DOES THE RESPONSE BY SOUTH AFRICA'S SMALL AND MEDIUM MANUFACTURING ENTERPRISES TO EMPLOYMENT PROTECTION LEGISLATION CONTRIBUTE TO UNEMPLOYMENT?

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ABSTRACT

The small business sector has been identified as a target by government to reduce South Africa's unemployment problem. There is existing research that most companies, including small business, avoid taking on new employees to avoid, perceived, stringent labour legislation. This research investigates whether small businesses adopt alternative employment strategies to labour as a means to avoiding labour legislation.

The questionnaire was distributed to over 9000 small businesses in the metal and engineering manufacturing sectors. Of the 214 responses only 194 could be used.

The results of the research point to a prevailing perception by those surveyed that labour legislation is stringent in South Africa and that small businesses, in their efforts to avoid compliance, chose to employ in the temporary and labour broker employment market. Mechanisation is also an option used by small business to avoid legislation. Legislation is, however, not always the only driver when businesses decide to mechanise.

KEY WORDS

Employment Protection Legislation, Offshoring, Outsourcing, Mechanisation, Temporary Employment

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1. PROBLEM DEFINITION

1.1. INTRODUCTION

"There is no dignity, no decency or health today for men that haven't got a job. All other things depend on work today." - Neville Shute, Ruined City.

Twenty years after South Africa's first post-apartheid, democratic elections, the country is still plagued by problems of massive unemployment, poverty and inequality (Seekings & Nattrass, 2011), resulting in significant socio-economic problems (Kingdon & Knight, 2007). Studies such as those by Christianson (2003); Bischoff and Wood (2013) and Rankin (2006) suggested that Employment Protection Legislation (EPL) acts as a disincentive to companies employing more permanent labour to meet their labour needs. This study aims to establish whether businesses, and specifically SMMEs in the manufacturing sector, are implementing alternative employment strategies to permanent labour in an effort to avoid EPL and in this way unintentionally rendering labour legislation counterproductive to employment creation.

Statistics South Africa − through its Quarterly Labour Force Survey (QLFS) − has revealed that the country's unemployment rate has risen by 0.3 % for the second quarter of 2014 to 25.5 or 5.2 million people of the total populace. Gower, Pearce and Raworth (2013) opined that South Africa is more unequal now than it was at the end of apartheid. The South African government acknowledges the urgency of turning the unemployment and inequality around and in its attempt to address this has, over the period 1994 to 2009, introduced a number of programmes, namely The Reconstruction and Development Programme (RDP); the Growth Employment and Redistribution Programme (GEAR) and the Accelerated and Shared Growth Initiative of South Africa (AsgiSA) (DTI, 2014). Two more programmes, the National Growth Path (NGP) and the National Development Plan (NDP), were introduced later in response to the failure of the previously mentioned programmes (Laubscher, 2010; Van Aardt & Van Tonder, 2011).

Analysis and criticism of both the NDP and the NGP has been done (Hendricks, 2013; Sanlam, 2014; Laubscher, 2010; Coleman, 2014), including the assessment of how the two programmes

have similar objectives but different and sometimes contradictory approaches in achieving said objectives. One of the NDP's targets, for instance, is to have 90 % of the jobs from its job creation programme generated through SMMEs by 2030. To achieve this and other targets, the plan proposes simplifying the regulatory environment for small and medium businesses, including reviewing "regulations in relation to business registration, tax, labour regulation, local government regulations" (National Planning Commission, 2011, p 119). The NGP, however, in its objective to reduce unemployment, proposes to "pursue legislative amendments to reduce worker vulnerability by addressing problems experienced in contract work, sub-contracting, outsourcing and labour broking…", "limit abuse of the CCMA by senior managers and professionals…" and implement "…measures to support the organisation of the unorganised…" (NGP, 2010, p 23).

The World Bank (2011, p 6) defines Employment Protection Legislation (EPL) as referring to "measures to protect employees, whether grounded in legislation, court rulings, collectively bargained conditions of employment or customary practice". This definition of EPL contents that there are tax and transfer costs involved in a company deciding to employ a new recruit. The transfer costs are money that is transferred from the employer to the employee such as wages, severance payments, notice periods and collective dismissal costs, while the tax component are those costs an employer will bear related to other parties such trial, procedural and employment costs. Employers' hiring (employment) practices and decisions are influenced by both these costs. Collective agreements may sometimes result in costs to companies as they may specify significantly high severance packages especially in employer-initiated separations. EPL in the current study refers to all the broader legal regulations that govern the relationship between employer and employee, including minimum wage regulations.

Cant and Wiid (2013) opined that SMMEs contribute to the economic development of a country through creation of employment in both rural and urban areas, providing sustainability and innovation, with a large number of the population directly and indirectly reliant on SMMEs. Kongolo (2010) cited in Cant *et al.* (2013) pointed out that in South Africa, SMMEs represent about 91% of the formal businesses, provide almost 60 % of employment and contribute between 51 and 57% of Gross Domestic Product (GDP).

A survey amongst SMMEs by the Small Business Project (SBP) found labour-related issues, including among others, Bargaining Council problems, the CCMA and Workman's Compensation to be the number one concerns for SMMEs in the industry (SBP, 2014). The SBP report reveals

that the adversarial relations in the labour market were a major disincentive to SMMEs in this sector taking on new employees. An inability to employ and dismiss permanent staff was raised as the most concerning labour law issue. Some of the respondents to the survey stated that "Labour laws are very restrictive. You have ideas, but they are too risky. If the project does not go well, you can be stuck with them," and "We prefer to upgrade technology and up-skill the staff we have so that they can be more efficient and productive". One of the possible solutions to the problem proposed by Kingdon and Knight (2007) was sensitivity by government when setting economic or Employment Protection Legislation (EPL) policies, as these may have an impact on economic growth. A well-intended labour law, they argued, may have a detrimental effect on employment in the labour market.

1.2.   RESEARCH MOTIVATION

The purpose of this research is to establish the response of SMMEs to EPL. The study will focus mainly on the metal and engineering manufacturing sectors. These sectors will be used specifically due to their historical prominence as members of Bargaining Councils and are thus more likely to be exposed to regulatory impact (Bischoff & Wood, 2013). The rationale behind the study is pertinent to the current high rate of unemployment in South Africa. There is a general belief by industry commentators and experts that one of the main contributing factors to unemployment is due to the perceived strict employment protection laws in the country (Zwane, 2014; Hlongwane, 2012; Thomas, 2013). In his study on growth of SMMEs in the high export industries in South Africa, Christianson (2003) listed the over-regulated and complex labour environment as one of the major factors that affect the employment decisions of Small, Medium and Micro Enterprises (SMME) in South Africa. The amendments to the Labour Relations Act (LRA) and the Basic Conditions of Employment Act (BCEA) whose intentions, according to the government, are to reduce unemployment, have been criticised by both business and labour. Industry and business experts are of the opinion that the amendments will have unintended consequences in that they will further complicate an already complex labour environment and make it difficult to do business (Hlongwane, 2012; Thomas, 2013), while the Congress of South African Trade Unions' (COSATU) main criticism of the amendments is that they do not completely do away with labour brokers and temporary employment and therefore will perpetuate the exploitation of workers (COSATU, 2012).

The recent weakening of the rand together with predicted economic growth in the Sub-Saharan Africa (SSA) region by the World Bank bodes well for increased demand, from the region, for

South African manufactured goods. With predicted GDP growth averaging around 5% for the next couple of years, infrastructure and telecommunication development, investment in the mining sectors and the discovery of oil in a number of SSA countries presents attractive opportunities for South Africa's manufacturing industry (Manufacturing Circle, 2013). Increased exports to SSA countries of up to 20.4% in 2012 (IDC, 2013) and 26% of respondents in the Manufacturing Survey respondents reporting 80 to 100% of their exports destined for Africa in the first quarter of 2013 (Manufacturing Circle, 2013) are some of the positive indicators of the potential opportunity of this sector in SSA. The industry has, however, despite the growth and positive outlook, experienced a negative growth in the employment of labour (SBP, 2014).

A further study, building on existing literature, is required to establish whether SMMEs, especially those in a country where business perceives labour law to be restrictive, such as in South Africa, seek and implement alternatives to permanent employment through alternative business strategies such as outsourcing, relocation of their operations to other countries (offshoring), employing temporary workers, making use of labour brokers, mechanisation and other measures to avoid such stringent EPL and thus be a possible explanation to high unemployment. The results may be used as guidance to government on EPL amendments and reform in light of the high unemployment, poverty and inequality in South Africa and by lobby groups to better focus their campaigns regarding labour legislatory matters. The definition for SMME for this research is as per the South African National Small Business Act of 1996 where the number of employees is used with the maximum limit cut-off being two hundred employees.

Below is a definition of some of the terminology that will be used in this report:

SMME – Definition is as per the South African National Small Business Act of 1996 where the number of employees is used with the maximum limit cut-off being two hundred employees.

Mechanisation - The process of doing work using machinery as defined by the South African Forestry Contractors Association (SAFCA, 2014).

Temporary Employment - Employees who are employed, according to the Labour Relations Act No 55 of 1995, for a limited or fixed period of time (LDC) linked to a specific event or project, either directly by the employer or through a Labour Broker/Temporary Employment Service (TES). The contracts of employment are terminated on the date of expiry of the limited duration contract.

Offshoring - Is the relocation, by a company, of a business process from one country to another—typically an operational process, such as manufacturing

1.3.   RESEARCH PROBLEM

The intention of this research is to ascertain the response to EPL by SMMEs in the manufacturing industry with particular reference to whether such responses negatively contribute to job creation. The objectives of the research are to:

- Establish whether SMMEs in South Africa are actively seeking and implementing alternative strategies to substituting labour in their efforts to avoid EPL
- Identify what the alternatives are that SMMEs are employing to substitute labour in their efforts to avoid EPL
- Establish if said alternatives result in SMMEs employing less labour

2. THEORY AND LITERATURE REVIEW

2.1. INTRODUCTION

The impact of perceived stringent EPL on unemployment has been widely analysed from both a theoretical and empirical perspective such as in the studies by Stähler (2008); Millán, Millán, Román and Van Stel (2013); Cazes and Tonin (2010); Sarkar (2013); Ingham and Ingham (2011) and others. Pierre and Scarpetta (2006) opined that the debate on the impact EPL has on unemployment is yet to be concluded as no research, whether focused on *de jure* legislation or business perception of EPL, has conclusively demonstrated this. The report argued that the evidence on the impact of EPL in developing economies is even more inconclusive due to lack of enforcement of the legislation. The general conclusion from most of these studies, however, is that employers avoid taking on additional permanent staff in an effort to avoid EPL. The World Bank's "Doing Business" report discourages countries from implementing strict EPL and has largely been the purveyor of the theory that EPL causes unemployment (Cooney, Gahan & Mitchell, 2010).

Studies show that companies employ different measures, including non-compliance, evasion and other means to avoid the effect of these regulations (Bischoff & Wood, 2013; Psychogios & Wood, 2010; Rankin, 2006). Howell, Baker, Glyn and Schmitt (2007, p.59), however argued that "empirical research on the determinants of high unemployment in the developed world has been, to a disturbing degree, driven by efforts to verify or confirm orthodox theory rather than by efforts to test it". An observation − while analysing the literature for the present study − is that the research outcomes can be predicted in most instances on whether the research was done by and from a business- or labour-friendly perspective of the researcher. Studies by theorists from the classical economic theory, for example, tend to conclude that stringent EPL results in increased unemployment while those from labour-aligned organisations such as the International Labour Organization (ILO) tend to argue for more government intervention in the economy of a country including its labour market. The review of the literature is done with sensitivity to and awareness of these ideological differences and their influence on the outcome of the some of these studies.

The literature explored in the present study explores how companies, both globally and in South Africa, respond to these regulations and if that response may contribute negatively to unemployment. Studies on the strictness or flexibility of South Africa's EPL are also interrogated.

2.2. EMPLOYMENT PROTECTION LEGISLATION (EPL)

Employment Protection Legislation is broadly defined as those mandatory regulations that govern the employment (hiring) and dismissal (firing) of employees (Bassanini, Nunziata & Venn, 2009) such as notice periods, dismissal procedures and other administrative processes (Kan & Lin, 2011) or simply put, rules that govern job initiation and termination. EPL historically intends to serve as an equaliser in the labour market by protecting jobs and in this way avoid the social and job displacement costs of the individual worker, caused by job losses (OECD, 2013). Legislators, in an effort to avoid these costs, seek to strike a balance between demands on the fiscus to support unemployment benefits and job-search assistance programmes; and the protection of employees. These rules are mostly intended by governments that implement them to act as protection of employees against job loss and to ensure that employers meet social responsibility obligations towards employees (OECD, 2013). A number of studies on the merits and demerits of strict or flexible EPL and the impact thereof on employment such as by Martin and Scarpetta (2012); Bassanini *et al.* (2009) and Ingham *et al.* (2011) exist "with differences that reflect the institutionalist-distortionist divide, with the former emphasising the protection and security afforded to workers and the latter focusing on employment and efficiency losses and privileging "insiders" who are covered by these rules" (Betcherman, 2014, p.14). The strict EPL seems thus to be protecting permanent employees to the detriment of those trying to enter the job market. General consensus, however, is that the ideal for policy makers is reaching an equilibrium between creating an environment that is not skewed excessively toward the stringent EPL as it creates a restricted business environment with reduced job flows and unemployment, and lax EPL which leaves employees vulnerable to exploitation and reduced employment protection.

Different countries have different levels of EPL that are classified on a continuum scale of rigid to flexible (Betcherman, 2014). On the rigid side of the scale, "non-permanent employment contracts (temporary, fixed term) are restricted; limitations are placed on employer dismissal rights; compulsory severance payments are substantial; and administarative requirements for layoffs (e.g. advance notice, government approval) are significant. At the less regulated end, few restrictions exist with respect to non-permanent forms of contracting or employer dismissal rights, and the administrative and monetary costs of layoffs are minimal" (Betcherman, 2014, p.14). OECD (2014) measured the level of strictness of EPL along 21 items which are classified under protection of workers against individual dismissal, regulation of temporary employment and additional requirements for collective dismissals. The EPL indicator scores range on a continuum of lax to stringent EPL which are from zero (0) to six (06) respectively.

OECD (2013) stated that the trend currently is for countries to be moving toward a less restrictive EPL. The argument is that this is driven mostly by efforts to increase temporary contract scope and not to protect permanent employees against dismissals. The unintended consequences of this, it is argued, have resulted in dual labour markets with temporary employment growing and permanent employment declining. Theory, however, remains inconclusive on the impact of EPL on unemployment (Betcherman, 2014).

2.3. EMPLOYMENT PROTECTION LEGISLATION AND UNEMPLOYMENT − A GLOBAL PERSPECTIVE

Feldmann (2009) suggested that one cannot unambiguously deduce the effects of employment and dismissal through theory, but rather from empirical research done at a specific point in time in a specific country. This research paper on the effects of employment and dismissal on unemployment, opined that most of the studies on the topic were limited in that they failed to consider that EPL is comprised of the legislative realities of the given country that include the *de facto* strictness of how courts and public administrations apply these employment protection laws in said country. The OECD method − which is used in most studies that measure the degree of flexibility of employment and dismissal regulations of a country − is criticised for not capturing this *de facto* strictness of EPL. Feldman (2009) continued to argue that the responses of employers to EPL may change with time even if the *de jure* strictness is unchanged. An example of this is where employers may, for instance, move jobs to another country − offshoring − if they perceive EPL in the new country to be more flexible. This could then result in an increase in unemployment in the home country. In his study, Feldmann (2009) used what he refers to as the subjective method of using data from the results of the annually held Executive Opinion Surveys (EOS) which canvas the opinion of only executives in companies. Feldman (2009), however, highlighted the limitations of this approach due to its exclusive focus on executives of companies. An example is how executives may view the strictness of employment and dismissal regulation favourably in a period when the economy is doing well, but be more critical when the economy is in a recession and executives feel restricted by these regulations.

An interesting perspective to this *de facto vis-a-vis de jure* debate was that of Bentolila, Cahuc, Dolado and Le Barbanchon (2012) who in their study compared two (2) countries', Spain and France, unemployment performance since the so-called Great Recession triggered by the financial crisis that started in 2008. The two countries with almost similar overall strictness of EPL scores of 3.0 and with both having a two-tier labour market dispensation of permanent and

temporary employment contracts, performed differently over the period as far as unemployment is concerned. At the start of the recession, both countries had an equal unemployment rate of 8%. However, at the end of 2011 France's unemployment was at 10%, while that of Spain was at 23%. Bentolila, Cahuc *et al.* (2012) stated that the protection of permanent jobs in Spain was stronger than that of France at 2.8 and 2.3 respectively, while that of temporary jobs was at 3.5 and 3.6 respectively. An interesting argument by Bentolila, Cahuc *et al.* (2012) was that the shortcoming of OECD strictness of EPL scores look at the *de jure* regulations of EPL and not the d*e facto* enforcement. The report argued that Spain was more strict at enforcing legislation protecting permanent jobs and lax at enforcing those regulations protecting temporary workers. France on the other hand was consistent in the application of regulations in both temporary and permanent labour markets. Bentolila, Cahuc *et al.* (2012) opined that employers in Spain were thus reluctant to move temporary workers into permanent jobs after the temporary contract had expired, like it is the norm, but rather opted to keep these workers in temporary employment. The lack of enforcement of the law governing temporary workers thus increased employment of temporary workers at the expense of permanent ones and thus the increase in unemployment. Strict enforcement of the law thus seems to have a larger effect on the law than when it is weak. *De facto* enforcement therefore counts more in the effect strict EPL has on unemployment.

Stähler (2008) stated that the results of his research showed unambiguously that more stringent employment protection increased unemployment by reducing job creation. Stähler (2008) used a model in which a labour union sets the minimum wage. Labour unions, his study showed, seem to have an impact on employers' observation of labour laws. Strong labour unions ensure enforcement and thus a likelihood that employers will comply with the laws. South Africa has 183 officially registered trade unions (Ramutloa, 2014). There is evidence that the broader the coverage of collective agreements between employer organisations and unions, the higher the impact of EPL. Studies such as the one by Murtin, de Serres and Hijzen (2014) have shown that the extension of collective agreements to the broader industry also affect companies with non-unionised members and thus the resultant negative impact on employment.

Theory opposing the notion that stringent EPL or labour market inflexibility causes unemployment is just as prevalent. An opposing view to the perspective of an employee-friendly labour legislative regime is that of Ingham *et al.* (2011) who, through their research of the labour market dynamics in Poland, found that the introduction of EPL led to a decrease in the unemployment rate and a general improvement of the labour market. Another recent addition to this camp is Vergeer and Kleinknecht's (2012) paper that called into question the robustness of a much-cited previous

paper by Nickell, Nunziata and Ochel (2005) which argued for flexible labour legislation as a means to reducing unemployment. Vergeer *et al.* (2012) claimed that by slightly amending the methodology, they reveal weaknesses and cast doubts on the results produced by this study. Their finding, they stated, disproves the argument that unemployment benefit entitlements, employment protection laws and trade unions have a direct effect on changes in aggregate unemployment. The authors conceded that their findings did not support arguments in the opposite direction, namely, that stringent EPL reduces unemployment.

Zhou, Dekker and Kleinknecht (2011) cautioned against the hasty deregulation of labour markets as they were able to establish through their study that companies with a high number of employees on temporary contracts tended to perform poorly on introducing new innovation. These companies were performing quite well on the sale of imitative products but poorly on new product innovation. The implied stance of their argument was that opting for the use of temporary workers to circumvent perceived challenges of employing permanent staff had its own disadvantages and it would be wise to take these into consideration as well when deciding on a company's staffing approach.

A rigid labour legislation also resulted in positive productivity in a company over the long run. This was shown through Storm and Naastepad's (2009) empirical study of 20 OECD countries over the period of 1984 to 2004. The argument from this study was that workers, in a strictly regulated labour environment that offers strong legal protection, have a higher level of motivation and therefore tend to perform better than their counterparts who are not. Storm *et al.* (2009) argued that less motivated employees will withhold any ideas that may help improve efficiencies and thus growth in productivity. Cooperation from these employees may be low if there is a feeling among said employees that their employment is at risk.

There is also the argument that as strictly regulated EPL reduces high employee turnover and thus facilitates reallocation of resources into jobs that are more suited over time, this ultimately results in positive growth in productivity. The authors also argued that strict employment protection stimulates higher investment by companies into employee training which has a positive impact on productivity. Sarkar (2013) from his study of 23 Organization of Economic Cooperation and Development (OECD) member countries between 1990-2008, using panel data models and causality tests, argued equally convincingly against the generally-held view that strict EPL affect labour through negative job creation and thus unemployment. The panel data models used in this

research were unable to establish causality of EPL on either long-term or short-term unemployment.

A more practical stance on the effect of EPL on employment and unemployment was the earlier argument by Baronne (2001) in that his argument took a more centrist approach on the matter. This study posited two competing effects of EPL on employment and unemployment. The argument of this research is that employers may potentially be hesitant to take on new staff as they may have concerns with the difficulty they may have in dismissing said employees in a climate where the economy is in a downturn. The positive impact strict EPL may have on employment is that the difficulty employers have dismissing existing staff during an economic downturn cancels out the reluctance to employ additional employees, thus resulting in an unchanged employment or unemployment situation.

2.4. EMPLOYMENT PROTECTION LEGISLATION AND ALTERNATIVE EMPLOYMENT STRATEGIES

There is increasing evidence that employers outsource their operations to sub-contractors (Perraudin, Thèvenot & Valentin, 2013) and/or opt for capital over labour to circumvent the effects of the formal employment relationships and their employer obligations (Cingano, Leonardi, Messina, & Pica, 2010).

2.4.1. Mechanisation

Theory had been presented by researchers such as Cingano *et al.* (2010) and Calcagnini, Giombini and Saltari (2009) that dismissal costs raise companies' adjustment costs and they may therefore substitute labour for capital. They further went on to posit that EPL may strengthen labour's bargaining power, resulting in less investment per worker as investment decisions by companies are held up in such a situation. The outcome of this, these authors argued, may be more investment in capital-intensive technologies in the long run and therefore reduced employment. Calgagnini *et al.* (2009) posited that companies tend to increase their investment in capital-intensive technologies where EPL makes the production processes of said companies less aligned to the demands of the business cycle. This report, however, also concluded that the impact EPL has on capital investment is ambiguous at best, as the costs the company is exposed to in a restrictive EPL environment may reduce its appetite for increased extension investment. Calgagnini *et al.* (2009) speculated that companies may decide in such a restricted labour

legislative environment to transfer the utilisation of funds to debt reduction and/or expand their financial assets.

Griffith and Macartney (2014) contradicted the argument that strict EPL may result in firms investing in more capital-intensive technologies. The report, however, still concluded that multinational firms tend to have an incremental approach to innovation activity in countries with strict EPL and thus less employment and rapid technologically-advanced innovation in countries with less strict EPL. According to this paper, firms are reluctant to introduce radical innovation that requires new skills in countries with strict EPL, as this may cause radical adjustment costs to employment through firms having to recruit employees with the skills to operate the new machinery and the resultant dismissal of the employees with the redundant skills. The adjustment costs are thus so radical that it increases the cost of the innovation and thus reduces the business case for it. The researchers concluded that high EPL increases adjustment costs for firms and this thus causes under-investment in activities such as technology-advanced innovations. Bartelsman, Gautier, Wind and Joris (2010) supported this argument in their research by comparing the quicker adoption of Information and Communication Technology as a means to increase productivity by the United States of America (US) versus the slower rate at which similar technology was adopted by firms in Europe. Bartelsman *et al.* (2010) posited that the US could adopt and invest in technology quicker due to the less strict EPL in this country as opposed to Europe, where EPL is stricter. In the US, the dismissal cost of one employee due to the adoption of new technology, was estimated in the report to be equal to one month of production while in Europe it was seven months. This Bartelsman *et al.* (2010) argued to be the disincentive of the adoption of new technology by most firms in Europe. Van Ark, O'Mahony and Timmer (2008) showed in their research that until this period, of the US adoption of ICT, productivity in Europe was exceeding that of the US with the capital-labour ratio of Europe much higher and continuing to grow. Ironically the adoption of the new technology by the US firms increased productivity and thus employment over the long run.

2.4.2. Outsourcing

The results from Perraudin *et al.* (2013) research on French companies over a period of 20 years showed that as outsourcing grew over this period permanent employment declined. Outsourcing was prevalent in those companies that were approaching the 50-employee statutory threshold that would trigger said company's employment-related obligations governed by EPL. The study

also showed an increase in temporary agency work which points to, the author argued, the fragmentation of the employer's relationship with its workforce.

Walsh and Deery (2006) posited that the rise of outsourcing (sub-contracting) since the early 1990s was driven by a number of different factors. The importance of labour cost-saving through the exploitation of the potential of outsourcing companies (sub-contractors) to offer less generous benefits, including lower wages, have been documented (Davis-Blake & Uzzi, 1993). Harrison and Kelley (1993); Pfeffer and Baron (1988) argued that company concerns to affect employee morale or risk damaging relations with labour unions by introducing low paying activities have been the main drivers encouraging the use of sub-contractor companies for certain, especially low-paying, jobs. Pfeiffer *et al.* (1988) claimed that by outsourcing, companies saved on recruitment, training and benefits such as insurance, unemployment insurance and pensions. Furthermore Jacoby (1984) and Marsden (1999) both cited in Walsh *et al.* (2006, p. 03) opined that companies were attracted to outsourcing their operations to sub-contractors to exploit the efficiency benefits "derived from a combination of lower labour costs and higher work intensity" brought about by these staffing arrangements. Pfeiffer *et al.* (1988) stated that the use of sub-contractors and/or sub-contracting companies was to diminish labour union growth and thus assuage the collective bargaining power of workers. Walsh *et al.* (2006) argued that the other reasons companies make use of the services of sub-contracting companies was to improve said companies' productivity by allowing the company to benchmark its own internal productivity with that of the company some of the work is outsourced to, usually a competitor, and through this improve its own efficiencies through organisational learning. Another reason that was presented by Walsh *et al.* (2006) for companies to outsource some their work is in instances where the company's production requirements are seasonal. Some of the work would thus be outsourced during peaks in demand and in that way enable the company to better manage its cyclic labour needs.

2.4.3.   Offshoring

In their study Bunyaratavej, Hahn and Doh (2007) argued that the reasons firms offshore their operations to other countries were related to the level of education in the country that was benefiting from the move, similarities in culture and language, and high value-add rather than the attractiveness of low wages. According to this research, a higher level of education and a culture closer to that of its home country will be the primary reasons for a company to offshore to another country. The authors posited that the reasons for offshoring were mainly human capital related rather than cost reduction motivations. Coucke and Sleuwaegen (2008) disputed the often-held

belief that offshoring resulted in increased unemployment. In their study of Belgian firms, the authors concluded that the best way for companies to compete effectively in a globalisation environment is to offshore some of their business activities to countries if it makes economic sense to do so, as this then enabled said companies to remain competitive in the domestic market. The report by these authors maintained that by not opting for offshoring may result in these companies going out of business and thus resulting in increased unemployment.

2.4.4. Temporary employment

There is overwhelming evidence that EPL leads to the emergence of dual labour markets. Bentolila, Dolado and Jimeno (2012) argued that the liberalisation of the fixed-term contract legislation without changing the stringent EPL that was entrenched during the Franco dictatorship era in Spain created a temporary and permanent worker labour regime. The fixed-term contract labour market experienced a surge in growth at a pace that was much faster than the permanent labour market. Employers in the Spanish market opted for employing in the temporary worker labour market as EPL, including employee dismissal taxes, were very low in this market. A number of reforms have been done to lessen the stringency of the permanent EPL; however, this has not reduced the incidence of favouring fixed-term contract employment over permanent employment by Spanish employers. The conversion of temporary to permanent was a compulsory requirement after a maximum period of three years of employment. However, the rate of conversion remained low at around 6% per annum. Bentolila, Dolado *et al.* (2012) ascribed the popularity of the fixed-term contract labour market by employers to the stringency of the EPL in open-ended contract labour markets.

In their study, using data from the United States of America (US) and German labour markets in the service and manufacturing sectors, Mitlacher (2007) maintained that the main use of temporary agency labour was primarily due to companies' response to stringent, inflexible labour regulation, for instance restrictive dismissal regulation, or to meet the requirements of fluctuating labour needs such as when the demand for their products increases. The study, in its comparison of the two labour markets, found that the use of temporary agency workers to avoid labour regulations was more prevalent in the German market than it was in the US market. This the authors ascribed to the regulation being more stringent in the former than it is in the latter. The reasons for the use of temporary agency work in the US market was more for pecuniary and cost saving reasons. Assessing the literature for the present study, it became apparent that research done in markets where EPL was more flexible such as that in the US by Vidal and Tigges (2009),

reasons for opting for temporary workers were related more to adjusting employee numbers based on product demand, that is, numerical flexibility, and/or to identify employees that could later be employed on a full-time basis with no or very little mention of labour law as a reason.

2.5.   SMALL, MICRO AND MEDIUM ENTERPRISES AND EMPLOYMENT PROTECTION LEGISLATION

Some of the reasons small and medium businesses avoid growth and thus employing more staff, according to Anderson and Ullah (2014, p.10), was "related to difficulties associated with their ability to follow employment regulation". Additionally being their own boss, popularity, respect and control also act as an incentive for these business owners to avoid growing beyond a certain size (Nichter & Goldmark, 2009). Small business owners, contrary to popular belief, are not independent but have a dependency on customers, suppliers, employees and financiers (Díez-Vial, 2009). These business owners, however, have decision-making autonomy of choice that gives them the freedom to run their businesses as they choose (Fayolle, Degeorge & Fayolle, 2011). The owners' decision-making is largely driven by what they can do rather than what they should be doing (Sarasvathy, 2008). Decision-making is influenced largely by the lack of time and planning and the power the external environment they operate in has on the business (Tocher & Rutherford, 2009). This tends to make small business owners more reactive and less proactive in their decision-making. Accordingly, the informality and autonomy in decision-making enables small and medium businesses to survive over the long term (Turner, Ledwith & Kelly, 2012). The strict enforcement of labour laws may also act as a restriction on firm size growth due to the associated high labour costs. This was the conclusion reached by Almeida and Carneiro (2009) in their study of labour legislation and the impact it has on small Brazilian firms. The authors opined that factors that restrict firm size growth are synonymous to those restricting overall economic growth and thus overall employment. Smaller firms also prefer to stay small as enforcement generally tends to be directed at larger firms. It is also the stance of the report that it is not enforcement that restricts employment, but rather labour laws themselves as enforcement in a balanced regulatory environment could be beneficial and would lead to stronger institutions. The authors concluded that the stringent regulatory environment leads to weakened institutions as it encourages evasion by smaller firms.

2.6. THE IMPACT OF EMPLOYMENT PROTECTION LEGISLATION ON SMALL, MICRO AND MEDIUM ENTERPRISES IN SOUTH AFRICA

Different definitions of unemployment exist in South Africa with some using what Klasen and Woolard (2009) referred to as the 'narrow' definition which includes only those who are willing to work and are actively searching for work or the 'broad' definition which includes all those in the 'narrow' definition plus the ones who have given up looking for work. Irrespective of what definition is used there is, however, agreement that unemployment in South Africa is high (Banerjee, Galiani, Levinsohn, McLaren & Woolard, 2008; Klasen & Woolard, 2009; Kerr, Wittenberg & Arrow, 2014) and has been increasing over the years since the country attained democracy (Banerjee *et al.* 2008). The different theories regarding the effect of EPL on the pandemic will now briefly be discussed. Benjamin *et al.* (2010) are of the view that compared to other global economies, South Africa's labour market is neither over- nor under-regulated, but displays an above-average rating with regard to difficulty of employment (hiring) and dismissal (firing) scores. The annual OECD strictness of employment protection legislation (OECD, 2013) indicator which is compiled from 21 sub-components, quantifies costs and procedures involved in dismissing or the hiring of employees, rates South Africa below average on Notice and Severance Pay for No-fault Individual Dismissal and Difficulty of Dismissal and above average for Procedural Inconvenience. These indicators, however, are limited and should be viewed with caution as the assesSMMEnt is done only from the employer's perspective. The World Economic Forum's Global Competitiveness Report ranks South Africa 113th of the 144 countries surveyed on labour market efficiency, 143rd on hiring and firing practices, 140th in lack of wage determination flexibility by companies and 144th on tensions in labour-employer relations (Schwab, 2012). There clearly are differing opinions with regard to the flexibility or otherwise of EPL in South Africa. The lack of consistency in the results obtained when assessing the degree of EPL flexibility, seems to emanate from the inconsistency in the measuring criteria used and also not taking into account the different regulatory regimes, social and cultural norms and the rule of law for different countries (Lee, McCann & Torm, 2008; Kan & Lin, 2011). General consensus, however, is that employers perceive EPL to be restrictive in South Africa.

Using firm level data to establish how companies in South Africa create and destroy jobs and thus contribute to unemployment, Kerr *et al.*'s (2014) findings were that South Africa's job creation and destruction rate was similar to Organization for Economic Co-operation and Development (OECD) countries. Further to this, they could establish very little evidence that South Africa's labour legislation created an environment where companies were reluctant to employ or dismiss workers,

that the manufacturing sector had a higher rate of job destruction than other sectors, that enterprise deaths were responsible in most cases for most job losses and finally that net job creation was less in smaller firms than in their larger counterparts. The latter finding, they concluded, may not bode well for the National Planning Commission's plan that targets SMMEs as the main job creators.

The increase in the supply of less-skilled labour brought about by the entry of females into the labour market versus a decline in demand for less skilled labour, the employed becoming more skilled while the less-skilled remaining unemployed, very little transition from informal to formal employment are all reasons cited by Banerjee *et al.* (2008) for South Africa's high unemployment rate. Banerjee *et al.* (2008) argued that the high unemployment phenomena was structural and not transitional and therefore may need an external shock or policy intervention to resolve.

The results of Bischoff and Wood's (2013) study on SMMEs and employment, reported a "coping-mode" by most of these businesses. It indicated a reluctance by a majority of these businesses to expand and grow, with the fear being that this would attract union attention and obligatory compliance to EPL. This resulted in these businesses avoiding the hiring of labour. The study also established that most employers employed illegal immigrants as there was a perception that said employees were less costly and could not register with a trade union due to their illegal status in the country. The study also uncovered non-compliance with EPL for most of the businesses surveyed with many reluctant to join Bargaining Councils due to perceived complexity, high subscription costs and the bureaucratic requirements. Most businesses reported low enforcement of the regulations with more than two thirds reporting having been visited by a Bargaining Council agent within the year. Over three quarters of those employees surveyed reported never having interacted with or seen a government official from the Department of Labour at their work premises. The report concluded that the low trust in employer/employee relations leads to both employee and employer costs. Employees are unable to have confidence in the security of their jobs and in some instances the guarantee of equitable treatment, while employers are vulnerable to costs related to absenteeism and the threats of overt strikes. The low trust therefore disincentivises the creation of human capital and in turn compromises loyalty by the employees to the organisation.

The South African government's Department of Labour has implemented additional amendments to EPL. The amendments' intention is to further tighten EPL regulation (Benjamin, Bhorat & Van Der Westhuizen, 2010). The bill, namely, the Labour Relations Amendment Bill (LRA) has as one

of its main objectives, to regulate part-time and fixed-term work where more than one employer/client is involved, such as outsourcing, labour brokering and sub-contracting, in an effort to protect employees against exploitation. Benjamin *et al.* (2010) argued that one of the significant gains targeted by the amendment to the legislation, that is, to convert the more than 2.3 million fixed-term, temporary and seasonal workers into permanent employees, which would as a consequence indicate an increase in employment for the country, will result in an increase in unemployment as employers are most likely to decide not to offer the contract workers permanent positions. The further tightening of labour regulation could thus increase unemployment.

The World Bank's "Doing Business" report promotes the theory that discourages countries from implementing laws that protect labour rights as, according to this institution, such laws restrict firms from making choices freely to grow their businesses and enterprises (Cooney *et al.*, 2010). Bischoff and Wood (2013) opined that there are two parts to the debate on the effect of EPL on enterprises, specifically SMMEs, in South Africa. The first being whether current EPL should apply to SMMEs, given the theory that such laws discourage employment due to the red-tape involved in hiring and firing workers, and the restrictions on owners making choices that would enhance their businesses' competitiveness, and the second being whether there actually is compliance by SMMEs to EPL in the country.

The latter is particularly pertinent in light of research by Psychogios and Wood (2010), the results of which showed how EPL has little impact on actual practice in smaller enterprises. Bischoff *et al.* (2013) stated that it is easier to monitor compliance within one large firm rather than in many smaller businesses and that in marginal enterprises employees may conspire with employers to evade EPL if there is a feeling by said employees that such compliance may put their job at risk. Bischoff *et al.* (2013), however, argued that such tactics, pursued to minimise the negative effects of EPL on smaller firms, raise the transaction costs of interactions between employers and employees as there is risk of bringing unpredictability to proceedings.

2.7. CONCLUSION

An analysis of the literature does not reveal conclusive, convincing evidence to advance the debate in favour of or against increased EPL. The effect of strict EPL on unemployment and employment is ambiguous at best. General themes arising through literature, however, are that employers' decisions on further expansion of their businesses is informed by their perception of the labour regulatory environment of the country in which they operate. It is employers ultimately

who make the hiring and firing decisions in organisations and if there is a perception that the regulatory and legislative environment renders the process cumbersome and places company growth at risk, then it stands to reason that employers will be reluctant to take on additional staff.

The amendments to EPL legislation by the South African government may fuel these perceptions by employers and owners of SMMEs that EPL in the country is even more stringent and this may result in an even larger reduction in employment. The legislation is set to place even stricter regulation on the use of labour brokers and employment of temporary workers which could be argued has been one of the ways in which employers have been circumventing the perceived negative impact of EPL.

There is therefore scope to establish what the current and future response to the further tightening of the legislation will be, with specific emphasis on whether other means such as offshoring, outsourcing, the use of labour brokers, mechanisation and employing temporary workers are being implemented by companies to substitute for labour and in this way evade legislation.

3. RESEARCH PROPOSITIONS

The study seeks to do a quantitative exploratory study, in the metal and engineering manufacturing sector, on SMME response to EPL. According to Leedy and Ormrod (2010, p. 06), a hypothesis is a "logical supposition, a reasonable guess, an educated conjecture. It provides a tentative explanation for a phenomenon under investigation". The study will test if there is a causal relationship between EPL and SMMEs seeking other alternatives to substitute employing additional labour.

The following propositions have been identified for this study:

Proposition 1: SMMEs in South Africa offshore their production operations to other countries to avoid Employment Protection Legislation

Proposition 2: SMMEs in South Africa mechanise production operations to avoid Employment Protection Legislation

Proposition 3: SMMEs in South Africa opt for the use of Labour Brokers and/or outsourcing to avoid Employment Protection Legislation

Proposition 4: SMMEs in South Africa opt for the use of temporary labour instead of permanent workers to avoid Employment Protection Legislation

4. RESEARCH METHODOLOGY

4.1. RESEARCH DESIGN

The approach of previous research conducted on the effect of labour legislation on SMME investment, growth and employment (Christianson, 2003) has mostly been qualitative, focusing on labour legislation as a general concept and the impact it has on SMMEs. According to Zikmund (2003), descriptive studies are based on previous understanding of a research problem where the study tries to find an accurate description of a phenomenon by determining "the extent of differences in the needs, perceptions, attitudes and characteristics of subgroups" (Zikmund, 2003, p. 56). Descriptive studies' objectives are to describe persons, events or situations accurately and therefore tend to answer the question "What?" (Saunders & Lewis, 2012). The research was descriptive and employed a quantitative approach to establish the alternative employment strategies SMMEs adopt in an effort to counter the negative impact of EPL to doing business.

The data collection for this research was by means of a survey. Zikmund (2003) defined a survey as a data collection method where information is collected from a sample.

4.2. UNIT OF ANALYSIS

The unit of analysis for this study was the alternative employment strategies used by small, micro and medium enterprises to avoid employment protection legislation.

4.3. POPULATION AND SAMPLE

A population is a complete group of beings, articles, entities and things that share a common set of characteristics (Zikmund, 2003). The population for the present study were all small, medium and micro enterprises in the metal and engineering manufacturing sector.

Saunders and Lewis (2012) proposed two sampling methods namely probability and non-probability sampling. Probability sampling, according to Saunders and Lewis (2012), is used when a full population list is available. In the instance where this approach is used then simple, systematic or stratified random sampling may be used. Non-probability sampling, on the other hand, is used when the full population is not known and the techniques include quota, purposive, snowball, self-selection and convenience sampling.

Due to time and cost limitations, the sample for the present research was collected through Bargaining Councils member employer organisations and company registration organisations and associations. A non-probability convenience sampling method was used where a survey

questionnaire was distributed to companies that are mainly in the metal and engineering manufacturing sectors. These sectors were selected for use specifically due to their historical prominence as members of Bargaining Councils and are, therefore, most likely to experience the impact of regulation more than others in the industry (Bischoff & Wood, 2013). According to Saunders and Lewis (2012), the use of non-probability sampling methods is best when one does not have a complete list of the population and the probability of each member of the population has of being in the selected sample is unknown. Zikmund (2003) posited that samples − even when done accurately using sampling theory − do not guarantee that they are representative of the population but are generally reliable estimations.

At the close of the survey, 214 responses were received. An assessment of the responses revealed that 20 of the respondents did not answer all the key questions. The 20 responses were thus removed and the remaining 194 responses included in the analysis.

4.4. DATA COLLECTION AND INSTRUMENT

Zikmund (2003, p. 175) proposed using surveys to "identify characteristics of a particular group, to measure attitudes and to describe behavioural patterns". The survey questionnaire was distributed to 9435 SMMEs in the metal and engineering industries and responses collected through e-mail with a link to the online survey tool, Survey Monkey. Only 194 of the 214 responses received could be included in the analysis. The questions used Likert scale ratings and were structured to obtain information on what the alternative strategies are that SMMEs employ, to counter the effects of EPL, in meeting their labour needs. The survey was open and available to the respondents between 18 September 2014 and 26 September 2014.

The questionnaire covered:
- An explanation on what the questionnaire was related to
- Demographic information on the respondents
- Company demographic information
- Company operational information to establish the extent to which companies had mechanisation, outsourcing, labour brokers, offshoring and the use of temporary workers as alternative employment strategies at the time of the survey
- Questions to establish the reasons why companies are or would consider using alternative employment strategies
- Questions to establish companies' perception of the stringency of labour legislation in South Africa

Saunders and Lewis (2012) proposed three sources of potential questions, that is, using questions from other researchers in previous studies, adapting questions from questionnaires from previous studies or designing your own. Two of the three methods were used as input to the design of the questionnaire. The questions were designed to provide sufficient data to answer the research propositions (Saunders &Lewis, 2012).

Rating questions, with a rating scale of five, were used to establish the strength to which they agreed or disagreed (Saunders & Lewis, 2012) with a list of statements and questions. The Likert-scale method was used for the questions related to opinions on questions 13 to 16, that is, questions whose objectives were to establish respondents' attitudes on alternative employment strategies and question 17 that focused on establishing respondents' labour law perceptions.

Respondents could choose any one of the following answers:

1. Strongly Disagree
2. Disagree
3. Neutral
4. Agree
5. Strongly Agree

There were a total of 17 main questions and 47 sub-questions in the questionnaire. A copy of the questionnaire is included in Appendix A.

4.5. DATA ANALYSIS

Data analysis was first done through descriptive analysis. Transforming raw data obtained through the surveys into a form that is easy to understand and interpret as is the main aim of descriptive analysis (Zikmund, 2003). For further analysis, the groups of the following variables were collapsed in order to do comparisons – age range, industry experience in years, trade union membership, institutional information and operational information. This was to enable comparisons of groups that are as equal in size as possible.

Factor analysis was done next to reduce the large set of variables to lesser, more refined and coherent subscales by looking for groups among the intercorrelations. The variables targeted

were temporary workers, labour broker/outsourcing, offshoring, mechanisation and labour law. Exploratory factor analysis is not meant to test hypothesis or the difference between groups, but is done in the early stages of the research to "gather information about (explore) the interrelationships among a set of variables" (Pallant, 2007, p. 179). The extraction method used for the present study was Principle Axis Factoring using Varimax rotation, while the second order used Direct Oblimin rotation. According to Pallant (2007), Varimax and Direct Oblimin are the most popular orthogonal and oblique rotation approaches used. The former is used to reduce the number of variables loaded on each factor. No reverse scoring was required for any of the items as none had a component that was negative and all were in the same order.

Reliability and validity tests were done to measure the degree to which measures are error free and consistent, and to ensure that the research is measuring what it is intended to measure (Zikmund, 2003). According to Pallant (2007), the Chronbach's alpha coefficient is one of the most commonly used to indicate internal consistency. Internal consistency is applied to measure if all the items making up the scale are measuring the same construct. Pallant (2007) opined that the Chronbach's alpha coefficiant should be above 7. In the current study, all the values were above 7, indicating that the items can be relied upon to be measuring the same construct.

Finally, Normality tests were done using the mean scores for the groups to be compared, namely, Age Group (rA2), Experience in years (rA6), Bargaining Council Registration (rC9 and rC10), Trade Union Membership (rC11) and Operational Information (rC12) with Temporary Workers – Labour and Non-Labour Law, Offshore - Labour and Non-Labour Law, Mechanise - Labour and Non-Labour Law, Labour Broker - Labour and Non-Labour Law and Labour Law (Main). To test Normality where there are 50 or more people, the Kolmogorov-Smimov test was done; where there are less than 50 people in the group, the Shapiro-Wilk test was done. A P-value equal to or greater than 0.05 indicates that a group is normally distributed while one less than 0.05 indicates that the group is not normally distributed. A non-parametric test, the Kruskal-Wallis or sometimes referred to as the Kruskal-Wallis H was done on Age Group (r2) due to, as can be seen in the tables below, most of the variables tested not being normally distributed (Pallant, 2007). The test allow the researcher to compare the scores of more than two groups which enabled the researcher to do a between-groups analysis. In cases where the Kruskal-Wallis test revealed a score of less than the alpha level of 0.05 or where only 2 groups are being tested, a post-hoc test, the Man-Whitney U, was done to determine the statistical significance of the difference between the individual groups (Pallant, 2007). A Bonferonni adjustment was first done to control for Type 1

errors by dividing 0.05 with the number of tests that are being done. The results of the different tests are discussed under each table in Chapter 5 where relevant.

4.6. RESEARCH LIMITATIONS

The research limitations identified were the following –

4.6.1.   The sample selection method chosen means that the data is only generalisable to the specific manufacturing sectors identified and the results can therefore not be applied to other sectors or industries.

4.6.2.   The research questionnaire on temporary workers does not ask for the number of said workers employed in instances where companies use this employment type. This would have been helpful to establish what the ratio of this employment type is to employees in permanent employment.

4.6.3.   Those respondents who are members of Bargaining Council were given an opportunity to specify what Bargaining Council they were affiliated to. Most of the responses were, however, invalid and had to be discarded. It would have been interesting to establish if respondents' perception of labour law could be predicted on the Bargaining Council they are affiliated to.

5. RESEARCH RESULTS

5.1. INTRODUCTION

Chapter 5 contains the descriptive statistics of the respondents that participated in the survey.

5.1.1. Descriptive Statistics

5.1.1.1. Background and Demographic Information

The background and biographical data of the respondents covered gender, age, ethnicity, highest educational qualification and industry experience. A total number of 214 respondents from the selected database completed the questionnaire through Survey Monkey. Only 194 responses could be used as the other 20 respondents answered the demographic questions only and had to be discarded. The demographics of the sample were generally representative of the sector as a whole. The biographical identities per workplace are described in the tables below.

Table 01 indicates the gender demographical data. The results show more males than females responded to the questionnaire.

Table 1 - Survey result for Gender

		Frequency	%	Valid %	Cumulative %
Valid	Male	128	66.0	66.0	66.0
	Female	66	34.0	34.0	100.0
	Total	194	100.0	100.0	

Table 02 shows the results of the age demographic data. The majority of the respondents falls within the 45 to 54 years age group (63) followed by the 55 to 64 years age group (57).

Table 2 – A2 Survey result for Age

		Frequency	%	Valid %	Cumulative %
Valid	26 to 34 years	10	5.2	5.2	5.2
	35 to 44 years	42	21.6	21.6	26.8
	45 to 54 years	63	32.5	32.5	59.3
	55 to 64 years	57	29.4	29.4	88.7
	65 years or older	22	11.3	11.3	100.0
	Total	194	100.0	100.0	

Table 03 shows a breakdown of respondents by ethnicity. There were more white respondents than any other group at 74.7 %. The smallest group is that of Coloureds at 2.6 %.

Table 3 – A3 Survey result for Ethnicity

		Frequency	%	Valid %	Cumulative %
Valid	Black	21	10.8	10.8	10.8
	White	145	74.7	74.7	85.6
	Coloured	5	2.6	2.6	88.1
	Indian or Asian	23	11.9	11.9	100.0
	Total	194	100.0	100.0	

The majority of the respondents, as can be seen in Table 04, at 64.4%, are at executive level while the next largest group are at senior management level.

Table 4 – A4 Survey result for position in company

		Frequency	%	Valid %	Cumulative %
Valid	Junior Management	6	3.1	3.1	3.1
	Middle Management	18	9.3	9.3	12.4
	Senior Management	39	20.1	20.1	32.5
	Executive	125	64.4	64.4	83.0
	Other	5	2.6	2.6	100.0
	Total	194	100.0	100.0	

Table 05 is a breakdown of respondents by highest educational qualification. The majority of the respondents have a Post-Matric Diploma or Certificate followed by those with a Post Graduate degree.

Table 5 – A5 Survey result for highest educational qualification

		Frequency	%	Valid %	Cumulative %
Valid	Grade 11 (Std 9) or Lower	2	1.0	1.0	1.0
	Grade 12 (Matric, Std 10)	20	10.3	10.4	11.4
	Post-Matric Diploma or Certificate	67	34.5	34.7	46.1
	Baccalaureate Degree(s)	41	21.1	21.2	67.4
	Post-Graduate Degree(s)	63	32.5	32.6	100.0
	Total	193	99.5	100.0	
Missing	System	1	.5		
	Total	194	100.0		

The majority of respondents have more than 20 years' experience as can be seen in Table 06. Only one (01) respondent falls within the 1 to 2 years group.

Table 6 - Survey result for years of experience in this specific industry

		Frequency	%	Valid %	Cumulative %
Valid	1 to 2 years	1	.5	.5	.5
	2 to 5 years	6	3.1	3.1	3.6
	5 to 10 years	29	14.9	15.1	18.8
	10 to 15 years	23	11.9	12.0	30.7
	15 to 20 years	38	19.6	19.8	50.5
	More than 20 years	95	49.0	49.5	100.0
	Total	192	99.0	100.0	
Missing	System	2	1.0		
	Total	194	100.0		

5.1.1.2. Summary – Biographical Information

The majority of the respondents are white males. The largest age group are those who are 55 years and older. Most of the respondents are at an executive level and the Post Matric Diploma/Certificate is the qualification group that is in the majority followed closely by the group with a Post-Graduate Degree qualification. The majority of the respondents have more than five years' industry experience. Table 65 shows the results of the respondents' level in the organisation and is discussed in Chapter 06.

5.1.1.3. Business Information

This section contains the results on the company profile of the respondents. Most of the companies' head offices, as can be observed in Table 07, are located in the Gauteng province. The Northern Cape and Eastern Cape provinces have the lowest number at one respondent each.

Table 7 – B7 Survey result for South African province where the business' head office is located

		Frequency	%	Valid %	Cumulative %
Valid	Eastern Cape	1	.5	.5	.5
	Free State	18	9.3	9.3	9.8
	Gauteng	87	44.8	44.8	54.6
	KwaZulu-Natal	42	21.6	21.6	76.3
	Limpopo	5	2.6	2.6	78.9
	Mpumalanga	9	4.6	4.6	83.5
	Northern Cape	1	.5	.5	84.0
	North West	7	3.6	3.6	87.6
	Western Cape	24	12.4	12.4	100.0
	Total	194	100.0	100.0	

Table 08 shows the number of permanent employees the respondent companies employ. The majority of the companies, 51.5 %, employ less than 20 employees.

Table 8 – B8 Survey result for number of permanent employees company employs

		Frequency	%	Valid %	Cumulative %
Valid	Less than 20	100	51.5	51.5	51.5
	20-50	34	17.5	17.5	69.1
	51-100	15	7.7	7.7	76.8
	101-150	5	2.6	2.6	79.4
	151-200	8	4.1	4.1	83.5
	More than 200	32	16.5	16.5	100.0
	Total	194	100.0	100.0	

5.1.1.4.   Summary – Biographical Information

The majority of the businesses have their head-quarters based in the Gauteng province of South Africa followed by KwaZulu-Natal. Over 50% of the businesses employ fewer than 20 employees. Table 66 contains the results of the number of employees question and can be viewed in Chapter 06.

5.1.1.5.   Institutional Information

The results on the Bargaining Council membership are displayed in Table 09. The majority of the respondents are not members of a Bargaining Council. Eleven (11)% of the respondents either were not sure or did not know if they were members of a Bargaining Council.

Table 9 – C9 Survey result for company registered with a bargaining council

		Frequency	%	Valid %	Cumulative %
Valid	Yes	43	22.2	22.2	22.2
	No	130	67.0	67.0	89.2
	Not Sure/Don't Know	21	10.8	10.8	100.0
	Total	194	100.0	100.0	

Table 11 holds information on employee trade union membership. Most respondents indicated that they had fewer than 10 employees registered with a trade union.

Table 10 - Survey result for being formally exempted from the minimum requirements of the Bargaining Council Agreement

		Frequency	%	Valid %	Cumulative %
Valid	Yes	3	7.0	7.1	7.1
	No	27	62.8	64.3	71.4
	Not Sure/Don't Know	12	27.9	28.6	100.0
	Total	42	97.7	100.0	
Missing	System	1	2.3		
	Total	43	100.0		

Table 11 – C11 Survey result for number of employees who are members of a trade union

		Frequency	%	Valid %	Cumulative %
Valid	Less than 10	120	61.9	70.2	70.2
	10-20	10	5.2	5.8	76.0
	21-40	9	4.6	5.3	81.3
	41-60	5	2.6	2.9	84.2
	61-100	3	1.5	1.8	86.0
	101-200	7	3.6	4.1	90.1
	More than 200	17	8.8	9.9	100.0
	Total	171	88.1	100.0	
Missing	System	23	11.9		
	Total	194	100.0		

Table 12 displays the operational information of the company. Only 18% of the respondents indicated that they were currently making use of the services of a labour broker. The highest number of respondents employed temporary workers on a limited or fixed-period of time. Only 10% of respondents indicated to be having operations outside of South Africa (Offshoring). 36.3% of respondents use one form or another of machinery for their production processes and operations.

Table 12- Survey result for the operations profile of the company

		Yes	Under Consideration	No	Total
C12.1 Does your company make use of the services of a labour broker?	Count	36	14	143	193
	Row N %	18.7%	7.3%	74.1%	100.0%
C12.2 Does your company employ temporary workers on a limited or fixed period of time (LDC)?	Count	111	9	72	192
	Row N %	57.8%	4.7%	37.5%	100.0%
C12.3 Does your company have any of its production facilities in a country other than South Africa?	Count	19	5	166	190
	Row N %	10.0%	2.6%	87.4%	100.0%
C12.4 Does your company have any of its production outsourced to another company?	Count	69	8	115	192
	Row N %	35.9%	4.2%	59.9%	100.0%
C12.5 Does your company use any machinery for the production of the goods you sell?	Count	70	1	122	193
	Row N %	36.3%	.5%	63.2%	100.0%
C12.6 Are your company's labour requirements seasonal?	Count	39	2	151	192
	Row N %	20.3%	1.0%	78.6%	100.0%

5.1.1.6. Summary – Biographical Information

The majority of the respondents are not registered with a Bargaining Council. Only three (03) of the fourty three (43) who are registered with a Bargaining Council are exempted from the minimum requirements of the Bargaining Council. More than 60% of the respondents have less than ten (10) of the employees as members of a trade union. Fifty eight (58)% of the companies admitted to employing temporary workers.

5.1.1.7. Temporary Workers

Table 13 shows the results of respondents' attitude on employing temporary workers as an alternative employment strategy. Sub-questions were structured to extract respondents' attitudes on labour law and non-labour law related considerations. Sub-questions D13.1, D13.2, D13.4 and D13.5 are labour law related, while the rest are related to non-labour law considerations. The labour-related sub-question most respondents agreed on was D13.2 with the combination "Agree" and "Strongly Agree" total of 82%. Respondents agreed the most on all labour-related sub-questions rather than on those focused on non-labour related issues.

Table 13 – D13 Survey result for Employing temporary workers having the following benefits to companies

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D13.1 Reduces employee recruitment time	Count	11	24	46	58	22
	Row N %	6.8%	14.9%	28.6%	36.0%	13.7%
D13.2 The company is able to assess the worker's competence before offering a permanent job	Count	6	7	17	77	53
	Row N %	3.8%	4.4%	10.6%	48.1%	33.1%
D13.3 It decreases Payroll and general Human Resource administration costs	Count	13	34	31	60	23
	Row N %	8.1%	21.1%	19.3%	37.3%	14.3%
D13.4 It decreases the cost associated with dismissing permanent employees	Count	7	19	29	72	34
	Row N %	4.3%	11.8%	18.0%	44.7%	21.1%
D13.5 It minimises organised labour issues	Count	12	16	38	65	31
	Row N %	7.4%	9.9%	23.5%	40.1%	19.1%
D13.6 It aids the company to manage its fluctuating labour requirements	Count	3	10	22	77	50
	Row N %	1.9%	6.2%	13.6%	47.5%	30.9%

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D13.7 It aids the company to manage uncertain future output requirements	Count	3	12	27	69	50
	Row N %	1.9%	7.5%	16.8%	42.9%	31.1%
D13.8 It facilitates the management of seasonal demands related to the nature of the business	Count	2	6	43	69	42
	Row N %	1.2%	3.7%	26.5%	42.6%	25.9%

5.1.1.8. Summary Temporary Workers

The mode of four (4) shows most respondents to be agreeable with all the questions for this theme as most chose option 4, that is, "Agree".

5.1.1.9. Labour Brokers/Outsourcing

Table 14 shows the results of the responses on the use of labour brokers or outsourcing in their companies. Sub-questions D14.1, D14.4, D14.5 and D14.10 are structured to extract respondents' labour law informed attitudes to the use of labour brokers while the rest interrogates non-labour considerations. Respondents agreed more on labour law related consideration than they did on those related to non-labour related issues.

Table 14 – D14 Survey result for Making use of the services of a Labour Brokers/Outsourcing has the following benefits to companies

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D14.1 Reduces employee recruitment time	Count	9	15	48	66	24
	Row N %	5.6%	9.3%	29.6%	40.7%	14.8%
D14.2 It decreases employee recruitment costs	Count	15	31	47	45	24
	Row N %	9.3%	19.1%	29.0%	27.8%	14.8%
D14.3 It decreases Payroll and general Human Resource administration costs	Count	11	24	52	54	21
	Row N %	6.8%	14.8%	32.1%	33.3%	13.0%
D14.4 It decreases costs associated with dismissing permanent employees	Count	8	18	46	66	23
	Row N %	5.0%	11.2%	28.6%	41.0%	14.3%
D14.5 It minimises organised labour issues	Count	10	16	46	64	23
	Row N %	6.3%	10.1%	28.9%	40.3%	14.5%
D14.6 It decreases employee training costs	Count	11	44	54	39	12
	Row	6.9%	27.5%	33.8%	24.4%	7.5%

	N %					
D14.7 It frees the company to focus on its core business	Count	10	25	42	56	24
	Row N %	6.4%	15.9%	26.8%	35.7%	15.3%
D14.8 It frees permanent workers for other purposes	Count	10	26	55	53	17
	Row N %	6.2%	16.1%	34.2%	32.9%	10.6%
D14.9 Insufficient human resources are available internally (Staff shortages)	Count	9	14	76	52	11
	Row N %	5.6%	8.6%	46.9%	32.1%	6.8%
D14.10 It enables the company to share risks with the Labour Broker/Outsourcing company	Count	11	21	60	60	10
	Row N %	6.8%	13.0%	37.0%	37.0%	6.2%

5.1.1.10. Summary – Labour Broker/Outsourcing

The benefit most respondents associated with making use of labour brokers and/or outsourcing is that it reduces recruitment time. However, most were in disagreement or neutral on whether it reduces training costs.

5.1.1.11. Offshoring

Table 15 is a representation of the results of the responses on the use of offshoring as employment strategy. Sub-questions D15.1, D15.2, D15.3 and D15.4 are structured to extract respondents' labour law informed attitudes to the use of offshoring as an alternative employment strategy while the rest interrogates non-labour considerations. The majority of respondents were neutral on both labour law and non-labour related issues.

Table 15 - D15 Survey result for Offshoring has the following benefits to companies

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D15.1 Low labour costs in other countries	Count	3	11	79	52	17
	Row N %	1.9%	6.8%	48.8%	32.1%	10.5%
D15.2 Employee recruitment costs are low in other countries	Count	4	15	94	35	13
	Row N %	2.5%	9.3%	58.4%	21.7%	8.1%
D15.3 Employee Dismissal costs are low in other countries	Count	2	12	91	41	15
	Row N %	1.2%	7.5%	56.5%	25.5%	9.3%
D15.4 It minimises organised labour issues	Count	2	7	88	49	16
	Row N %	1.2%	4.3%	54.3%	30.2%	9.9%
D15.5 It reduces real estate	Count	3	15	88	45	10

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
costs/property rental costs	Row N %	1.9%	9.3%	54.7%	28.0%	6.2%
D15.6 Utility costs such as electricity and water are less costly in other countries	Count	2	18	99	34	8
	Row N %	1.2%	11.2%	61.5%	21.1%	5.0%
D15.7 Supply of utility services such as electricity and water are more reliable in other countries	Count	3	16	101	26	14
	Row N %	1.9%	10.0%	63.1%	16.3%	8.8%
D15.8 There is less crime in other countries	Count	5	14	82	39	21
	Row N %	3.1%	8.7%	50.9%	24.2%	13.0%
D15.9 There are more skilled people available to meet the company's labour requirements in other countries	Count	4	9	80	52	16
	Row N %	2.5%	5.6%	49.7%	32.3%	9.9%
D15.10 Other countries offer relocation incentives to business	Count	1	8	100	40	11
	Row N %	.6%	5.0%	62.5%	25.0%	6.9%
D15.11 It increases productivity	Count	3	9	89	41	16
	Row N %	1.9%	5.7%	56.3%	25.9%	10.1%

5.1.1.12. Summary - Offshoring

Most respondents seem to have been neutral, with a leaning towards accepting benefits of offshoring to a company.

5.1.1.13. Mechanisation

Table 16 shows the results of the responses on the use of labour broker or outsourcing companies as an employment strategy. Sub-questions D16.4, and D16.6 are structured to extract respondents' labour law informed attitudes on the use of machinery as an alternative employment strategy while the rest interrogates non-labour considerations. The majority of respondents seemed be in agreement on D16.7 followed closely by D16.2, both non-labour related issues, as the best reasons to mechanise.

Table 16 – D16 Survey result for Mechanisation has the following benefits to companies

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D16.1 Increases safety	Count	2	18	51	62	28
	Row N %	1.2%	11.2%	31.7%	38.5%	17.4%
D16.2 It aids in the management of skills shortages	Count	1	10	38	81	31
	Row N %	.6%	6.2%	23.6%	50.3%	19.3%

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D16.3 Reduces training costs	Count	3	26	55	57	20
	Row N %	1.9%	16.1%	34.2%	35.4%	12.4%
D16.4 It minimises organised labour issues	Count	3	12	37	67	43
	Row N %	1.9%	7.4%	22.8%	41.4%	26.5%
D16.5 It decreases Payroll and general Human Resource related administration costs	Count	0	13	40	69	39
	Row N %	0.0%	8.1%	24.8%	42.9%	24.2%
D16.6 It decreases the costs associated with dismissing permanent employees	Count	1	13	45	57	45
	Row N %	.6%	8.1%	28.0%	35.4%	28.0%
D16.7 It increases productivity	Count	1	3	31	61	62
	Row N %	.6%	1.9%	19.6%	38.6%	39.2%

5.1.1.14. Summary - Mechanisation

Most respondents agreed that mechanisation increases productivity. Question 16.5 does not have any respondent selecting "Strongly Disagree".

5.1.1.15. Labour Law

Question 17 was included in the questionnaire to establish what the respondents' perceptions on labour law in South Africa are. The results are indicated in Table 17 (Table 18 contains additional statistical detail on the responses to this question). Sub-question D17.3 has the lowest combination of "Agree" and "Strongly Agree" response with just over 44%. The rest of the sub-questions have most respondents selecting "Agree" or "Strongly Agree". Question D17.1 has the highest number of respondents strongly in agreement with the combination "Agree" and "Strongly Agree" responses at 78%.

Table 17 - Survey result for These questions explore your company's perception on labour law

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D17.1 The company regards South African Labour law and its regulations a barrier to employing more permanent employees	Count	6	17	13	54	70
	Row N %	3.8%	10.6%	8.1%	33.8%	43.8%

D17.2 Management in the company believe South Africa's Labour Law and its regulations are unfair to employers	Count	7	14	27	54	58
	Row N %	4.4%	8.8%	16.9%	33.8%	36.3%
D17.3 Strike action over the last two years has threatened the existence of the company	Count	13	28	46	38	35
	Row N %	8.1%	17.5%	28.8%	23.8%	21.9%
D17.4 The minimum wages negotiated at industry level are a threat to the future existence of the business	Count	8	15	44	45	46
	Row N %	5.1%	9.5%	27.8%	28.5%	29.1%
D17.5 The South African Government's proposed (2012) amendments to the Labour Relations Act will encourage the business to employ fewer permanent employees	Count	5	9	36	51	60
	Row N %	3.1%	5.6%	22.4%	31.7%	37.3%

Table 18 - Labour Law perception Statistics

	N		Mean	Median	Mode	Std. Deviation
	Valid	Missing				
D17.1 The company regards South African Labour law and its regulations a barrier to employing more permanent employees	160	34	4.03	4.00	5	1.135
D17.2 Management in the company believe South Africa's Labour Law and its regulations are unfair to employers	160	34	3.89	4.00	5	1.127
D17.3 Strike action over the last two years has threatened the existence of the company	160	34	3.34	3.00	3	1.228
D17.4 The minimum wages negotiated at Industry level are a threat to the future existence of the business	158	36	3.67	4.00	5	1.142
D17.5 The South African Government's proposed (2012) amendments to the	161	33	3.94	4.00	5	1.050

Labour Relations Act will encourage the business to employ fewer permanent employees						

5.1.1.16.   Summary – Labour Law

Most respondents agreed that with question 17.1 that South Africa's labour laws were a barrier to them employing permanent employees. For almost all the questions, except for sub-question 17.3, respondents selected option five (05) as indicated by the Mode, that is, "Strongly Agree".

5.1.2.   Frequencies – Collapsed Groups

For further analysis the groups of the following variables were collapsed in order to do comparisons. This was to enable comparisons of groups that are as equal in size as possible.

Table 19 reflects the recoded results after some of the groups were collapsed. 55 years or older now has the largest group of respondents at 40.7 %.

Table 19 – rA2 Age Range (Recoded)

		Frequency	%	Valid %	Cumulative %
Valid	44 years or younger	52	26.8	26.8	26.8
	45 to 54 years	63	32.5	32.5	59.3
	55 years or older	79	40.7	40.7	100.0
	Total	194	100.0	100.0	

The number of years' experience was collapsed in two groups namely, 20 years or less and More than 20 years as can be seen displayed on Table 20. The group 20 years or less now has the largest number of respondents at 50.5%.

Table 20 – rA6 How many years in experience do you have in this industry you're working in? (recoded)

		Frequency	%	Valid %	Cumulative %
Valid	20 years or less	97	50.0	50.5	50.5
	More than 20 years	95	49.0	49.5	100.0
	Total	192	99.0	100.0	
Missing	System	2	1.0		
Total		194	100.0		

Table 21 shows the results after the groups for Question 11 are collapsed and recoded. The largest group among the three (3) new groups are those respondents with less than 10 employees as members of a trade union.

Table 21 - rC11 How many of your employees are members of a Trade Union? (recoded)

		Frequency	%	Valid %	Cumulative %
Valid	Less than 10	120	61.9	70.2	70.2
	10-200	34	17.5	19.9	90.1
	More than 200	17	8.8	9.9	100.0
	Total	171	88.1	100.0	
Missing	System	23	11.9		
	Total	194	100.0		

The operational information results are displayed in Table 22. All the "Under Consideration" responses to question 12 were added to the "Yes" responses. Sub-question C12.2 remains with the highest number of "Yes/Under Consideration" responses after the recoding is done.

Table 22 - rC12 Operational Information (recoded)

		Yes/Under Consideration	No	Total
rC12.1 Does your company make use of the services of a labour broker? (Recoded)	Count	50	143	193
	Row N %	25.9%	74.1%	100.0%
rC12.2 Does your company employ temporary workers on a limited or fixed period of time (LDC)? (Recoded)	Count	120	72	192
	Row N %	62.5%	37.5%	100.0%
rC12.3 Does your company have any of its production facilities in a country other than South Africa? (Recoded)	Count	24	166	190
	Row N %	12.6%	87.4%	100.0%
rC12.4 Does your company have any of its production outsourced to another company? (Recoded)	Count	77	115	192
	Row N %	40.1%	59.9%	100.0%
rC12.5 Does your company use any machinery for the production of the goods you sell? (Recoded)	Count	71	122	193
	Row N %	36.8%	63.2%	100.0%
rC12.6 Are your company's labour requirements seasonal? (Recoded)	Count	41	151	192
	Row N %	21.4%	78.6%	100.0%

5.1.3.   Exploratory Factor Analysis

To analyse the interrelationships among the number of variables and to explain these variables in terms of their common underlying dimensions (factors), an exploratory factor analysis was conducted. Factor analysis is not meant to test hypotheses or the difference between groups (Pallant, 2007). It is used to reduce a large set of variables to lesser, more refined and coherent subscales by looking for groups among the inter-correlations. Exploratory factor analysis, done in the early stages of the research analysis, is used to "gather information about (explore) the interrelationships among a set of variables" (Pallant, 2007, p. 179). Factor analysis is used in the interpretations of the correlation matrix as method to group-related variables. It only applies in linear relationships (Brown, 2006). It assumes hypothetical relationships or factors, which could possibly explain correlations between variables. It interprets the dependency between variables. The extraction method used for this analysis is Principle Axis Factoring with the first order factor

analysis using Varimax rotation and the second order using Direct Oblimin rotation. According to Pallant (2007), Varimax and Direct Oblimin are the most popular orthogonal and oblique rotation approaches used. The former is used to reduce the number of variables loaded on each factor. The confirmatory factors were named according to the themes of the questions that formed the factor after rotation.

5.1.3.1. First Order Factor Analysis – Temporary Workers

Component Matrix – Temporary Workers
None of the items have a component that is negative and all are in the same order; so not reverse scoring was required.

The eight (08) items of the Positive and Negative affect scale (PANAS) displayed on Table 23 were subjected to principal component analysis (PCA) using SPSS Version 15. Prior to performing PCA, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaizer-Meyer-Oklin value was .806, exceeding the recommended value of .6 and Bartlett's Test of Sphericity reached statistical significance with a P-value less than .05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were greater than .6, therefore no items needed to be excluded. The communalities values ranged between .381 and .935 except for that of D13.1 which was .190, but that was not excluded as the MSA was high.

Table 23 - Correlation Matrix – Temporary Workers

Correlation	D13.1	D13.2	D13.3	D13.4	D13.5	D13.6	D13.7	D13.8
D13.1 Reduces employee recruitment time	1.000	.317	.492	.356	.403	.406	.435	.380
D13.2 The company is able to assess the worker's competence before offering a permanent job	.317	1.000	.354	.222	.310	.286	.290	.236
D13.3 It decreases Payroll and general Human Resource administration costs	.492	.354	1.000	.524	.489	.319	.404	.278
D13.4 It decreases the cost associated with dismissing permanent employees	.356	.222	.524	1.000	.608	.337	.416	.265
D13.5 It minimises organised labour issues	.403	.310	.489	.608	1.000	.230	.296	.286
D13.6 It aids the company to manage its fluctuating labour requirements	.406	.286	.319	.337	.230	1.000	.816	.771
D13.7 It aids the company to manage uncertain future	.435	.290	.404	.416	.296	.816	1.000	.680

output requirements								
D13.8 It facilitates the management of seasonal demands related to the nature of the business	.380	.236	.278	.265	.286	.771	.680	1.000

Principal Axis Factoring revealed the presence of two (02) components with Eigen values exceeding 1 as indicated on Table 24. The cumulative score before rotation is 65.323% and 56.246% after rotation.

Table 24 - Total Variance Explained – Temporary Workers

Factor	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.850	48.121	48.121	3.472	43.398	43.398	2.366	29.571	29.571
2	1.376	17.202	65.323	1.028	12.849	56.246	2.134	26.675	56.246
3	.828	10.354	75.677						
4	.635	7.944	83.621						
5	.500	6.247	89.868						
6	.389	4.864	94.732						
7	.265	3.307	98.039						
8	.157	1.961	100.000						

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring, as shown on Table 25, revealed item 13.1 to 13.5 loaded highly on Factor 2 while D13.6 to D13.8 loaded highly on Factor 1. The confirmatory factors were named according to the themes of the questions that formed the factor after rotation.

Table 25 - Rotated Factor Matrix – Temporary Workers

	Factor	
	Temporary_Staff	Temporary_Company
D13.6 It aids the company to manage its fluctuating labour requirements		
D13.7 It aids the company to manage uncertain future output requirements	**.795**	.332
D13.8 It facilitates the	**.765**	

management of seasonal demands related to the nature of the business		
D13.5 It minimises organized labour issues		.748
D13.3 It decreases Payroll and general Human Resource administration costs		.702
D13.4 It decreases the cost associated with dismissing permanent employees		.692
D13.1 Reduces employee recruitment time	.338	.517
D13.2 The company is able to assess the worker's competence before offering a permanent job		.378

Extraction Method: Principal Axis Factoring.
Rotation Method: Varimax with Kaiser Normalisation.

5.1.3.2. Second Order Factor Analysis – Temporary Workers

Inspection of the correlation matrix on Table 26 revealed the presence of coefficients of above .3. The Kaizer-Meyer-Oklin value was .5, thus below the recommended value of .6, probably due to this being second order factor analysis. Bartlett's Test of Sphericity reached statistical significance with a P-value less than .05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were less than 0.6 therefore, but as this is second order analysis no items needed to be excluded. The communalities values ranged between .274 and .522.

Table 26 - Correlation Matrix

		Mean_D13_F1	Mean_D13_F2
Correlation	Mean_D13_F1	1.000	.523
	Mean_D13_F2	.523	1.000

Principal Axis Factoring on Table 27 revealed the presence of one (01) component with Eigen values exceeding 1. The cumulative score before rotation is 76.164.

Table 27 - Total Variance Explained – Temporary Workers

Factor	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.523	76.164	76.164	1.045	52.231	52.231
2	.477	23.836	100.000			

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring, as seen on Table 28, revealed only one (01) factor loaded.

Table 28 - Rotated Factor Matrix – Temporary Workers

	Factor
	1
Mean_D13_F2	**.723**
Mean_D13_F1	**.723**

Extraction Method: Principal Axis Factoring.

5.1.3.3. First Order Factor Analysis – Labour Broker/Outsourcing

Component Matrix – Labour Broker/Outsourcing

None of the items have a component that is negative and all are in the same order so not reverse scoring was required.

The ten (10) items of the Positive and Negative affect scale (PANAS) in Table 29 were subjected to principal component analysis (PCA) using SPSS Version 15. Prior to performing PCA, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaizer-Meyer-Oklin value was .894, exceeding the recommended value of .6 and Bartlett's Test of Sphericity reached statistical significance with a P-value less than .05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were greater than .6, therefore no items needed excluding. The communalities values ranged between .413 and .737.

Table 29 - Correlation Matrix – Labour Broker/Outsourcing

Correlation		D14.1	D14.2	D14.3	D14.4	D14.5	D14.6	D14.7	D14.8	D14.9	D14.10
Correlation	D14.1 Reduces employee recruitment time	1.000	.671	.729	.662	.618	.474	.672	.637	.579	.556
	D14.2 It decreases employee	.671	1.000	.772	.628	.473	.420	.553	.498	.472	.444

recruitment costs										
D14.3 It decreases Payroll and general Human Resource administration costs	.729	.772	1.000	.628	.583	.382	.544	.497	.484	.525
D14.4 It decreases costs associated with dismissing permanent employees	.662	.628	.628	1.000	.700	.501	.547	.486	.399	.484
D14.5 It minimises organized labour issues	.618	.473	.583	.700	1.000	.577	.550	.512	.499	.455
D14.6 It decreases employee training costs	.474	.420	.382	.501	.577	1.000	.608	.483	.435	.474
D14.7 It frees the company to focus on its core business	.672	.553	.544	.547	.550	.608	1.000	.687	.515	.596
D14.8 It frees permanent workers for other purposes	.637	.498	.497	.486	.512	.483	.687	1.000	.533	.477
D14.9 Insufficient human resources are available internally (Staff shortages)	.579	.472	.484	.399	.499	.435	.515	.533	1.000	.563
D14.10 It enables the company to share risks with the Labour Broker/Outsou	.556	.444	.525	.484	.455	.474	.596	.477	.563	1.000

rcing company										

Principal Axis Factoring, as seen on Table 30, revealed the presence of one (01) component with Eigen values exceeding 1. The cumulative score before rotation is 59.405.

Table 30 - Total Variance Explained – Labour Broker/Outsourcing

Factor	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.941	59.405	59.405	5.505	55.051	55.051
2	.869	8.695	68.100			
3	.724	7.238	75.339			
4	.568	5.676	81.015			
5	.501	5.008	86.023			
6	.434	4.341	90.365			
7	.290	2.897	93.262			
8	.272	2.715	95.977			
9	.241	2.410	98.387			
10	.161	1.613	100.000			

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring, as shown on Table 31, revealed only one (01) factor loaded. Factor 1 for this construct was named LabourBroker_All as it produced only one factor.

Table 31 - Rotated Factor Matrix – Labour Broker/Outsourcing

	Factor
	LabourBroker_All
D14.1 Reduces employee recruitment time	.859
D14.7 It frees the company to focus on its core business	.795
D14.3 It decreases Payroll and general Human Resource administration costs	.782
D14.4 It decreases costs associated with dismissing permanent employees	.761
D14.2 It decreases employee recruitment costs	.746

D14.5 It minimises organized labour issues	**.745**
D14.8 It frees permanent workers for other purposes	**.721**
D14.10 It enables the company to share risks with the Labour Broker/Outsourcing company	**.679**
D14.9 Insufficient human resources are available internally (Staff shortages)	**.663**
D14.6 It decreases employee training costs	**.643**

Extraction Method: Principal Axis Factoring.

5.1.3.4.   First Order Factor Analysis – Offshoring

Component Matrix – Offshoring
None of the items have a component that is negative and all are in the same order so no reverse scoring was required.

The eleven (11) items of the Positive and Negative affect scale (PANAS), in Table 32, were subjected to principal component analysis (PCA) using SPSS Version 15. Prior to performing PCA, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaizer-Meyer-Oklin value was .889, exceeding the recommended value of .6 and Bartlett's Test of Sphericity reached statistical significance with a P-value less than .05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were greater than .6, therefore no items needed to be excluded. The communalities values ranged between .421 and .801.

Table 32 – Correlation Matrix - Offshoring

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
D15.1 Low labour costs in other countries	Count	3	11	79	52	17
	Row N %	1.9%	6.8%	48.8%	32.1%	10.5%
D15.2 Employee recruitment costs are low in other countries	Count	4	15	94	35	13
	Row N %	2.5%	9.3%	58.4%	21.7%	8.1%
D15.3 Employee Dismissal costs are low in other countries	Count	2	12	91	41	15
	Row N %	1.2%	7.5%	56.5%	25.5%	9.3%
D15.4 It minimises organised labour issues	Count	2	7	88	49	16
	Row N %	1.2%	4.3%	54.3%	30.2%	9.9%
D15.5 It reduces real estate costs/property rental costs	Count	3	15	88	45	10
	Row N %	1.9%	9.3%	54.7%	28.0%	6.2%
D15.6 Utility costs such as electricity and water are less costly in other countries	Count	2	18	99	34	8
	Row N %	1.2%	11.2%	61.5%	21.1%	5.0%
D15.7 Supply of utility services such as electricity and water are more reliable in other countries	Count	3	16	101	26	14
	Row N %	1.9%	10.0%	63.1%	16.3%	8.8%
D15.8 There is less crime in other countries	Count	5	14	82	39	21
	Row N %	3.1%	8.7%	50.9%	24.2%	13.0%
D15.9 There are more skilled people available to meet the company's labour requirements in other countries	Count	4	9	80	52	16
	Row N %	2.5%	5.6%	49.7%	32.3%	9.9%
D15.10 Other countries offer relocation incentives to business	Count	1	8	100	40	11
	Row N %	.6%	5.0%	62.5%	25.0%	6.9%
D15.11 It increases productivity	Count	3	9	89	41	16
	Row N %	1.9%	5.7%	56.3%	25.9%	10.1%

Principal Axis Factoring revealed, as shown in Table 33, the presence of two (02) components with Eigen values exceeding 1. The cumulative score before rotation is 66.631% and 59.169% after rotation.

Table 33 - Total Variance Explained – Offshoring

Factor	Initial Eigen values			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.913	53.758	53.758	5.522	50.199	50.199	4.214	38.306	38.306
2	1.386	12.603	66.361	.987	8.970	59.169	2.295	20.862	59.169
3	.812	7.381	73.742						
4	.642	5.835	79.577						
5	.506	4.604	84.181						
6	.402	3.658	87.839						
7	.363	3.304	91.142						
8	.332	3.023	94.165						
9	.266	2.420	96.585						
10	.216	1.963	98.548						
11	.160	1.452	100.000						

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring revealed, as shown in Table 34, item 15.1 to 15.6 and 15.10 to 15.11 is loaded highly on Factor 1 while D15.7 to D15.9 loaded highly on Factor 2. Factor 1 for this construct was named Offshore_Costs as it has those questions grouped that are mostly cost-related while Factor 2 is named Offshore_NonCost as it is loaded mostly with questions not related to costs.

Table 34 - Rotated Factor Matrix – Offshoring

	Factor	
	Offshore_Costs	Offshore_NonCost
D15.3 Employee dismissal costs are low in other countries	**.827**	.341
D15.1 Low labour costs in other countries	**.778**	.251
D15.5 It reduces real estate costs/property rental costs	**.768**	
D15.2 Employee recruitment costs are low in other countries	**.762**	
D15.4 It minimises organised labour issues	**.708**	.366
D15.10 Other countries offer relocation incentives	**.628**	.357

	Factor 1	Factor 2
to business		
D15.6 Utility costs such as electricity and water are less costly in other countries	**.603**	
D15.11 It increases productivity	**.577**	.408
D15.8 There is less crime in other countries		**.801**
D15.9 There are more skilled people available to meet the company's labour requirements in other countries		**.729**
D15.7 Supply of utility services such as electricity and water are more reliable in other countries	.275	**.632**

5.1.3.5.   Second Order Factor Analysis – Offshoring

Inspection of the correlation matrix, as seen on Table 35, revealed the presence of coefficients of above .3. The Kaizer-Meyer-Oklin value was .5, thus below the recommended value of .6, probably due to this being second order factor analysis. Bartlett's Test of Sphericity reached statistical significance with a P-value less than .05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were less than .6 but as this is second order analysis no items needed to be excluded. The communalities values ranged between .226 and .475.

Table 35 - Correlation Matrix – Offshoring

		Mean_D13_F1	Mean_D13_F2
Correlation	Mean_D15_F1	1.000	.475
	Mean_D15_F2	.475	1.000

Table 36 indicates Principal Axis Factoring revealed the presence of one (01) components with Eigen values exceeding 1. The cumulative score before rotation is 73.772.

Table 36 - Total Variance Explained – Offshoring

Factor	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.475	73.772	73.772	.949	47.446	47.446
2	.525	26.228	100.000			

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring revealed only one (01) factor loaded as seen on Table 37.

Table 37 - Rotated Factor Matrix - Offshoring

	Factor
	1
Mean_D15_F2	**.689**
Mean_D15_F1	**.689**

5.1.3.6.   First Order Factor Analysis – Mechanisation

Component Matrix – Mechanisation

None of the items have a component that is negative and all are in the same order, so no reverse scoring was required.

The seven (07) items of the Positive and Negative affect scale (PANAS), as shown on Table 38, were subjected to principal component analysis (PCA) using SPSS Version 15. Prior to performing PCA, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaizer-Meyer-Oklin value was .865, exceeding the recommended value of .6 and Bartlett's Test of Sphericity reached statistical significance with a P-value less than .05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were greater than .6, therefore no items needed to be excluded. The communalities values ranged between .412 and .805.

Table 38 - Correlation Matrix – Mechanisation

		D16.1	D16.2	D16.3	D16.4	D16.5	D16.6	D16.7
Corre lation	16.1 Increased Safety	1.000	.614	.521	.616	.570	.528	.571
	16.2 It aids in the management of skills shortages	.614	1.000	.522	.535	.614	.530	.675
	16.3 Reduces Training Costs	.521	.522	1.000	.597	.571	.514	.346
	16.4 It minimises organized labour issues	.616	.535	.597	1.000	.787	.796	.612
	16.5 It decreases Payroll and general Human Resource related administration costs	.570	.614	.571	.787	1.000	.853	.652
	16.6 It decreases the costs associated with dismissing permanent employees	.528	.530	.514	.796	.853	1.000	.584
	16.7 It increases productivity	.571	.675	.346	.612	.652	.584	1.000

Table 39 shows that Principal Axis Factoring revealed the presence of one (01) component with Eigen values exceeding 1. The cumulative score before rotation is 66.096.

Table 39 - Total Variance Explained – Mechanisation

Factor	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.627	66.096	66.096	4.260	60.860	60.860
2	.704	10.058	76.154			
3	.652	9.313	85.466			
4	.416	5.942	91.408			
5	.275	3.933	95.341			
6	.192	2.743	98.084			
7	.134	1.916	100.000			

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring, as per Table 40, revealed only one (01) factor loaded. Factor 1 for this construct was named Mechanisation_All as all questions loaded on one factor.

Table 40 - Rotated Factor Matrix - Mechanisation

	Factor
	Mechanisation_All
D16.5 It decreases Payroll and general Human Resource related administration cost	.897
D16.4 It minimises organised labour issues	.866
D16.6 It decreases the costs associated with dismissing permanent employees	.838
D16.7 It increases productivity	.734
D16.2 It aids in the management of skills shortages	.733
D16.1 Increased Safety	.719
D16.3 Reduces Training Costs	.642

Extraction Method: Principal Axis Factoring.

5.1.3.7. First Order Factor Analysis – Labour Law

Component Matrix – Labour Law
None of the items have a component that is negative and all are in the same order, so no reverse scoring was required.

The five (05) items of the Positive and Negative affect scale (PANAS), as shown on Table 41, were subjected to principal component analysis (PCA) using SPSS Version 15. Prior to performing PCA, the suitability of the data for factor analysis was assessed. Inspection of the correlation matrix revealed the presence of many coefficients of .3 and above. The Kaizer-Meyer-Oklin value was .753, exceeding the recommended value of 0.6 and Bartlett's Test of Sphericity reached statistical significance with a P-value less than 0.05, supporting the factorability of the correlation matrix. The anti-image correlations for Measuring Sampling Adequacy (MSA) were greater than 0.6, therefore no items needed to be excluded. The communalities values ranged between .379 and .774 except for that of D17.3 which was .189, but that was not excluded as the MSA was high.

Table 41 - Correlation Matrix – Labour Law

Correlation	D17.1	D17.2	D17.3	D17.4	D17.5
17.1 The company regards South African Labour law and its regulations a barrier to employing more permanent employees	1.000	.782	.294	.484	.649
17.2 Management in the company believe South Africa's Labour Law and its regulations are unfair to employers	.782	1.000	.338	.435	.566
17.3 Strike action over the last two years has threatened the existence of the company	.294	.338	1.000	.502	.228
17.4 The minimum wages negotiated at Industry level are a threat to the future existence of the business	.484	.435	.502	1.000	.437
17.5 The South African Government's proposed (2012) amendments to the Labour Relations Act will encourage the business to employ fewer permanent employees	.649	.566	.228	.437	1.000

Principal Axis Factoring revealed, on Table 42, the presence of one (01) component with Eigen values exceeding 1. The cumulative score before rotation is 58.564.

Table 42 - Total Variance Explained – Labour Broker/Outsourcing

Factor	Initial Eigen values			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.928	58.564	58.564	2.499	49.975	49.975
2	.949	18.982	77.547			
3	.508	10.162	87.708			
4	.411	8.226	95.934			
5	.203	4.066	100.000			

Extraction Method: Principal Axis Factoring.

Principal Axis Factoring revealed only one (01) factor loaded as shown on Table 43. Factor 1 for this construct was named LabourLaw_All as it has all the questions loaded on only one factor.

Table 43 - Rotated Factor Matrix – Labour Law

	Factor
	LabourLaw_All
D17.1	.880
D17.2	.819
D17.5	.697
D17.4	.616
D17.3	.434

Extraction Method: Principal Axis Factoring.

5.1.4.   Reliabilities

According to Pallant (2007), the Chronbach's alpha coefficient is one of the most commonly used to indicate internal consistency. Internal consistency is to measure if all the items making up the scale are measuring the same construct. Pallant (2007) stated that the Chronbach's alpha coefficiant should be above .7. In the current study, all the values, as shown in Table 44, are above .7 indicating that the items can be relied upon to be measuring the same construct.

Table 44 – Reliabilities

Construct	N	Chronbach's Alpha
Temporary Workers Overall	159	.896
Temporary Workers Company Controlled	157	.790
Temporary Workers Non-Company Controlled	153	.839
Temporary Workers Labour Law	158	.727
Temporary Workers Non-Labour Law	157	.800
Labour Broker/Outsourcing Overall	150	.923
Labour Broker/Outsourcing Labour Law	158	.845
Labour Broker/Outsourcing Non-Labour Law	153	.873
Offshoring Overall	154	.916
Offshoring Company Controlled	160	.812
Offshoring Non-Company Controlled	154	.910
Offshoring Labour Law	159	.908
Offshoring Non-Labour Law	157	.822
Mechanisation Overall	157	.912
Mechanisation Labour Law	161	.892
Mechanisation Non-Labour Law	157	.864
Labour Law Overall	158	.813

5.1.5. Normality Tests

Normality describes a symmetrical, bell-shaped curve where most of the scores are in the middle and the lower frequencies on both the left and right extremes

To test Normality where there are 50 or more people, the Kolmogorov-Smimov test was done and where there were fewer than 50 people in the group, the Shapiro-Wilk test was done. A P-value equal to or greater than 0.05 indicates that a group is normally distributed and one less than 0.05 indicates that the group is not normally distributed.

The mean scores for sub-questions for each of the Questions 13 to 17 were grouped on whether they were targeted at labour or non-labour related considerations.

The labour law related group of sub-questions for question 13 (D13.1, D13.2, D13.4 and D13.5) are named Mean_TempWork_L and the rest of the sub-questions that are non-labour law related Mean_TempWork_NL.

The labour law related group of sub-questions for question 14 (D14.1, D14.4, D14.5 and D14.10) are named Mean_LBrokerOut_L and the rest of the sub-questions that are non-labour law related Mean_LBrokerOut_NL.

The labour law related group of sub-questions for question 15 (D15.1, D15.2, D15.3 and D15.4) are named Mean_Offshore_L and the rest of the sub-questions that are non-labour law related Mean_Offshore_NL.

The labour law related group of sub-questions for question 16 (D16.4, D16.6) are named Mean_Mechanise_L and the rest of the sub-questions that are non-labour law related Mean_Mechanise_NL.

All the sub-questions for Question 17 where grouped as labour law related and named Mean_LabourLaw.

Normality tests were done using the mean scores for the groups to be compared, namely, Age Group (rA2), Experience in years (rA6), Bargaining Council Registration (rC9 and rC10), Trade Union Membership (rC11) and Operational Information (rC12) with Mean_TempWork_L and Mean_TempWork_NL, Mean_Offshore_L and Mean_Offshore_NL, Mean_Mechanise_L and Mean_Mechanise_NL, Mean_LBrokerOut_L and Mean_LbrokerOut_NL and Labour Law (Main). A P-value equal to or greater than 0.05 indicates that a group is normally distributed and one less than 0.05 indicates that the group is not normally distributed.

A non-parametric test, the Kruskal-Wallis or sometimes referred to as the Kruskal-Wallis H was done on Age Group (r2) due to, as can be seen in the Table 45 below, most of the variables tested not being normally distributed (Pallant, 2007). The test allowed the researcher to compare the scores of more than two groups which enabled him to do a between groups analysis. In cases where the Kruskal-Wallis test revealed a score of less than the alpha level of 0.05 or where only 2 groups are being tested, a post-hoc test, the Man-Whitney U, was done to determine the statistical significance of the difference between the individual groups. A Bonferonni adjustment is first done to control for Type 1 errors by dividing 0.05 with the number of tests that are being done. The results of the different tests are discussed under each table where relevant.

Table 45 – Normality - Age Group

rA2		Normally Distributed	Not-Normally Distributed
Mean_TempWork_L	44 years or younger		.043
	45 to 54 years		.007
	55 years or older	.060	
Mean_TempWork_NL	44 years or younger	.107	
	45 to 54 years		.001
	55 years or older		.001
Mean_Offshore_L	44 years or younger		.001
	45 to 54 years		.001
	55 years or older		.001
Mean_Offshore_NL	44 years or younger		.001
	45 to 54 years	.200[*]	
	55 years or older		.001
Mean_Mechanise_L	44 years or younger		.001
	45 to 54 years		.001
	55 years or older		.001
Mean_Mechanise_NL	44 years or younger		.001
	45 to 54 years		.005

	55 years or older		.001
Mean_LBrokerOut_L	44 years or younger		.011
	45 to 54 years		.003
	55 years or older	.034	
Mean_LBrokerOut_NL	44 years or younger		.009
	45 to 54 years	.164	
	55 years or older		.017
Mean_LabourLaw	44 years or younger	.259	
	45 to 54 years		.009
	55 years or older		.006

Table 46 - Age Group – Descriptives

		N	Mean	Std. Deviation	Median	Mean Rank
Mean_TempWork_L	44 years or younger	44	3.53	.806	3.500	73.51
	45 to 54 years	54	3.65	.802	3.750	82.29
	55 years or older	64	3.71	.813	3.750	86.33
	Total	162	3.64	.806		
Mean_TempWork_NL	44 years or younger	44	3.71	.781	3.875	78.14
	45 to 54 years	54	3.71	.863	3.875	78.88
	55 years or older	65	3.86	.768	4.000	87.21
	Total	163	3.77	.803		
Mean_Offshore_L	44 years or younger	44	3.18	.750	3.000	71.99
	45 to 54 years	54	3.52	.734	3.375	93.69
	55 years or older	65	3.34	.678	3.000	79.07
	Total	163	3.36	.724		

Mean_Offshore_NL	44 years or younger	44	3.13	.602	3.000	65.73
	45 to 54 years	54	3.47	.547	3.429	95.56
	55 years or older	63	3.28	.496	3.000	79.19
	Total	161	3.30	.556		
Mean_Mechanise_L	44 years or younger	44	3.68	.916	3.750	73.23
	45 to 54 years	54	4.03	.843	4.000	91.39
	55 years or older	64	3.76	.947	4.000	78.84
	Total	162	3.83	.911		
Mean_Mechanise_NL	44 years or younger	44	3.65	.745	3.400	73.78
	45 to 54 years	54	3.88	.719	4.000	90.89
	55 years or older	64	3.72	.707	3.900	78.88
	Total	162	3.75	.723		
Mean_LBrokerOut_L	44 years or younger	44	3.26	.727	3.250	70.18
	45 to 54 years	54	3.37	1.008	3.500	80.91
	55 years or older	64	3.57	.759	3.750	89.78
	Total	162	3.42	.847		
Mean_LBrokerOut_NL	44 years or younger	44	3.04	.761	3.000	69.41
	45 to 54 years	54	3.25	.963	3.333	85.09
	55 years or older	65	3.34	.746	3.333	87.95
	Total	163	3.23	.832		
Mean_LabourLaw	44 years or younger	44	3.71	.858	3.800	76.42
	45 to 54 years	54	3.54	.900		68.29
	55 years or older	63	4.02	.774		95.10
	Total	161	3.77	.861		

The results of the Kruskal-Wallis, as shown on Table 47, test reveal an alpha level equal to or below 0.05 for the Mean_Offshore_L, Mean-Offshore_NL and Mean_LabourLaw groups. A Mann-Whitney U test was done on these specific groups and the results of this second test are indicated in the tables below.

Table 47 - Kruskal-Wallis Test Statistics

	Chi-Square	df	Asymp. Sig.
Mean_TempWork_L	1.994	2	.369
Mean_TempWork_NL	1.346	2	.510
Mean_Offshore_L	6.041	2	.049
Mean_Offshore_NL	10.743	2	.005
Mean_Mechanise_L	4.266	2	.118
Mean_Mechanise_NL	3.613	2	.164
Mean_LBrokerOut_L	4.665	2	.097
Mean_LBrokerOut_NL	4.450	2	.108
Mean_LabourLaw	10.271	2	.006

After the Mann-Whitney U test between the groups, 44 years and younger and 45 to 54 years, as shown on Table 48, only the Mean_OffShore_NL indicates an alpha level of below 0.05 indicating a difference between these two groups on said variable.

Table 48 - Pair 1 Mann-Whitney U Statistics – 44 years and younger and 45 to 54 years

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_Offshore_L	870.000	1860.000	-2.359	.018
Mean_Offshore_NL	761.500	1751.500	-3.121	.002
Mean_LabourLaw	1078.500	2563.500	-.785	.433

After the Mann-Whitney U test between the groups, 44 years and younger and 55 years and older groups, as shown on Table 49, only the Mean_LabourLaw indicates an alpha level of below 0.05 indicating a difference between these two groups on said variable.

Table 49 - Pair 2 Mann-Whitney U Statistics ˉ 44 years and younger and 55 years and older

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_Offshore_L	1307.500	2297.500	-.799	.424
Mean_Offshore_NL	1140.500	2130.500	-1.653	.098
Mean_LabourLaw	1075.000	2065.000	-1.977	.048

After the Mann-Whitney U test between the groups 45 to 54 years and 55 years and older groups, ,as shown on Table 50, the Mean_Offshore_NL and Mean_LabourLaw indicates an alpha level of below 0.05 indicating a difference between these two groups on said variables.

Table 50 - Pair 3 Mann-Whitney U Statistics – 45 to 54 years and 55 years and older

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_Offshore_L	1442.000	3587.000	-1.737	.082
Mean_Offshore_NL	1341.500	3357.500	-2.006	.045
Mean_LabourLaw	1124.000	2609.000	-3.168	.002

Table 51 – Normality - Industry Experience

rA6		Normally Distributed	Not Normally Distributed
Mean_TempWork_L	20 years or less		.002
	More than 20 years		.001
Mean_TempWork_NL	20 years or less		.001
	More than 20 years		.001
Mean_Offshore_L	20 years or less		.001
	More than 20 years		.001
Mean_Offshore_NL	20 years or less		.001
	More than 20 years		.001
Mean_Mechanise_L	20 years or less		.001
	More than 20 years		.001
Mean_Mechanise_NL	20 years or less		.001
	More than 20 years		.001
Mean_LBrokerOut_L	20 years or less		.002
	More than 20 years		.001
Mean_LBrokerOut_NL	20 years or less		.007
	More than 20 years		.001
Mean_LabourLaw	20 years or less	.200[*]	
	More than 20 years		.002

*. This is a lower bound of the true significance.

Table 52 - Industry Experience Group Statistics

rA6		N	Mean	Median	Mean Rank
Mean_TempWork_L	20 years or less	79	3.71	3.750	84.73
	More than 20 years	81	3.54	3.500	76.37
Mean_TempWork_NL	20 years or less	79	3.78	4.000	82.65
	More than 20 years	82	3.73	3.750	79.41
Mean_Offshore_L	20 years or less	79	3.37	3.000	82.30
	More than 20 years	82	3.34	3.000	79.75
Mean_Offshore_NL	20 years or less	78	3.27	3.000	77.17

	More than 20 years	81	3.33	3.143	82.73
Mean_Mechanise_L	20 years or less	79	3.94	4.000	86.49
	More than 20 years	81	3.69	4.000	74.66
Mean_Mechanise_NL	20 years or less	78	3.82	3.900	84.69
	More than 20 years	82	3.66	3.800	76.52
Mean_LBrokerOut_L	20 years or less	79	3.54	3.500	86.22
	More than 20 years	81	3.28	3.500	74.92
Mean_LBrokerOut_NL	20 years or less	79	3.34	3.167	85.72
	More than 20 years	82	3.10	3.167	76.46
Mean_LabourLaw	20 years or less	79	3.74	3.800	77.41
	More than 20 years	80	3.79	4.000	82.56

Table 53 shows the results after a Mann-Whitney U test between the groups, there are none with an alpha level below 0.05, indicating no difference between the groups on said variables.

Table 53 - Industry Experience Mann-Whitney Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_TempWork_L	2865.000	6186.000	-1.149	.251
Mean_TempWork_NL	3109.000	6512.000	-.444	.657
Mean_Offshore_L	3136.500	6539.500	-.362	.717
Mean_Offshore_NL	2938.000	6019.000	-.786	.432
Mean_Mechanise_L	2726.500	6047.500	-1.673	.094
Mean_Mechanise_NL	2871.500	6274.500	-1.124	.261
Mean_LBrokerOut_L	2747.500	6068.500	-1.560	.119
Mean_LBrokerOut_NL	2866.500	6269.500	-1.267	.205
Mean_LabourLaw	2955.500	6115.500	-.707	.480

Table 54 - C9 – Bargaining Council

C9		Normally Distributed	Not Normally distributed
Mean_TempWork_L	Yes	**.091**	
	No		**.001**
Mean_TempWork_NL	Yes	**.089**	
	No		**.001**
Mean_Offshore_L	Yes		**.001**
	No		**.001**
Mean_Offshore_NL	Yes		**.001**

	No		**.001**
Mean_Mechanise_L	Yes		**.006**
	No		**.001**
Mean_Mechanise_NL	Yes	**.320**	
	No		**.001**
Mean_LBrokerOut_L	Yes	**.298**	
	No		**.001**
Mean_LBrokerOut_NL	Yes	**.092**	
	No		**.001**
Mean_LabourLaw	Yes		**.004**
	No		**.001**

Table 55 - Bargaining Council Group Statistics

C9		N	Mean	Median	Mean Rank
Mean_TempWork_L	Yes	38	3.65	3.500	2655.00
	No	112	3.68	3.750	8670.00
Mean_TempWork_NL	Yes	38	3.64	3.750	2543.50
	No	113	3.87	4.000	8932.50
Mean_Offshore_L	Yes	38	3.39	3.000	2802.50
	No	113	3.41	3.250	8673.50
Mean_Offshore_NL	Yes	38	3.40	3.071	2976.50
	No	111	3.32	3.143	8198.50
Mean_Mechanise_L	Yes	38	3.57	4.000	2414.00
	No	112	3.95	4.000	8911.00
Mean_Mechanise_NL	Yes	38	3.67	3.800	2618.50
	No	112	3.81	4.000	8706.50
Mean_LBrokerOut_L	Yes	38	3.45	3.500	2744.50
	No	112	3.49	3.500	8580.50
Mean_LBrokerOut_NL	Yes	38	3.29	3.625	2933.50
	No	113	3.29	3.333	8542.50
Mean_LabourLaw	Yes	37	3.92	4.000	2977.00
	No	112	3.79	3.900	8198.00

Table 56 - Mann-Whitney Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_TempWork_L	1914.000	2655.000	-.931	.352
Mean_TempWork_NL	1802.500	2543.500	-1.492	.136
Mean_Offshore_L	2061.500	2802.500	-.381	.703
Mean_Offshore_NL	1982.500	8198.500	-.568	.570
Mean_Mechanise_L	1673.000	2414.000	-2.035	.042
Mean_Mechanise_NL	1877.500	2618.500	-1.092	.275
Mean_LBrokerOut_L	2003.500	2744.500	-.544	.586
Mean_LBrokerOut_NL	2101.500	8542.500	-.196	.845
Mean_LabourLaw	1870.000	8198.000	-.891	.373

Table 57 - C10 – Bargaining Council Exemption

C10		Normally Distributed	Not Normally Distributed
Mean_TempWork_L	Yes		
	No	**.135**	
Mean_TempWork_NL	Yes		
	No	**.338**	
Mean_Offshore_L	Yes		
	No		**.021**
Mean_Offshore_NL	No		**.028**
Mean_Mechanise_L	Yes		
	No		**.003**
Mean_Mechanise_NL	Yes		
	No	**.188**	
Mean_LBrokerOut_L	Yes		
	No	**.054**	
Mean_LBrokerOut_NL	Yes		
	No	**.053**	
Mean_LabourLaw	Yes		
	No		**.005**

Table 58 - Bargaining Council Exemption Group Statistics

C10		N	Mean	Median	Mean Rank
Mean_TempWork_L	Yes	2	3.13	3.125	
	No	25	3.84	3.750	
Mean_TempWork_NL	Yes	2	2.38	2.375	
	No	25	4.00	4.000	
Mean_Offshore_L	Yes	2	3.38	3.375	
	No	25	3.52	3.250	
Mean_Offshore_NL	Yes	2	3.00	2.500	
	No	25	3.54	3.429	
Mean_Mechanise_L	Yes	2	2.50	2.500	
	No	25	3.76	4.000	
Mean_Mechanise_NL	Yes	2	2.90	2.900	
	No	25	3.80	4.000	
Mean_LBrokerOut_L	Yes	2	3.13	3.125	
	No	25	3.55	3.667	
Mean_LBrokerOut_NL	Yes	2	3.08	3.083	
	No	25	3.34	3.333	
Mean_LabourLaw	Yes	2	4.20	4.200	
	No	25	4.15	4.200	

Table 59 - rC11 - Trade Union Membership

rC11		Normally Distributed	Not Normally Distributed
Mean_TempWork_L	Less than 10		**.001**
	10-200	**.499**	
	More than 200	**.648**	
Mean_TempWork_NL	Less than 10		**.003**
	10-200		**.002**
	More than 200	**.287**	
Mean_Offshore_L	Less than 10		**.001**
	10-200		**.005**
	More than 200	**.065**	
Mean_Offshore_NL	Less than 10		**.001**
	10-200	**.369**	
	More than 200	**.054**	
Mean_Mechanise_L	Less than 10		**.001**
	10-200		**.003**
	More than 200		**.007**

Mean_Mechanise_NL	Less than 10			.002
	10-200		.237	
	More than 200		.338	
Mean_LBrokerOut_L	Less than 10			.001
	10-200		.077	
	More than 200		.189	
Mean_LBrokerOut_NL	Less than 10			.000
	10-200		.130	
	More than 200		.464	
Mean_LabourLaw	Less than 10		.088	
	10-200			.010
	More than 200		.401	

Table 60 - Trade Union Membership Group Statistics

		N	Mean	Median	Mean Rank
Mean_TempWork_L	Less than 10	100	3.67	3.750	
	10-200	29	3.74	3.750	
	More than 200	14	3.36	3.375	
	Total	143	3.65		
Mean_TempWork_NL	Less than 10	101	3.82	4.000	
	10-200	29	3.80	4.000	
	More than 200	14	3.59	3.625	
	Total	144	3.80		
Mean_Offshore_L	Less than 10	101	3.36	3.000	
	10-200	29	3.51	3.250	
	More than 200	14	3.16	3.000	
	Total	144	3.37		
Mean_Offshore_NL	Less than 10	99	3.28	3.000	
	10-200	29	3.42	3.429	
	More than 200	14	3.22	3.000	
	Total	142	3.31		
Mean_Mechanise_L	Less than 10	100	3.85	4.000	
	10-200	29	3.90	4.000	
	More than 200	14	3.50	4.000	
	Total	143	3.82		
Mean_Mechanise_NL	Less than 10	100	3.77	3.900	
	10-200	29	3.81	3.800	
	More than 200	14	3.54	3.600	

	Total	143	3.76		
Mean_LBrokerOut_L	Less than 10	100	3.34	3.417	
	10-200	29	3.70	3.750	
	More than 200	14	3.27	3.500	
	Total	143	3.41		
Mean_LBrokerOut_NL	Less than 10	101	3.19	3.000	
	10-200	29	3.44	3.500	
	More than 200	14	3.13	3.083	
	Total	144	3.23		
Mean_LabourLaw	Less than 10	100	3.83	3.800	
	10-200	29	3.87	4.000	
	More than 200	13	3.48	3.800	
	Total	142	3.80		

No test between groups for the Trade Union Membership as the group sizes where to different to justify a comparison.

Table 61 – Labour Broker

rC12.1		Normally Distributed	Not Normally Distributed
Mean_LBrokerOut_L	Yes/Under Consideration	.341	
	No		.001
Mean_LBrokerOut_NL	Yes/Under Consideration	.497	
	No		.001
Mean_LabourLaw	Yes/Under Consideration		.039
	No		.002

Table 62 – Labour Broker Group Statistic

rC12.1		N	Mean	Median	Mean Rank
Mean_LBrokerOut_L	Yes/Under Consideration	42	3.61	3.500	89.83
	No	119	3.34	3.500	77.88
Mean_LBrokerOut_NL	Yes/Under Consideration	42	3.50	3.450	97.79
	No	120	3.13	3.000	75.80
Mean_LabourLaw	Yes/Under Consideration	41	3.91	4.000	87.44
	No	119	3.72	3.800	78.11

After the Mann-Whitney U test between the groups, on Table 63, the Mean_LbrokerOut_NL indicates an alpha level of below 0.05 thus a difference between the two groups on said variables.

Table 63 - Mann-Whitney Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_LBrokerOut_L	2128.000	9268.000	-1.444	.149
Mean_LBrokerOut_NL	1836.000	9096.000	-2.630	.009
Mean_LabourLaw	2155.000	9295.000	-1.116	.264

Table 64 – Temporary Workers

rC12.2		Normally Distributed	Not Normally Distributed
Mean_TempWork_L	Yes/Under Consideration		**.008**
	No		**.014**
Mean_TempWork_NL	Yes/Under Consideration		**.001**
	No		**.017**
Mean_LabourLaw	Yes/Under Consideration		**.001**
	No	**.059**	

Table 65 - Temporary Workers Group Statistics

rC12.2		N	Mean	Median	Mean Rank
Mean_TempWork_L	Yes/Under Consideration	100	3.63	3.750	80.89
	No	61	3.64	3.750	81.18
Mean_TempWork_NL	Yes/Under Consideration	101	3.87	4.000	87.43
	No	61	3.60	3.750	71.69
Mean_LabourLaw	Yes/Under Consideration	100	3.81	3.900	83.11

	No	60	3.70	3.700	76.15

After the Mann-Whitney U test between the groups, See Table 66, the Mean_TempWork_NL indicates an alpha level of below 0.05 thus a difference between the two groups on said variables.

Table 66 - Temporary Workers Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_TempWork_L	3039.000	8089.000	-.039	.969
Mean_TempWork_NL	2482.000	4373.000	-2.088	.037
Mean_LabourLaw	2739.000	4569.000	-.923	.356

a. Grouping Variable: rC12.2

Table 67 - rC12.3 – Offshoring

rC12.3		Normally Distributed	Not Normally Distributed
Mean_Offshore_L	Yes/Under Consideration	.054	
	No		.001
Mean_Offshore_NL	Yes/Under Consideration	.056	
	No		.001
Mean_LabourLaw	Yes/Under Consideration	.664	
	No		.001

Table 68 - Offshore Group Statistics

rC12.3		N	Mean	Median	Mean Rank
Mean_Offshore_L	Yes/Under Consideration	21	3.27	3.000	
	No	138	3.36	3.000	
Mean_Offshore_NL	Yes/Under Consideration	21	3.37	3.286	
	No	136	3.28	3.000	
Mean_LabourLaw	Yes/Under Consideration	20	3.47	3.400	
	No	137	3.82	4.000	

No test between groups for the Offshore group as the group sizes where too different to justify a comparison.

Table 69 – Outsourcing

rC12.4		Normally Distributed	Not Normally Distributed
Mean_LBrokerOut_L	Yes/Under Consideration		.002
	No		.001
Mean_LBrokerOut_NL	Yes/Under Consideration	.078	
	No		.001
Mean_LabourLaw	Yes/Under Consideration	.070	
	No		.001

Table 70 - Outsourcing Group Statistics

rC12.4		N	Mean	Median	Mean Rank
Mean_TempWork_L	Yes/Under Consideration	64	3.66	3.583	82.36
	No	97	3.62	3.250	80.10
Mean_TempWork_NL	Yes/Under Consideration	65	3.83	3.167	84.28
	No	97	3.73	3.167	79.64
Mean_LabourLaw	Yes/Under Consideration	65	3.80	3.800	82.18
	No	95	3.75	3.800	79.35

Table 71 - Outsourcing Mann-Whitney Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_TempWork_L	3017.000	7770.000	-.302	.762
Mean_TempWork_NL	2972.000	7725.000	-.622	.534
Mean_LabourLaw	2978.500	7538.500	-.380	.704

a. Grouping Variable: rC12.4

Table 72 – Normality Mechanisation

rC12.5		Normally Distributed	Not Normally Distributed
Mean_Mechanise_L	Yes/Under Consideration		**.001**
	No		**.001**
Mean_Mechanise_NL	Yes/Under Consideration		**.008**
	No		**.001**
Mean_LabourLaw	Yes/Under Consideration		**.005**
	No		**.028**

Table 73 - Mechanisation - Group Statistics

rC12.5		N	Mean	Median	Mean Rank
Mean_Mechanise_L	Yes/Under Consideration	61	3.84	4.000	83.07
	No	100	3.83	4.000	79.74
Mean_Mechanise_NL	Yes/Under Consideration	62	3.83	4.000	85.04
	No	99	3.71	3.800	78.47
Mean_LabourLaw	Yes/Under Consideration	61	3.91	4.000	89.34
	No	99	3.69	3.800	75.06

Table 74 - Mann-Whitney Test Statistics

	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)
Mean_Mechanise_L	2923.500	7973.500	-.457	.648
Mean_Mechanise_NL	2818.500	7768.500	-.877	.380
Mean_LabourLaw	2480.500	7430.500	-1.900	.057

a. Grouping Variable: rC12.5

After the Mann-Whitney U test between the groups, there are none with an alpha level below 0.05, indicating no difference between the groups on said variables.

6. DISCUSSION OF RESULTS

6.1. INTRODUCTION

The demographics of the respondents followed by the results in Chapter 5 are discussed below. The results are discussed with reference to each proposition. Results of the demographic information on age, gender, ethnicity, years of experience in the industry, highest educational qualification, trade union membership and others provide an interesting perspective on the SMME demographics in South Africa, but the inferences that can be drawn from these results are not relevant to the present study. The results from the demographic questions "What position do you hold in your company?", "How many permanent employees does your company employ?" and "Is your company registered with a bargaining council" are discussed next.

6.2. Demographics

The majority of the respondents, at 64.4 %, are at executive level while the next largest group are at senior management level. All other respondents who chose the option "Other" on this question indicated that they owned the businesses they were responding on. All those who indicated to be owners the company where added onto the Executive Management group. The respondents at this level of seniority in the organisation thus are major decision makers, including hiring and firing, in their companies. As Fayolle *et al.* (2011) opined small business owners choose to run their businesses as they wish where this decision-making is driven by what they are able to do rather than what they should be doing (Sarasvathy, 2008). The decision-making, which tends to be more reactive than proactive, is thus based on what the external environment, including labour legislation, presents (Tocher *et al.,* 2009). The majority of the respondents would thus be the most likely to be the decision-makers on the company's policy on employment and dismissal.

More than 50 % of the respondents, as illustrated in Table 08 in Chapter 05, employ fewer than 100 employees. The National Business (NSB) Act of 1996 on which the current report relies for its definition of SMMEs defines manufacturing businesses that employ less than 20 employees as very small enterprise. These businesses are said to be operating in the formal market and making use of technology. The next layer are small businesses whose upper limit is 50 employees. The NSB Act defines these as Small Enterprises. Small Enterprises have more sophisticated business practices than their counterparts who fall within the very small business category. The next layer are defined as medium enterprises where management decision-making is decentralised as they usually tend to have a lower level of management in these organisations.

As illustrated in Table 09 in Chapter 05, the majority of the respondents are not members of Bargaining Council. This is in line with the statement by Bischoff *et al.* (2013) that most small businesses in South Africa are reluctant to join Bargaining Councils due to the costs involved and the administration complexity that comes with membership to such institutions. Magruder (2012) claimed that one of the possible reasons for the high rate of unemployment in South Africa might be related to regulation. The regulation, with a high, successful enforcement rate in South Africa, comes in the form of a "variety of legislated labour standards as well as privately bargained arbitration decisions" (Magruder, 2012 p. 07). According to Magruder (2012), the arbitration decisions are then extended across a political district where small firms that are not members of the Bargaining Council are also affected. A point worth noting is that a difference was found (see Table 56 on Chapter 5) after the Mann-Whitney comparison test was done between the "Yes"/"No" groups for this question and the labour law related mechanisation sub-questions (Mean_Mechanise_L) of question 16. The group of respondents who answered "No" to this question were more agreeable on the labour law sub-questions of question 16 than were the group of respondents who answered "Yes". The reason for this could be that the "No" group may be aggrieved by the impact of labour law as they are not part of the original decision-making and agreement on said bargained arbitration decisions as these are imposed on them through extensions.

6.3. COMPANY OPERATIONAL PROFILE

Question 12 was included in the questionnaire to establish what the current operational profile of the surveyed companies is with regard to offshoring, labour brokering/outsourcing, mechanisation and the use of temporary workers. The majority of the respondents answered "No" to most questions as can be seen by the results in Table 12. It is only on one question, C12.2, that there are more "Yes" answers than "No". Temporary employment, according to these results, is a popular employment choice by just under 60% of employers.

In an effort to get a better understanding, the motivation for companies choosing to implement any of the above, a comparison was done between all the sub-questions in question 12, except for question 12.6, with related questions in section D. A brief discussion on the comparisons that revealed a difference in groups follows.

Does your company make use of the services of a labour broker?

After a Mann-Whitney comparison test was done between question C12.1 and question 14, there is a difference between the "Yes" and "No" groups, as can be seen in Table 63, with regard to the

non-labour law related sub-questions of question 14 (_Mean_LBrokerOut_NL). Respondents who are making use of the services of a labour broker as a result of non-labour law reasons differ with those who are not considering nor are making use of the services of a labour broker.

Does your company employ temporary workers on a limited or fixed period of time (LDC)?

After a Mann-Whitney comparison test is done between question C12.2 and question 13, a difference between the "Yes" and "No" groups can be noted, as can be seen in Table 66, with regard to the non-labour law related sub-questions of question 14 (Mean_TempWork_NL). Respondents who are making use of the services of a temporary worker due to non-labour law reasons differ with those who are not considering nor are making any use of the services of temporary workers on a limited or fixed period of time (LDC).

The rest of the other sub-questions did not display any differences between groups.

6.4. Labour Law

Question 17 was included in the questionnaire to establish what the respondents' views on labour law in South Africa are. The results as indicated in Table 17 (Table 18 contains additional statistical detail on the responses to this question). Sub-question D17.3 has the lowest combination "Agree" and "Strongly Agree" response at just over 44%. The rest of the sub-questions have the most respondents selecting "Agree" or "Strongly Agree". Question D17.1 has the highest number of respondents strongly agreeing with at just fewer than 44% or 78% if the number of those respondents agreeing are added to those strongly agreeing with the statement; "The Company regards South African Labour law and its regulations a barrier to employing more permanent employees". If anything, the responses to the sub-questions for question 17 indicate that there is a perception by these respondents that the country's labour legislation environment is a barrier to doing business.

6.5. PROPOSITIONS

Proposition 1 - SMMEs in South Africa offshore their production operations to other countries to avoid Employment Protection Legislation (EPL)

As was established when analysing literature for the present study, companies employ different measures to avoid the effects of EPL. These measures may include non-compliance, evasion and other means such as offshoring, outsourcing, employing temporary workers or making use of the services of labour brokers and mechanisation (Bischoff *et al.,* 2013; Psychogios *et al.,* 2010;

Rankin, 2006). Bischoff *et al.* (2013) concluded in their research that most small companies in South Africa opted for outsourcing their operations to other companies as a means to avoid having to deal with labour related issues. The literature on outsourcing of operations internationally, that is offshoring, to avoid EPL is, however, sparse with most presenting other reasons, different to EPL, on why companies opt for this phenomenon.

Studies such as those by Bunyaratavej *et al.* (2007) have negated studies that posit that companies will offshore to avoid high labour costs or EPL in their home country. These researchers argued that companies are attracted to moving some of the labour requirements to a foreign country for human capital reasons such as a higher level of education to that of their own country, but only if the culture of the host country is closer to that of their own. The attractiveness of a higher level of education could possibly imply a larger pool of skilled labour to meet their human resource requirements. Coucke *et al.* (2008) argued that offshoring enables companies to compete more effectively and therefore increase their chances of survival. This report claimed that offshoring thus leads to reduced unemployment as companies surviving competition in their home countries as a result of offshoring are able to continue operating and therefore ensure the continued employment of their employees.

The Likert-scale questions that relate to offshoring, as a response to EPL, were separated into labour law related issues (Offshoring L) and those that are not related to labour law issues (Offshoring NL) to enable easier analysis. The questions are presented below in the manner that they are grouped within these two categories.

Question 15 Offshoring has the following benefits to companies:

Labour Law Related questions

- 15.1 Low labour costs in other countries
- 15.2 Employee recruitment costs are low in other countries
- 15.3 Employee dismissal costs are low in other countries
- 15.4 It minimises organised labour issues

Non-Labour Law Related questions

- 15.5 It reduces real estate costs/property rental costs
- 15.6 Utility costs such as electricity and water are less costly in other countries

- 15.7 Supply of utility services such as electricity and water are more reliable in other countries
- 15.8 There is less crime in other countries
- 15.9 There are more skilled people available to meet the company's labour requirements in other countries
- 15.10 Other countries offer relocation incentives to business
- 15.11 It increases productivity

All the sub-questions for Section D and Question 15 of the questionnaire were analysed for reliability and consistency. The Cronbach Alpha coefficient indicated a value above .7 for all the questions indicating that all were measuring the same construct. None had to be removed, based on the analysis, as all were reliable (Pallant, 2007).

The results of the questions related to offshoring are set out in Table 15 in Chapter 5. The detailed descriptions of the questions are on the latter and may be referenced for clarity.

Questions D15.1 to D15.4 seeks to uncover the extent to which labour legislation related issues influence the decision of the respondents to offshore some or all of their businesses' production operations to another country. The rest of the other questions, being D15.5 to D15.11, referred to as non-labour questions for ease of reference, seeks to assess other reasons that may influence an offshoring decision by these companies.

The results indicate a neutrality to both the labour and non-labour-related questions, thus a contradiction to the arguments by Bischoff *et al.* (2013) and Bunyaratavej *et al.* (2007) who argued for labour legislation and non-labour legislation as causes to offshoring, respectively. As already indicated, research on why companies choose to offshore is sparse, and calls for more work to be done in this area. Care should be thus taken in drawing any conclusions from these results. No comparative tests were done between groups, as the sizes are too different.

Proposition 2 - SMMEs in South Africa mechanise their production operations to avoid Employment Protection Legislation (EPL)

The generally accepted theory that companies substitute labour for capital in a restrictive EPL environment (Cingano *et al.,* 2010; Calgagnini *et al.,* 2009) was contradicted by other studies such as by Van Ark *et al.* (2008); Bartelsman *et al.,* (2010); Griffith *et al.* (2014) with these researchers having argued that companies tend to invest less in capital in an environment where

EPL is stringent and posited that investment in capital is more prevalent in an environment where EPL is more relaxed.

Theory that posited increased capital intensive investment in a more stringent EPL regime (Cingano *et al.,* 2010; Calcagnini *et al.*, 2009)) contended that dismissal costs raise companies' adjustment costs and they may therefore substitute labour for capital. The outcome of this, these authors argued, may be more investment in capital-intensive technologies in the long run and therefore reduced employment. Calgagnini *et al.* (2009) claimed that companies tend to increase their investment in capital intensive technologies in an environment where the restrictions of legislation makes the output capacity of such companies less aligned to the demands of the business cycle.

The results of research by Griffith *et al.* (2014) disputed the theory of increased mechanisation in a restrictive EPL environment. This study argued that companies avoid investment in new innovation as this may result in the need to replace existing employees with those that are more skilled in the new technology. This may result in increased costs to the company due to the employee dismissal costs that come with culling the redundant staff. The adjustment costs brought on by the new innovation thus cancels the business case for it this report argues.

The Likert-scale questions that relate to mechanisation, as a response to EPL, were separated into labour law related issues (Mechanisation L) and those that are not related to labour law issues (Mechanisation NL) to enable for easier analysis. The questions are presented below in the manner that they are grouped within these two categories.

Question 16. Mechanisation has the following benefits to companies:

Labour Law Related questions

- 16.4 It minimises organised labour issues
- 16.5 It decreases the costs associated with dismissing permanent employees

Non-Labour Law Related questions

- 16.1 Increased Safety
- 16.2 It aids in the management of skills shortages
- 16.3 Reduces training costs
- 16.5 It decreases payroll and general human resource related administration costs
- 16.7 It increases productivity

All the sub-questions for question 16 of the questionnaire were analysed for reliability and consistency. The Cronbach Alpha coefficient indicated a value above .7 for all the questions indicating that all were measuring the same construct. None had to be removed based on the analysis as all were reliable (Pallant, 2007).

All the sub-questions of question 16 were divided into two (02) groups. Those designed to obtain an understanding on whether companies' decisions to mechanise are mostly informed by labour law or non-labour law related considerations. Sub-questions D16.4 and D16.6 make up the labour law related questions while the rest are non-labour law related.

The results set out in Table 16 indicate that most respondents are agreeable on both labour-related sub-questions as reasons for mechanisation by companies. These results therefore contradict the argument by Griffith *et al.* (2014) that companies tend to avoid bringing in new innovation and investing in capital under conditions of stringent EPL.

Proposition 3 - SMMEs in South Africa opt for the use of Labour Brokers and/or outsourcing to avoid Employment Protection Legislation (EPL)

A review of the literature indicated that companies make use of the services of a labour broker, sub-contractor or an outsourcing company for a variety of reasons related to both labour law and non-labour related drivers. Perraudin *et al.* (2013), for instance, were able to show through the results of their research, observing data from French companies, that companies would start making use of these services once the company reached the maximum employee cap that would trigger their mandatory compliance to labour legislation requirement. Researchers have, over the years, established different other reasons for companies outsourcing their operations or making use of the services of a sub-contractor or labour broker ((Walsh *et al.,* 2006); (Davis-Blake & Uzzi, 1993; Harrison *et al., 1*993; Pfeffer & Baron, 1988). The reasons proposed by these authors included labour cost-saving such as administration costs related to recruitment, training, benefits such as insurance and unemployment insurance and pensions and the avoidance of organised labour related issues such as diminish labour union growth and strength and in this manner limit the collective bargaining power of workers.

The Likert-scale questions that relate to the use of labour brokers, outsourcing or sub-contractors, as a response to EPL, were separated into labour law related issues (Labour Broker L) and those that are not related to labour law issues (Non Labour Broker NL) to enable for easier analysis.

The questions are presented below in the manner that they are grouped within these two categories.

Question14. Making use of the services of a Labour Broker/Outsourcing has the following benefits to companies:

Labour Law Related questions

- 14.1 Reduces employee recruitment time
- 14.4 It decreases costs associated with dismissing permanent employees
- 14.5 It minimises organised labour issues
- 14.10 It enables the company to share risks with the Labour Broker/Outsourcing company

Non-Labour Law Related questions

- 14.2 It decreases employee recruitment costs
- 14.3 It decreases Payroll and general Human Resource administration costs
- 14.6 It decreases employee training costs
- 14.7 It frees the company to focus on its core business
- 14.8 It frees permanent workers for other purposes
- 14.9 Insufficient human resources are available internally (Staff shortages)

All the sub-questions for Section D and Question 14 of the questionnaire were analysed for reliability and consistency. The Cronbach Alpha coefficient indicated a value above .7 for all the questions indicating that all were measuring the same construct. None had to be removed based on the analysis as all were reliable (Pallant, 2007).

All the sub-questions of question 14 are divided into two (02) groups. Those designed to obtain an understanding on whether companies' decisions to make use of labour brokering or outsourcing firms are mostly informed by labour law or non-labour law related considerations. Sub-questions D14.1, D14.4, D14.5 and D14.10 make up the labour law related questions while the rest are non-labour law related.

The results of the respondents on this question as indicated in Table 14 show a higher percentage of agreement on the labour- related questions than the non-labour. As can be seen, all the labour law related questions have 60 % or more of the respondents selecting "Agree" with the closest non-labour law question having 52 % of respondents agreeing with the statement.

These results seem to be in line with those of Perraudin *et al.* (2013); Walsh *et al.* (2006); Davis-Blake and Uzzi (1993); Harrison *et al.* (1993); Pfeffer and Baron (1988) which indicated that companies make use of the services of a labour broker or outsourcing company for reasons related to labour legislative requirements. This is an important factor considering the amendments by government of the Labour Relations Act especially those changes that have an impact on the labour brokering industry.

Proposition 4 - SMMEs in South Africa opt for the use of temporary labour instead of permanent workers to avoid Employment Protection Legislation (EPL)

The existence of dual labour markets in many economies and the reasons for this has been documented extensively ((Bentolila *et al.,* 2012); (Bentolila, Cahuc, *et al.,* (2012), (Mitlacher, 2007); (Vidal *et al.,* 2009)). Companies use a combination of these staffing approaches to avoid the requirements of labour legislation in markets where EPL is restrictive and the recruitment and dismissal costs are particularly high (Bentolila *et al.,* 2012; Bentolila, Cahuc, *et al., 2*012; Mitlacher, 2007) or to enable numerical flexibility in an environment where the demand for labour was fluctuating over time and to assess new hires competence before offering permanent employment (Mitlacher, 2007; Vidal et al., 2009). Bentolila, Cahuc, *et al.,* (2012) furthermore established, assessing data from Spanish companies, finding that companies preferred to keep employees in temporary employment longer rather than offer permanent employment in an environment where enforcement was weaker in the former.

Question 13. Employing temporary workers has the following benefits to companies:

Labour Law Related questions

- 13.1 Reduces employee recruitment time
- 13.2 The company is able to assess the worker's competence before offering a permanent job
- 13.4 It decreases the cost associated with dismissing permanent employees
- 13.5 It minimises organised labour issues

Non-Labour Law Related questions

- 13.3 It decreases Payroll and general Human Resource administration costs
- 13.6 It aids the company manage its fluctuating labour requirements
- 13.7 It aids the company manage uncertain future output requirements

- 13.8 It facilitates the management of seasonal demands related to the nature of the business

All the sub-questions for question 13 of the questionnaire were analysed for reliability and consistency. The Cronbach Alpha coefficient indicated a value above .7 for all the sub-questions indicating that all were measuring the same construct. None had to be removed based on the analysis as all were reliable (Pallant, 2007).

All the sub-questions of question 13 are divided into two (02) groups. Those designed to obtain an understanding on whether companies' decisions to make use of temporary workers are mostly informed by labour law or non-labour law related considerations. Sub-questions D13.1, D13.2, D13.4 and D13.05 make up the labour law related questions while the rest are non-labour law related.

The benefit most respondents associated with employing temporary workers is that of the company being able to assess the workers competence before offering a permanent job at a mean of 4.03. The lowest mean of 3.35 shows that most were neutral or agreeable on whether employing temporary workers reduces recruitment time, however, half of the respondents were in disagreement with this statement. The mode of four (4) shows most respondents to be agreeable with all the questions for this theme as most chose option 4, that is, "Agree".

This results of this question are aligned with existing literature. The argument by Mitlacher (2007) that companies initially assessing the employee's competence as a temporary worker before offering permanent employment seems to resonate with the majority of the respondents. These results are aligned with those of Bentolila, Dolado *et al.* (2012) who argued that in an environment with high hiring and firing costs companies preferred to employ in the temporary worker labour market.

7. Conclusion

7.1. Introduction

Research on Employment Protection Legislation and its impact on unemployment is ambiguous and inconclusive at best. As noted in another section of this report, the results on this topic can be predicted on the researcher's background and ideological point of view. Reports that are commissioned by organisations such as the ILO tend to conclude in favour of stringent EPL while those from organisations that are business-friendly, such as the World Economic Forum, tend to conclude against stringent EPL. Other criticism of research on this topic is that most research reports use panel data from different OECD countries.

Researchers, such as Feldmann (2009), have questioned the outcome of such reports, as according to these critics, the differences in the legislative regimes of these countries, which are not unique, are usually not taken into consideration. There is also the *de facto* and *de jure* realities of each individual country's labour legislation as this may impact companies differently. There are also the different measuring criteria that the different researchers use which lead to inconsistencies with the results. Lee *et al.* (2008), for instance, argued that the inconsistencies are related to differences in measuring criteria, differences in legislation, social and cultural norms and the rule of law of the different countries.

The purpose of this study was to investigate the impact; perceived, strict EPL has on South Africa's unemployment problems. The impact was assessed through interrogating whether SMMEs are implementing other means such as through the use of labour brokers and outsourcing, mechanisation, offshoring and the use of temporary workers to minimise the impact of EPL on their companies. The government of South Africa has identified this sector of employers as the target for its employment-creation strategy outlined it its National Development Plan. The study's main objective was to establish if the different labour legislations, "to protect employees, whether grounded in legislation, court rulings, collectively bargained conditions of employment or customary practice" (World Bank, 2011), are inadvertently detrimental to equilibrium employment creation.

The results of the study may be used to assist legislators in constituting labour legislation.

7.2. Discussion and Recommendations

The National Development Plan identified the small, micro and medium enterprises sector as an area to target if it is to meet its job creation objectives by 2030. The propositions for this research set out to establish the perception of businesses in this sector on employment protection legislation and what the responses of the sector has been to avoid said legislation.

Proposition 1 - SMMEs in South Africa offshore their production operations to other countries to avoid Employment Protection Legislation (EPL)

Respondents were neutral on the reasons, both labour and non-labour law related, why they would consider offshoring as an option. It is evident when looking at the responses for sub-question 12.3 that offshoring is not prevalent among those companies that were surveyed. Of the 190 respondents to the question "Does your company have any of its production facilities in a country other than South Africa?" 87% answered "No". As has been previously mentioned in another section of this report, there seems to be a dearth of literature on offshoring that focuses on the South African market specifically and, as a result, it can only be speculated on the reasons for the apparent lack of this method of production in the country. One reason could be that the South African companies, as a result of the sanctions that were imposed on the country during apartheid that shut the country off from the business environment outside of the country, took on this stance. Another reason could be that SMMEs may be reluctant to move operations to a neighbouring Sub-Saharan country due to concerns about the lack of infrastructure or safety concerns. There could be other reasons not mentioned here that are the cause and as suggested previously, further empirical research is required to establish the real reasons. Proposition 1 could therefore not be proven to be true.

Proposition 2 - SMMEs in South Africa mechanise their production operations to avoid Employment Protection Legislation (EPL)

Respondents agreed to both labour and non-labour law related issues in regards to the reasons that would inform their decision to mechanise their production processes. The results can possibly be interpreted to imply that companies would still mechanise some of their production operations regardless of labour law considerations. There may be an argument that the presence or perception of labour law stringency may escalate adoption of such mechanised processes by these businesses. It is proposed, however, that further research be conducted in this area focusing specifically on the pace of mechanisation under conditions where stringent EPL exist in

the market or otherwise. The impact of stringent labour law encouraging SMMEs in this sector to mechanise is therefore uncertain.

Assessment of the literature that covers mechanisation and its impact on unemployment is not clear as there is an argument that mechanisation may require a higher skills level to the current skills profile. The dismissal of the one set of employees is therefore countered by the employment of a new set of employees with the skills required to operate the machinery. In addition, the increased productivity by the more advanced equipment may increase efficiencies, which would increase productivity and thus business growth. Growth of the business may then lead to increased employment.

Proposition 3 - SMMEs in South Africa opt for the use of Labour Brokers and/or outsourcing to avoid Employment Protection Legislation (EPL)

The results from this research show that the respondents are inclined to consider the use of labour brokers or outsource more as a result of labour law considerations than for non-labour law reasons. These employers deem labour law stringent and therefore opt for the protection that partnering with a labour broker offers their businesses. The results of this research thus prove Proposition 3 to be true.

The government has recently implemented amendments to legislation related to labour brokers which, could be argued, will remove the protection that made this form of employment attractive to employers. There are certain provisions in the amendments, for instance, that make the employer and labour broker equally liable under certain conditions and Bargaining Council arbitration extensions will also now affect labour brokers in the industry where such arbitrations are agreed to. It would be interesting to see what impact these changes will have on unemployment. Will these changes, for instance, encourage business to opt for permanent contracts due to the reduced protection that has until now been the appeal labour brokers offered or will employers seek other alternatives to avoid compliance?

Proposition 4 - SMMEs in South Africa opt for the use of temporary labour instead of permanent workers to avoid Employment Protection Legislation (EPL)

As noted in Chapter 06, a statement respondents agreed to more than any other, on the reasons for temporary employment, was due to the employer wanting to assess the competence of the employee before committing to permanent employment of said employee. Speculation is that

dismissal costs are deemed high and employers are using this employment option available to them to mitigate the risk of having to pay dismissal costs in an instance where a recently appointed employee is not able to perform to the demands of the job as per arguments by Mitlacher (2007). The new amendments to the LRA include a limit of three (03) months during which an employee can be deemed temporary after which the employer is compelled to offer such an employee a permanent contract. It could be argued that the amendments should not affect those companies that employ temporary workers as a means to assess competence, as this should be possible within the allotted three (03) month period.

The responses for the rest of the reasons are reasonable high and cannot be deemed to irrelevant and should therefore also be considered in the assessment of this proposition. The result of this research thus proves Proposition 4 to be true.

There are companies exempted from the act such as employers whose labour requirements fluctuate due to seasonality of their demand and those that employ a specified number of employees. The latter will be particularly interesting to observe and it will have to be seen if companies will be reluctant to, as argued by Perraudin *et al.* (2013), to employ beyond the specified threshold that would automatically require compliance.

7.3. Recommendations to Stakeholders

Government has, through the National Development Plan, expressed its concerns on the pervasive massive unemployment, poverty and inequality experienced by many South Africans today with job creation being mentioned as one of the ways in which these problems can be addressed (National Planning Commission, 2011). There has also been a realisation that small businesses are the one area to target for this job creation. Equally, a priority for government is the protection, through legislation, of those South African citizens currently employed as expressed in its National Growth Path (NGP, 2010). Literature, including the findings of this report, has shown that businesses tend to avoid employing more staff if they perceive Employment Protection Legislation to be stringent. The result of this is that those who are employed remain employed and those who are unemployed remain unemployed. Legislators need to be sensitive to these contradictions and take them into account when passing legislation. Policy makers need to reach equilibrium between creating an environment that is not too biased toward the stringent EPL as it creates a restricted business environment with reduced job flows and unemployment and EPL that is too liberal as it leaves employees vulnerable to exploitation and reduced protection.

7.4. Limitations of the Study

As mentioned in Chapter 4 of this report, other questions were revealed by some of the responses from the survey and follow-up questions to these questions would have possibly provided clarity. The ratio of temporary workers to those on permanent contracts, including the average number of years employed in each category, would have been interesting to observe. This would possibly give an indication on whether the employment into either temporary or permanent contracts has changed as legislation has become stricter.

The present research was focused on only a small section of the manufacturing industry and there is therefore a reluctance to generalise the results across the industry and for SMMEs from other industries.

Finally, a comparison between the Bargaining Council the respondents belong to and the perception on labour law could have been done to establish if respondents' perception of labour law could be predicted on the Bargaining Council they are affiliated to.

7.5. Suggestions for further research

The scope of this research was limited to one sector of the manufacturing industry. Additional research covering different industries is needed to establish if the results from the present research are repeatable across industries. It would also be advisable to establish if there are other alternative hiring methods, different to the ones identified here, in the other industries.

Consensus is still to be reached on whether stringent labour law lead to unemployment. The present study has, however, proven that employers will move employment external to the organisation through the use of labour brokers or temporary employment to avoid compliance to legislation. Recent amendments to Employment Protection Legislation have further tightened the regulations on the use by companies of the services of labour brokers and the employment of temporary workers. Research to assess the impact such amendments have on unemployment is required.

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Appendix A - Questionnaire

03 September 2014

Dear Sir/Madam

This questionnaire is part of an MBA research project conducted by Joe Mabilo, a Master of Business Administration student at the Gordon Institute of Business Science, University of Pretoria.

The research is focused mainly on establishing business' perception on the benefits of employing temporary workers, offshoring and mechanisation and the views on labour legislation in South Africa. The results of this research may aid to inform legislators and other related institutions when legislating on labour related issues.

The research has been subject to ethical clearance in accordance with the procedures specified by the Gordon Institute of Business Science (GIBS) Ethics Committee and has been given favourable ethical approval.

Completing this questionnaire should not require more than 10 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty.

The survey and all data gathered are confidential and anonymous. The information will be coded and data from this research will be reported in the aggregate. By completing this questionnaire, you indicate that you voluntarily participate in the research.

If you have any concerns, please contact my supervisor or me. Our details are provided below.

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Please answer the following questions by crossing (x) the relevant block or writing down your answer in the space provided.

Please answer all the questions.

EXAMPLE of how to complete this questionnaire:

Your gender?
If you are female:

Male	1
Female	2

DEFINITIONS
For your information, we provide you with definitions of words used in this questionnaire.

Employees in permanent employment - Employees who are employed in permanent positions indefinitely or for as long as the company exists. Permanent employees can resign from the company or their contract of employment can only be terminated for fair reasons in terms of the Labour Relations Act NO 55 on 1995.

Employees in temporary employment – Employees who are employed for a Limited or fixed period of time (LDC) linked to a specific event or project, either directly by the employer or through a Labour Broker/Temporary Employment Service (TES). The contracts of employment are terminated on the date of expiry of the limited duration contract.

Casual employees – Employees who work for no more than three days a month.

Mechanisation – Process of doing work with machinery

Offshoring - Is the relocation, by a company, of a business process from one country to another—typically an operational process, such as manufacturing

We thank you for participating in this survey.

Section A – Background and Demographic Information

This section of the questionnaire refers to the background or biographical and demographical information. Although we are aware of the sensitivity of the questions in this section, the information will allow us to compare groups of respondents. Once again, we assure you that your response will remain anonymous. Your co-operation is appreciated.

1. Gender

Male	1
Female	2

2. Age Range

25 years or younger	1
26 to 34 years	2
35 to 44 years	3
45 to 54 years	4
55 to 64 years	5
65 years or older	6

3. Ethnicity

Black	1
White	2
Coloured	3
Indian or Asian	4

4. What position do you hold in your company?

Junior Management	1
Middle Management	2
Senior Management	3
Executive	4
Other	5

If "Other", please specify: _____

5. What is your highest educational qualification?

Grade 11 (Std 9) or Lower	1
Grade 12 (Matric, Std 10)	2
Post-Matric Diploma or Certificate	3
Baccalaureate Degree(s)	4
Post-Graduate Degree(s)	5

6. How many years' experience do you have in this specific industry you are working in?

Less than 1 year	1
1 to 2 years	2
2 to 5 years	3
5 to 10 years	4
10 to 15 years	5
15 to 20 years	6
More than 20 years	7

Section B – Business Information

This section of the questionnaire explores the profile of your business' demographic.

7. In what South African province is your business's head office located

Eastern Cape	1
Free State	2
Gauteng	3
KwaZulu-Natal	4
Limpopo	5
Mpumalanga	6
Northern Cape	7
North West	8
Western Cape	9

8. How many permanent employees does your company employ?

Less than 20	1
20 – 50	2
51 – 100	3
101 – 150	4
151 - 200	5
More than 200	6

Section C – Institutional Information

This section of the questionnaire explores the labour institutional information your business operates in.

9. Is your company registered with a bargaining council

Yes	1
No	2
Not Sure/Don't Know	3

If you answered Yes, please provide the name of the bargaining council
_____

10. If you answered Yes to the previous question (9), have you been formally exempted from the minimum requirements of the Bargaining Council Agreement?

Yes	1
No	2
Not Sure/Don't Know	3

11. How many of your employees are members of a Trade Union?

Less than 10	1
10 - 20	2
21 - 40	3
41 - 60	4
61 – 100	5
101 - 200	6
More than 200	7

12.

	Yes	Under Consideration	No
12.1 Does your company make use of the services of a labour broker?	1	2	3
12.2 Does your company employ temporary workers on a limited or fixed period of time (LDC)?	1	2	3
12.3 Does your company have any of its production facilities in a country other than South Africa?	1	2	3
12.4 Does your company have any of its production outsourced to another company?	1	2	3
12.5 Does your company use any machinery for the	1	2	3

production of the goods you sell?			
12.6 Are your company's labour requirements seasonal?	1	2	3

Section D – Benefit Information

This section of the questionnaire explores your perception on the benefits to business employing temporary workers, offshoring, mechanisation and your company's view on labour law in South Africa.

13. Employing temporary workers has the following benefits to companies:

	Strongly Disagree	Disagree	Neutral	Agrees	Strongly Agrees
13.1 Reduces employee recruitment time	1	2	3	4	5
13.2 The company is able to assess the worker's competence before offering a permanent job	1	2	3	4	5
13.3 It decreases Payroll and general Human Resource administration costs	1	2	3	4	5
13.4 It decreases the cost associated with dismissing permanent employees	1	2	3	4	5
13.5 It minimises organised labour issues	1	2	3	4	5
13.6 It aids the company manage its fluctuating labour requirements	1	2	3	4	5
13.7 It aids the company manage uncertain future output requirements	1	2	3	4	5
13.8 It facilitates the management of seasonal demands	1	2	3	4	5

	related to the nature of the business				

14. Making use of the services of a Labour Broker/Outsourcing has the following benefits to companies:

	Strongly Disagree	Disagree	Neutral	Agrees	Strongly Agrees
14.1 Reduces employee recruitment time	1	2	3	4	5
14.2 It decreases employee recruitment costs	1	2	3	4	5
14.3 It decreases Payroll and general Human Resource administration costs	1	2	3	4	5
14.4 It decreases costs associated with dismissing permanent employees	1	2	3	4	5
14.5 It minimises organised labour issues	1	2	3	4	5
14.6 It decreases employee training costs	1	2	3	4	5
14.7 It frees the company to focus on its core business	1	2	3	4	5
14.8 It frees permanent workers for other purposes	1	2	3	4	5
14.9 Insufficient human resources are available internally (Staff shortages)	1	2	3	4	5
14.10 It enables the company to share risks with the Labour Broker/Outsourcing company	1	2	3	4	5

15. Offshoring has the following benefits to companies:

	Strongly Disagrees	Disagrees	Neutral	Agrees	Strongly Agrees
15.1 Low labour costs in other countries	1	2	3	4	5
15.2 Employee recruitment costs are low in other countries	1	2	3	4	5
15.3 Employee Dismissal costs are low in other countries					
15.4 It minimises organised labour issues	1	2	3	4	5
15.5 It reduces real estate costs/property rental costs	1	2	3	4	5
15.6 Utility costs such as electricity and water are less costly in other countries	1	2	3	4	5
15.7 Supply of utility services such as electricity and water are more reliable in other countries	1	2	3	4	5
15.8 There is less crime in other countries	1	2	3	4	5
15.9 There are more skilled people available to meet the company's labour requirements in other countries	1	2	3	4	5
15.10 Other countries offer relocation incentives to business	1	2	3	4	5
15.11 It increases productivity	1	2	3	4	5

16. Mechanisation has the following benefits to companies:

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
16.1 Increased Safety	1	2	3	4	5
16.2 It aids in the management of skills shortages	1	2	3	4	5
16.3 Reduces Training Costs	1	2	3	4	5
16.4 It minimises organised labour issues	1	2	3	4	5
16.5 It decreases Payroll and general Human Resource related administration costs	1	2	3	4	5
16.6 It decreases the costs associated with dismissing permanent employees	1	2	3	4	5
16.7 It increases productivity	1	2	3	4	5

17. These questions explore your company's perception on labour law.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
17.1 The company regards South African Labour law and its regulations a barrier to employing more permanent employees	1	2	3	4	5
17.2 Management in the company believe South Africa's Labour Law and its regulations are unfair to employers	1	2	3	4	5
17.3 Strike action over the last two years has threatened the existence of the company	1	2	3	4	5
17.4 The minimum wages negotiated at Industry level are a threat to the future existence of the business	1	2	3	4	5
17.5 The South African Government's proposed (2012) amendments to the Labour	1	2	3	4	5

Relations Act will encourage the business to employ fewer permanent employees					