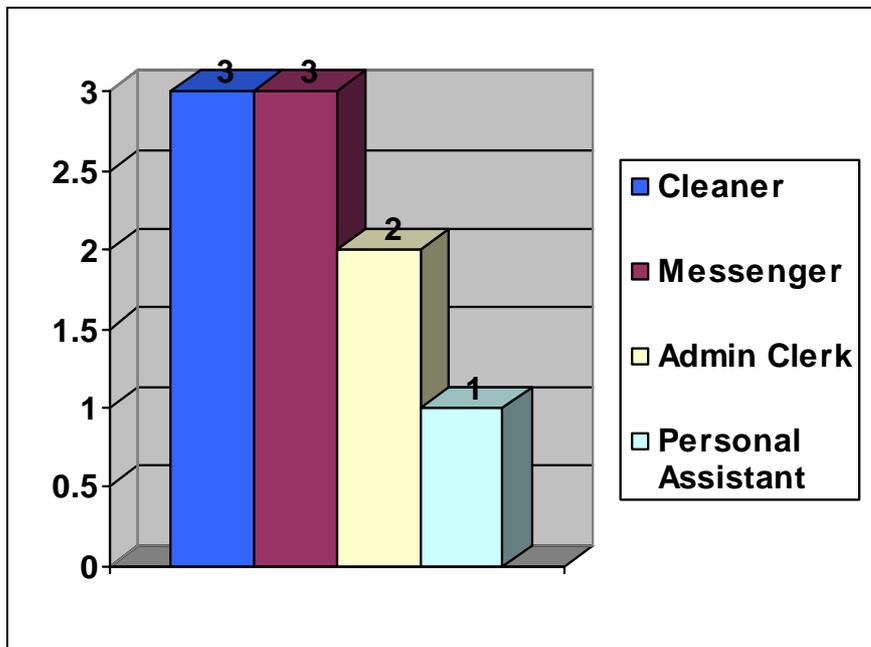


Interpretation

It is obvious from the above figure that the majority of respondents fall within the low educational level and low occupational category (Grade 8 / Standard 6). The highest educational level for the respondent group is Matric (Grade 12/ Standard 10). Only two respondents fall in this category. There seems to be a relationship between financial problems, and low levels of education and remuneration as the majority of respondents fall within this category.

- Type of work

Figure 4: The type of work of respondents



Interpretation

Although the majority of respondents were messengers and cleaners at the time of the study, figure 4 also indicates that the other occupational groups such as administrative clerks and personal assistants are also affected by financial problems and received garnishee orders from a court of law due to bad credit.

3.4 CENTRAL THEMES IDENTIFIED

In the following section, central themes will be extracted from the responses of the respondents. In order to voice the views and perceptions of the respective respondents on the nature and effects of financial problems on employees, direct quotes will be presented where applicable.

Theme 1: THE NATURE OF FINANCIAL PROBLEMS

In general, respondents regarded financial problems as emanating from the overwhelming parental responsibilities of bringing up offspring, and the high cost of living. The loss of income by a spouse also contributes to financial difficulties when one parent has to sustain the family financially for a long period. However, few respondents felt that their financial problems may have resulted from poor financial planning. Responses recorded during the interview confirmed these findings:

- ❖ “There are lots of financial responsibilities for one person, such as the paying of a house bond and rent. Food is a burden”.
- ❖ “Paying school and tuition fees, especially for tertiary education are the causes of financial problems”.
- ❖ “A lack of financial planning and budgeting is the problem”.
- ❖ “My financial problems started after the death of my husband”.
- ❖ “I started to have financial problems after my husband lost his job”.
- ❖ “Not earning enough as a support staff”.
- ❖ “Not able to pay the loan made as a result goes back to the same micro lender or another one to loan money”.
- ❖ “I have my unemployed sister’s children I am maintaining, their father passed on”.
- ❖ “My wife was not working but needed some expensive things that I could not afford to buy and due to pressure made loans”.

One respondent felt that it is difficult to budget with a low income while the cost of living continues to rise dramatically. “How can you budget with a small salary while food and other basic commodities such as electricity are

expensive and increase continually?”

The above findings confirmed what Williams as quoted by Joo (2000:26) contended, in that there are many situations that lead to financial problems for individuals or families: “These situations are stress related variables such as a change in income, the birth of a child, the need to support a parent or another person, death, divorce, lawsuits, overestimating income or underestimating expenses due to poor records, using money for emotional reasons and not controlling expenses for alcohol, tobacco, drugs and gambling”.

Furthermore, Tagtmeier (1992) as cited by Williams, Haldeman and Cramer (1996: 150) also support the above findings that financial problems are increasing due to more single parent households, divorce, second marriage, more one income households due to downsizing, overspending and addictions.

Theme 2: THE CREDIT PROFILE OF RESPONDENTS

This section will focus on projecting the types of credits as indicated by the respondents during the interviews.

Table 5: The credit profile of respondents

ITEM NO	TYPE OF CREDIT	INSTITUTION	NO.OF RESPONDENTS
1.	Cash Loans	African Bank Peoples Bank Capitac Other individual micro lenders	9
2.	Retailers (Furniture and clothing shops)	Bradlows Price-n-Pride Russels OK Clothing shops	9
3.	Municipal Services (Water & Electricity)	Local Government (municipalities)	6
4.	Medical Bills	Private Doctors	7
5.	Tuition fees and other school related fees	Universities and Technikons	7

From the table above there were an overwhelming number of respondents who make use of credit, due to excessive loans from micro finance institutions such as the African Bank, the Peoples Bank and other individuals micro lenders. Some respondents highlighted that they were moving from one micro lender to the other to loan money in order to pay their debts.

During the interviews it was discovered that the respondents obtained loans from banks, individuals in order to meet financial demands such as housing bonds, school or tertiary fees for children, transport to work as well as for the settlement of furniture debts. In support of the above, respondents indicated the following:

- ❖ “I borrowed approximately R60-000 from the African Bank and the Peoples Bank just to cover all my debts”.
- ❖ “I borrowed R19-000 from the bank for the settlement of my furniture debts”.
- ❖ “My debts were approximately R18 000, but now I owe less than R6000”.
- ❖ “Three loans of about R20 000 in total were made to pay the tuition fees of my child”.
- ❖ “My debts in total may be more than R15 000”.

Six (6) respondents indicated that they were so heavily indebted that they could not pay their monthly municipal bills for services provided. Of these six respondents, two indicated that their services were cut off due to non-payments. They are quoted as follows:

- ❖ “My water and electricity services were stopped due to no payments and I was assisted by the Director General (DG) of our office”.
- ❖ “For three days I stayed without electricity, because I owed until I got the loan to pay back the credit”.
- ❖ “Electricity was shut off on many occasions”.

In support of the above findings, the result of the joint study conducted by Ebony Consulting International and Development Policy Research Unit at University of Cape Town revealed that people borrow money for various reasons such as the financing of education, housing, businesses and consumption including furniture, clothes, groceries and other consumables. The study further highlighted that the poor African and Coloured households are the most likely to fall into a debt trap due to their poor asset base and their constraints with respect to the income expenditure deficit.

The finding on the debt owed to furniture stores is supported by the said joint study that the majority of total outstanding debt being owed to furniture stores is prevalent in the R15 000 - R75 000 income groups. These households would qualify for loans more readily than the poorest households, and this suggests that they could more easily be affected by interest rate hikes in hire purchase agreements, which could see repossession rates increase as financial sector deepening is entrenched (e.g. zero deposits required for purchasing new goods).

Theme 3: THE SIGNS OF FINANCIAL PROBLEMS

Respondents expressed different signs of financial problems, summarised as follow:

- **Absenteeism**

The majority of respondents acknowledged that financial problems are highly associated with absenteeism, due to the unavailability of transport fees. Three respondents were quoted saying “Sometimes I have to stay home because I do not have money to travel to work”. In addition, four respondents concur that they had to borrow money from friends and colleagues in order to pay for their transportation to work. One said “had to hike to and from work”.

- **Gambling**

Respondents indicated that they play lottery to earn extra money to make a living. The most popular form of gambling in South Africa today is the lottery. Because lottery has been associated with richness and financial wealth, it has reinforced gambling behaviour. Some respondents were recorded saying: “Playing lottery has been a part of my life, because I believe that I will one day win a jackpot “. However, few respondents were of the opinion that gambling is bad and can cause additional financial problems.

Collins and Barr (2003:16) in the National study on gambling concluded that the lottery is played on a regular basis by a very large percentage of people across a broad demographic profile. A large portion of the poor, therefore, are spending a significant portion of their disposable income on the lottery.

George (2003:4) concurred with the findings that although gambling is legalised in South Africa, it has negative implications on people. George continued to say that the gambler's work suffers greatly because his mind is preoccupied with how to pay his debts. It is clear that gambling has a negative impact on some individuals, especially on those who are already in a financial crisis because they are likely to neglect their responsibilities in order to pursue gambling.

▪ **Garnishee Orders**

The majority of respondents had two or more garnishee orders from a court of law due to the non-payments of their debts. This means that they are held legally liable for the settlement of all their debts. If one is garnished, he/ she will not further purchase any item on credit in the market until such time that the settlement of debts has been made. Furthermore, the garnishee's name will be on the Credit Bureau's database until such time that his/ her credit has been settled.

In general, Seven (7) respondents indicated that they have been garnished once or more for non-payments of debts, as presented by the following quotes:

- ❖ "I received three garnished orders. One from Bradlows, one from Price-'n-Pride and the other one from Russels".
- ❖ "I have two garnishee orders. One for not paying a medical bill, and another from the furniture shop".

- ❖ “I was garnished for the loan debt from the African Bank and Peoples Bank”.
- ❖ “I am paying the garnishee orders for the loans I failed to pay”.
- ❖ “I received a garnishee order for not paying my debt at the furniture shop”.
- ❖ Micro lenders take you to lawyer if you are unable to pay the loan and they do not call you at the magistrate court, the only thing you see is at garnishee order at work”.

Three (3) respondents used administration to be able to cope with their payments of debts. They were quoted as follows:

- ❖ “Due to my debts I had to go for administration order”.
- ❖ “I went for administration because I was not able to pay all my debts”.

Two (2) respondents indicated that their furniture was repossessed due to failure to pay the debts

- ❖ “My furniture was repossessed”.
- ❖ “My house was auctioned”.

▪ **Lack of Financial Planning**

It is clear from the responses that none of the respondents made a plan for emergencies such as death, children education and buying property such as house or furniture. Their responses were as follows:

- ❖ “You cannot budget when you have financial problems”.
- ❖ “I realised that it is difficult for me to budget”.
- ❖ “I did not plan my things well”.

The above findings are confirmed Swart (1996:14), that most people desire more than they are able to handle. Leech as quoted by Atkinson (2001:3) stated that “people have not been taught how to manage their money appropriately”. He further highlighted that too many people either don’t know how to manage their budget, or lack discipline to make or follow a budget. According to Whittaker et al., (1990:60-61) the reasons people do not plan their finances may be due to the fact that some have never been told about it. Swart (1996:25) further stated that a budget forces people to assess their current and future financial situation and to keep track of their income and expenditure. A budget assists a person to do financial planning.

- **Deteriorating job performance**

The findings of the study confirmed that financial problems have a negative effect on the job performance of an employee. The respondents in this study expressed different views on the extent to which job performance has suffered, as a result of their financial problems. Most respondents reported that their job attendance was poor as they sometimes have to take off time during working hours to go and sort out their financial problems with their creditors. In addition, few respondents reported a loss of time due to Presenteeism (they are actually at work but not pulling their weight due to financial stress).

According to the research done by Garman (2004:32) employees with financial problems who do spend time dealing with financial matters at the workplace admits that they waste 20 plus hours a month thinking about and dealing with such matters. Furthermore the outcome of the study revealed that overly indebted and financially distressed employees are more likely than others to perform at less than an optimal level.

- ❖ “I only asked to go the bank at the end of the month knowing that I am going to address my financial problems”.
- ❖ “I used to go out and phone my mother for financial assistance”.
- ❖ “I used to go out during working hours to deal with my financial problems during”.
- ❖ “I sometimes use the work telephone to deal with my financial problems”.
- ❖ “Claiming to be sick when having no money for transport to work”.

Theme 4: THE EFFECTS OF FINANCIAL PROBLEMS ON EMPLOYEES

Financial problems seem to have devastating effects on the individual's well being. The following effects are associated with financial problems as expressed by the respondents during the interviews:

- **Psychological well being**

Psychological problems associated with financial problems manifest themselves in various ways. Most of the respondents confirmed that their financial problems brought stress in their lives. However, the severity of this stress is not known, only one respondent indicated that he thought of committing suicide. Nevertheless, stress appears to have a significant impact on the concentration of respondents both at work and home, as the following quote reflect:

- ❖ “It causes a lot of stress and I can't concentrate on my job”.
- ❖ “It cause stress and you cannot work because you are thinking of the problems”.
- ❖ “You may think of living your job”.
- ❖ “When at work my financial difficulties distrurbed me but I was able to do my job.
- ❖ “I suffered high-blood pressure”.

- ❖ “Thinking about those you owe is stressful and I hated the pay day”.
- ❖ “I stated to thinking about killing myself when my wife left me”.

Furthermore, few respondents confirmed that financial problems impacted on their sleeping cycle, as reflected in the following quotes:

- ❖ “Sometimes, I do not fall asleep during the night”.
- ❖ “I sometimes find it difficult to sleep because I think too much”.
- ❖ “I wake up in the middle of the night and pray”.
- ❖ “When I wake up during the night I start thinking of the problems, hence you cannot rest well”.

It is apparent from the previously mentioned findings that financial problems have a negative effect on psychological well being. This has been supported by Garman et al., as quoted by Joo (2000:3) who defined poor financial behaviours as “personal and family money management practices that have consequential, detrimental, and negative impacts on individuals’ lives at home or at work”. Bailey in Williams et al. (1996: 150) confirmed the above findings that financial problems affects people in various walks of life, for instance employees with financial problems experiences lack of concentration resulting in poor quality or quantity of work, fatigue due to stress, become more accident prone and exhibits higher grievance rates

Furthermore, Joo (2000: 26) highlighted that the effects of economic distress does not only affect an individual but also his/ her family members. The World Health Organization defines health as a state of complete physical, mental and social well being, and not merely as the absence of disease or infirmity. The employee’s psychological status is affected by this problem and as a result; employees develop stress, depression or anxiety.

Jacobson et al., as cited by Joo (2000: 29) asserted that stress related to personal finances might be an indicator of a lack of resources to meet basic needs. This stress is caused by inability to meet financial obligation or the inability to maintain the desired standard of living.

▪ **Social well being**

Based on the feelings of respondents, their physical well being appeared to be at stake due to their financial problems. They felt insecurity associated with money, and a lack of personal fulfilment of their basic needs.

The feelings of the majority of respondents were that money provides a sense of security and personal fulfilment of basic needs. The following quotes demonstrate positive feelings associated with money:

- ❖ “Money means the fulfilment of basic needs, such as food and shelter”.
- ❖ “I regard money as the fulfilment of basic needs. Without money I cannot survive”.
- ❖ “Money is the security and survival of a person”.
- ❖ “Without money there is no life, with money you can buy food and get anything you want”.
- ❖ “When I got married my believe was that money is for specific people changed because my husband was very responsible”.
- ❖ “When you have money life is enjoyable”.
- ❖ “My wife is divorcing me due to financial problems”.

It is clear from these quotes that humans struggle for survival through secondary means (money). This has been supported by Abraham Maslow’s hierarchy of needs, as cited in Carrell et al., (1997: 105) that proclaimed that

humans strive towards self-actualisation. In doing so, they must first satisfy their basic needs, which are food, water and shelter. If their basic needs are not fulfilled, individuals will continually strive to fill that need. The need therefore becomes a motivational factor.

The reality today is that all these basic needs can only be fulfilled once people have the necessary money to pay for them. Once all these basic needs have been met, a person can start to progress to the second, third and fourth layers of the hierarchy. According to Maslow, the last layer is self-actualisation, which is only realised once a person has progressively satisfied all the bottom and middle layers of the hierarchy.

3.5 CONCLUSION

In this chapter the researcher discussed the research methodology that informed the research study and indicated how the data was analysed. The profiles of respondents were indicated, and the findings of the study were presented according to themes that emerged from the data and findings were verified by literature.

The next chapter will concern itself with an exposition on the summary, the conclusion and the recommendations of the study.

CHAPTER 4

SUMMARY, CONCLUSION AND RECOMMENDATIONS

4.1 INTRODUCTION

In this chapter, the summary of the study will be discussed while focusing on the aim and objectives of the study. Conclusions will be drawn based on the data analysis presented in Chapter 3. This will be followed by the recommendations based on the findings, and finally, the concluding statement.

4.2 SUMMARY

The aim of the study was to explore the nature and effects of financial problems on employees within the Office of the Premier, Limpopo Province. As a professional EA practitioner, the researcher identified the need for research to be conducted, seeing that financial problems surfaced most highly among EAP caseloads. Furthermore, the researcher endeavored to assist in developing strategic interventions that would deal with this continuing problem impacting so negatively on job performance or service delivery. Moreover, no prior similar study was ever conducted within the Office of the Premier on the subject.

In Chapter 2, the researcher conducted an extensive literature review on the nature, effects and causes of financial problems. The research findings presented in Chapter 3 are based on the nine (9) respondents' point of views regarding the research subject.

The objectives of this study were summarized as follows:

- ✓ To determine the types of problems that emanates from financial problems through a literature study.
- ✓ To explore the nature and effects of financial problems on employees through an empirical study.
- ✓ To formulate conclusions and recommendations based on research findings for the Office of the Premier to address the financial problems of employees.

The above-mentioned objectives were met during the review of literature on personal financial problems and during the empirical study, the researcher managed to explore the nature and effects of financial problems on employees. A qualitative research approach was followed whereby a semi-structured one-to-one interview schedule was used in order to collect data. The semi-structured interview schedule was pilot tested with two respondents who were not part of the sample group to validate the relevance of the questions. The empirical study was conducted by making use of semi-structured interviews with nine (9) respondents.

4.3 CONCLUSION

Based on the above summary, the conclusion can be drawn from the research study that financial problems are caused by a number of socio economic factors, such as the high financial demands placed upon parents in the upbringing the offspring, lack of financial planning as well as the rapid increasing inflation rate. Furthermore, research revealed the following findings:

- Financial problems result from unexpected changes such as loss of income of the spouse due to premature death or retrenchment or

unemployment whereby the remaining or other spouse has to sustain the family financially in the long run.

- Extracts from the respondents illustrated that their financial problems may have resulted from poor financial planning. Drawing a budget was never their lifestyle; this might be due to lack of knowledge on how to do a proper budget.
- There seems to be a relationship between financial problems and the levels of education (literacy) and remuneration, as the majority of respondents were from this low educational background. The highest educational level for the respondent group is Matric (Grade 12/ Standard 10).
- The study revealed that the majority of respondents utilizing EAP services due to financial problems were from a low educational level, as well as from a low occupational category. The occupational categories included in this study consisted of cleaners, messengers, administrative clerks and secretaries.
- The credit profile of respondents revealed that the majority of respondents owe financial institutions such as banks, individual micro lenders, and / or retailers (furniture and clothing shops), municipal services (water & electricity), Tertiary institutions such as Universities and Technikon and medical services (private doctors). Some of the respondents' properties were repossessed due to failure to pay retailers.
- The findings of the study confirm that the indicators of financial problems within the workplace include high absenteeism. Extracts obtained from respondents demonstrated that employees do not attend work due to the unavailability of transportation fees. Some attend to their financial

problems during working hours. Extracts further revealed that gambling (the lottery) is another indicator of financial problems.

- The findings of the study furthermore confirmed that financial problems have a negative effect on the job performance of employees. The extracts from respondents revealed that, due to poor job attendance emanating from financial problems, job performance was affected but respondents were reluctant to acknowledge that. In addition, some respondents reported a loss of time due to Presenteeism (being at work but not pulling their weight due to financial stress).
- The findings revealed that the employees address their financial pressures by borrowing money from the moneylender because it is easily accessible to them. The extracts revealed that some respondents were living in a vicious cycle as some borrowed money from one money lender to the other.
- Financial problems seem to have a devastating effect on an individual's psychological, physical as well as on his/ her social well being. Based on the extracts incorporating the respondents' point of view, psychological effects associated with financial problems are (among others) stress, poor concentration, changes in eating patterns and sleep disturbances. Furthermore, the physical effects associated with financial problems are stress related such as headaches or high blood pressure. In addition the social effects associated with financial problems are feelings of insecurity and a lack of personal fulfilment in terms of basic needs.

4.4 RECOMMENDATIONS

The following recommendations are made in light of the above conclusion:

- The researcher followed a qualitative approach in conducting this study and therefore, it remains uncertain to what extent the findings of this study can be applied to other contexts as a result more research in this subject is required, particularly using quantitative approach to quantify the nature and effects of financial problems on employees.
- Therefore, confirmatory studies; ideally with large sample sizes, both qualitatively and quantitatively, are suggested in order to confirm, refine or disprove the tentative hypotheses posited in this study.
- This study can assist the Office of the Premier as well as the EAP unit in understanding the nature and effects of financial problems on the ultimate service delivery of employees.
- Furthermore, the study can in reality sensitize the organization about the nature and effects of financial problems on employees and that early intervention at work is essential.
- More efforts should be concentrated on educating and equipping employees on lower levels with financial management skills, based on the fact that the majority of EAP service users come from low educational levels and low occupational categories.
- It is recommended that all employees should undergo training on personal financial management to prevent deteriorating job performance.
- To increase the effectiveness of the intervention of EAP unit it is essential to network with outside service providers of debts counselling.

4.5 CONCLUDING STATEMENT

This study concludes that financial problems result from overwhelming parental responsibilities in terms of the upbringing of offspring, coupled with high educational demands and the rapid increase of inflation. Poor financial planning and easy access to loans and credits impact negatively on those employees in lower salary levels. The study further revealed that financial problems impact negatively on job performance, and that it is highly associated with absenteeism and gambling. Employee stress about personal financial matters, as highlighted above, is a reality in the workplace, therefore, serious pro-active efforts by the organization in addressing this problem are now required.

It is the opinion of the researcher that the study contributed towards an understanding of the nature and effects of financial problems on employees. Despite the limitations of this study, it has provided a basis for more extensive research on the subject. The objectives of the study have been achieved.