

**An assessment of loyalty towards temporary
employment services in the South African metal
and engineering industry**

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ABSTRACT

The economic environment in which firms operate is especially challenging in South Africa (Statistics South Africa, 2016:1), which only exacerbates the necessity of government to cultivate an appealing and supportive business environment. Global Entrepreneurship Monitor (2015:15) confirms that South African employees, those who are currently employed, “should be protected from unscrupulous behaviour”, but acknowledges the importance of labour legislation and the role it should play in ensuring a flexible employment environment, which equips the unemployed with the ability to successfully seek employment whilst allowing businesses to “grow and expand without the fear of punitive or overly onerous regulations”.

Despite the aforementioned acknowledgement of the importance of flexible employment arrangements, recent changes to labour legislation brought forth more restrictions in the employment arena. As a result, a decline in the use of TES across industry sectors, but more specifically the Metal and Engineering industry, is noticed. The cause has been traced back to changes in legislation governing TES and fixed term contracts.

The purpose of this study is to explore the means in which TES’ can gain or regain the loss of loyalty of firms in the metal and engineering industry. This study firstly considered literature to understand the determinants of loyalty and utilized the information to make it relevant to the TES in the metal and engineering industry, by identifying prominent factors affecting client loyalty given the specific context and challenges faced, which have led to the decline in the use of TES in the metal and engineering industry as well as industries across South Africa.

The researcher then conducted empirical research in the field to establish how clients view TES, the perceptions they have of TES, the challenges they face when using TES and what value they see in using a TES. This paper concluded that clients view TES as an extension of their business, by providing business support functions such as the sourcing and supply of competent staff, which are also major contributors the securing loyalty.

Securing a client’s loyalty towards TES would further require TES to constantly be at a client’s beck and call, whilst being professional, competent and friendly at all times. Delivering a service of high quality and complying to the necessary labour legislation have been found to be equally important in securing client loyalty.

KEY TERMS

TES	Temporary Employment Services
Temporary Employment Services	A company that sources and supplies labour for short durations
Client Loyalty	Repurchase behaviour of clients despite external influences
South Africa	The country in the southern region of Africa
Labour brokers	See TES
Labour legislation	A country's laws regulating employment
Labour Relations Act	(LRA) No. 66 of 1995. Legislation governing employment relations between employers and employees
Basic conditions of employment	(BCEA) Legislation governing the legal conditions under which work can take place
Labour Law Amendments	Changes to current labour legislation
Department of Labour	A government body that is responsible for employment matters and ensures compliance with labour legislation
Metal & Engineering industry	An industry in South Africa that is responsible for the production and manufacturing of steel products
Manufacturing	Production on large scale
Construction	The process of making buildings and structures
Service Quality	The level of quality attached to a service being delivered
Relationships	A connection of two or more people of entities
Satisfaction	The fulfilment of a need or wish
Perceived Risk	The belief of exposure to some kind of threat
Perceived value	The belief that something is useful or of worth
Employment Flexibility	The ability to change employment compliment on short notice without the impact on production or cost.

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No man stands alone in his accomplishments.

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CHAPTER 1: NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

Temporary employment services (formally known as labour brokers) are facing an enormous change in the landscape in which they operate Gernetsky, (2015:1). The South African labour legislation changes of 2014, serves as a barrier to the use of temporary employment services (TES) for all industry players who made use thereof in the past. (Le Roux, 2015:1). Maseko (2015:1) maintains that it is clear that huge amounts of uncertainty still exist in companies who used to make use of TES and those who contemplates whether to use TES. In order to combat uncertainty and restore the faith in the TES industry, it has become crucial for managers in the TES industry to focus their energy on creating, and maintaining the loyalty of their clients. As Aksoy (2013:372) suggests, customer loyalty is critical for business success.

Furthermore, to remain relevant in the industry, TES need to maintain customer loyalty and adapt to a hostile and changing environment. According to Isrealstam, (2014:1) temporary employment services (TES) would have to adapt to a hostile and changing environment if they wish to survive. Although legislation has resulted in strict regulation of the TES industry, the courts have found that the amendments does not exclude the TES provider from the employment relationship, and as such forms part of a triangular employment relationship (Le Roux, 2015:1). The legislation changes come amidst labour unions declaring their intent to combat the use of labour brokers: "We have been part of the call for the complete ban on labour brokers. There must be no third-party lurking in the shadows." Dikobo (2013:1).

The movement to ban labour brokers has largely been motivated by the general perception that brokers exploit unskilled workers or "vulnerable workers" [classified as those earning below the earnings threshold of R205 433.30 per year (Basic Conditions of Employment Act (75 of 1997) as determined by the Minister of Labour] by subjecting them to poor working conditions (Bhorat, Cassim and Yu, 2014:13). It did not take long for government to react to this by implementing strict labour law changes that would essentially protect the vulnerable worker from exploitation by clients and their TES suppliers. These changes took effect from 1 January 2015. According to Ramutloa (2015:1), the aim (in general terms) is to provide employees, working on temporary or short-term contracts, the same benefits and treatment, after three months as those employed on full time basis.

From the research of Borat *et al.* (2015:2), it appears that TES have lost the loyalty of some of their clients. When considering the data collected for the period of one year, following the process of amendments in the legislation regulating the use of TES', Borat *et al.* (2015:2) notes that the response to the changes in legislation had a varied affect across different industries in South Africa however, the net effect remains negative across South Africa. See table 1 for the net TES employment effect post LRA amendments in South Africa.

Table 1: TES employment effect post LRA amendments by industry in South Africa March/April 2015

Industry	Employment pre-amendments	Temporary workers retrenched & terminated	Net effect
Metal and Engineering	1017	764	75%
Construction	250	85	34%
FMCG	350	177	51%
Retail	169	0	0%
Banking	643	280	44%
Hospitality	572	100	17%
Government	795	793	99%
Power and Utilities	690	232	34%
Waste Management	130	0	0%
Manufacturing	913	713	78%
Healthcare	3	3	100%
Motor and Transport	192	0	0%
White Collar	83	83	100%
Insurance	70	2	3%
Education	120	100	83%
Park Homes	76	24	32%
Elite Fibre	26	0	0%
Other	814	160	0%
Total	6913	3516	51%

(Bhorat *et al.*, 2015:4)

From the data contained in table 1, the following conclusions are made: Firstly, it is derived that a total of 51% of the sample employees were negatively affected and only 27% were

positively affected, which resulted in either fixed term or permanent employment. According to Borat *et al.* (2015:13), South African firms have responded negatively to the labour amendments concerning the use of TES. It is approximated that half of temporary employees have lost their jobs through, either contract termination or retrenchment, and only 25% of temporary employees were permanently appointed. It is safe to say that the changes in legislation did not initially yield overall positive results.

Secondly, that firms/industries shedding their temporary employees through retrenchment and contract termination is a direct choice made by these firms to no longer utilize the services of a TES, despite the fact that TES are not banned from participating in the employment of temporary employees and the greater economy. This therefore suggests, that firms making use of TES did not remain loyal to their TES during these changing and challenging times. McMullan and Gilmore, (2008:1084) maintain that client loyalty is especially important during challenging times.

Thirdly, we conclude that industries most responsive to the changes in legislation were Metal & Engineering, Government and Manufacturing. It is for this reason that the Metal & Engineering industry makes an interesting case for study.

1.2 PROBLEM STATEMENT

Through the evidence lead in this study, there is no doubt that the TES industry makes a considerable contribution to the South African economy, by acting as an elastic supplier of human resource services. Borat *et al.* (2014:31) concluded that the TES sector is a significant contributor to South Africa's GDP, especially in times of low economic growth. It therefore suggests that there is a sizeable market for the services TES offer. This study would therefore seek the reasons why clients make use of TES.

Bhorat *et al.* (2014:31) further reiterated that the flexible employment options made available by the TES industry, have become a key driver of, not only economic growth, but also employment in South Africa. It is therefore important to understand the importance of employment flexibility as a contributor to the value being added by TES and ultimately securing loyalty of clients.

Although the amendments in labour legislation are rightfully implemented to protect the vulnerable worker, it had far reaching consequences - not only discouraging the use of TES on a long-term basis (Del Monte, 2015:1), but also giving rise to sharp job losses immediately

after the changes came into effect in January 2015 (Bhorat, Magadla and Steenkamp, 2015:13). It would therefore appear that the vulnerable worker is worse off now than prior to the amendments in labour legislation, due to clients terminating their services. Given the shrill reaction of clients in terminating the services of TES employees, it would be necessary to establish current perception of clients and whether legislation have changed their views of TES. Equally so, it would be important to ascertain whether clients do actually get value from utilizing TES.

As stated before, negative perceptions of TES exist, particularly after the changes to legislation took effect, however this study will show that TES provide valuable services such as employment flexibility, recruitment expertise, avoiding retrenchments and assessing labour demands. Le Roux (2015:1) pointed out that these changes in legislation are “clearly aimed at discouraging the use of the employees of a TES on a long-term basis to avoid costs of the employment of permanent employees.” If clients view the cost of permanent employment as a possible challenge, it would be necessary to establish whether this is true by identifying the challenges clients’ face, when dealing with TES.

Quach, Thaichon and Jebarajakirthym (2016:110) confirmed that client loyalty is key in retaining clients in the industry. Considering the high unemployment rate in South Africa, of 27.7% (Stats SA, 2017:1), TES could provide a valuable service to both clients and employees alike. Therefore, important questions arise as to how clients currently perceive the task of recruitment and employment, customer loyalty, and the value of TES. Answering these pertinent questions could shed light on what TES can do to enhance loyalty and determine service shortfalls, which could lead to more effective and transparent business relationships between TES, clients and employees.

1.3 RESEARCH OBJECTIVES

1.3.1 Primary Objective

The primary objective of this research was to establish how TES could gain / regain the loyalty of firms in the Metal & Engineering industry in South Africa.

1.3.2 Secondary Objectives

The secondary objectives of this research support the achievement of the primary objective:

- To understand and discuss the need for employment flexibility

- To understand and discuss the TES industry in South Africa
- To understand and discuss the Metal & Engineering industry and environment
- To define client loyalty in the field of TES
- To establish what perceptions clients have of TES
- To establish what value clients get when using TES
- To establish what a TES can do to gain client loyalty
- To establish what challenges clients face when using TES

1.3.3 Geographical Demarcation

This study primarily was done in Gauteng, by focussing on Metal & Engineering companies based in this region. It should however be pointed out that, due to the nature of metal and engineering industry, the study was not limited to Gauteng alone, as metal and engineering companies carry out work across South Africa due to the industry's involvement in construction. However, most (not all) of these companies' head offices are situated in Gauteng. In some cases, however, it was necessary to conduct part of the study in other regions or areas in which the company might have operations at the time. These areas outside Gauteng include Secunda and the greater Mpumalanga, Sasolburg, Cape Town and Lephalale.

Figure 1: Geographical Map of South Africa



Source: <http://www.sahometraders.co.za/>

1.4 RESEARCH METHODOLOGY

Research conducted in this study comprised of two phases. During phase one, a literature review was conducted. Due to the qualitative nature of the study, during phase two a smaller number of units of analysis were subjected to the study, through a self-report data collection method, as data was collected during semi-structured interviews. The units of analysis were subjected to questions ranging from dichotomous to open-ended, in order to ascertain their own experience of TES.

1.4.1 Literature Review

The literature review was conducted by sourcing a range of published and unpublished articles which included independent research conducted by universities and researchers, textbooks, economic reports, statistics and existing research in the field of client loyalty, Temporary employment services and the Metal & Engineering industry in South Africa. The researcher has structured the literature review by focusing on the key themes below:

- The need for employment flexibility
- The TES industry and its role in the South-African economy
- The Metal & Engineering environment
- TES shift in the Metal and Engineering industry
- Client loyalty and prominent factors affecting loyalty

1.4.2 Empirical Study

In order to gain further insight and to obtain support or disprove the findings of the literature review, I made use of semi-structured interviews with various role players in individual Metal & Engineering companies. The empirical study is further discussed under the topics: research design, participants and sampling, method of data collection, data analysis and ethical considerations. The empirical study will the below key themes tying into the secondary objectives:

- To establish what perceptions clients have of TES
- To establish what value clients get when using TES
- To establish what a TES can do to gain client loyalty
- To establish what challenges clients face when using TES

1.4.2.1 Research design

This study is based on a qualitative exploratory design, in which a better understanding of client loyalty towards TES could be gained. Welman, Kruger and Mitchel (2005:8) state that qualitative research enables the researcher to explore the existence of phenomena, of which a better understanding can be gained from.

1.4.2.2 Participants and sampling

Participants were selected by checking whether they conform to the following inclusion criteria:

- working in the Metal and Engineering Industry
- have knowledge of TES
- have knowledge of changes in legislation governing TES.
- occupy a decision-making position

This study is firstly limited to the iron, steel, engineering and metallurgical sub-division of the Metal and engineering industry, which stretches into the manufacturing and construction industries, but excludes ship repair. The research is aimed at higher-level employees from different Metal & Engineering companies, who possess partial or complete decision-making power on the choice of service provider and whether to use TES. This is to ascertain what decision makers at these Metal & Engineering companies view as acceptable and good service quality, in order to ensure they remain loyal to a specific TES. It is equally important to ascertain from decision makers whether good/bad personal relationships with various individuals within a TES, have a bearing on their loyalty towards a specific TES.

The limitation of this study is extended to the availability and willingness of decision makers in Metal & Engineering companies to participate. The study is also limited by only including Metal & Engineering companies that make use/have made use of TES. In broad terms, the study only focusses on Metal & Engineering companies in South Africa that makes use of TES and have had some exposure to the service quality and personal relationships of TES.

1.4.2.3 Method of data collection

Participants were contacted and their availability for interview established. Dates and times were scheduled with participants and electronic meeting invitations dispatched. Participants were further interviewed in the comfort and privacy of their own office.

Qualitative data, in the form of questionnaires, were evaluated to obtain objective data. In addition to the questionnaires, the researcher conducted interviews with the data subjects,

which produced subjective data. These were participants who in their respective environments were dealing with TES. Participants were subjected to questions which were designed to focus on TES in general, drawing out the individual perception of participants towards TES.

Participants were typically questioned on their current perception of TES, the value they get (if any) from utilizing TES, the reasons for making use of TES, challenges they faced when utilizing TES, the effect of the changes in legislation (specific to TES) on their perception of TES, what TES can do to gain their loyalty and whether they would recommend using TES and enjoy doing business with TES.

This study made use of a cross-sectional design, wherein the criterion groups/units of analysis comprised of different characteristics, such as qualifications, age, job position etc. According to Welman, Kruger and Mitchel (2005:94), these characteristics are also known as cohorts.

Although a longitudinal study would be equally useful, the practicality thereof would be compromised, due to the fact that the metal and engineering environment is largely temporary of nature. This implies that there will be no guarantee that the units currently studied would be available at a later stage.

1.4.2.4 Data analysis

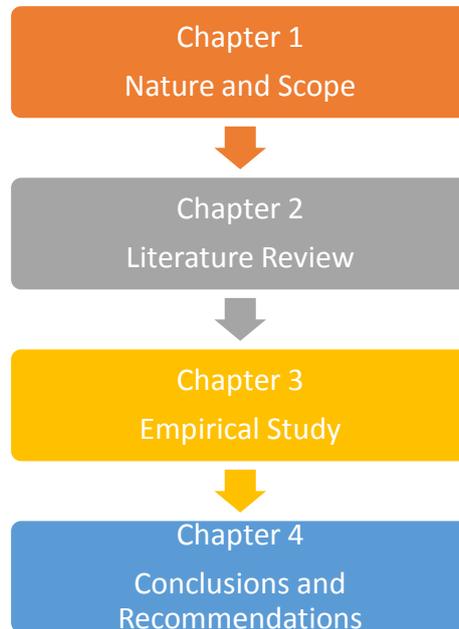
The interviews were digitally recorded and field notes were made, during interviews. Recorded data was then transcribed into Microsoft Word-format, which listed the questions' answers. Next, the answers were conceptualized, by means of placing it into categories or themes, and then drawing a connection between interrelated data and placed under the same theme. Data was then interpreted by drawing conclusions from the data.

1.4.2.5 Ethical considerations

This study has given attention to various ethical considerations such as plagiarism, acknowledgement of authors of prior research and articles, responsibility towards the public and participants, unbiased interpretation of data, participant interaction, honesty and disposal of data once the study has been concluded. Chapter 3 further discusses these in more detail.

1.5 CHAPTER LAYOUT

Figure 2: Research layout



Chapter 1 introduces this particular study, outlines the problem faced with TES in the South African context, and provides an overview of the research methodology used in this study. Chapter 2 comprises of a detailed literature review. Chapter 3 unpacks the methodology used in this study, and Chapter 4 contains the conclusions, analysis of objective achievement, recommendations to TES management and recommendation for future research.

1.6 CHAPTER CONCLUSION

This chapter has provided a brief introduction and background of the TES industry in South Africa. We also discussed its relevance, but more importantly the problem it faces, given the political and organised labour (union) pressures this industry has received, following the changes in legislation and negative perceptions in the labour market. Followed by this, we provided the aims of this research, and a brief discussion of the research methodology. The following chapter contains an in-depth literature review.

CHAPTER 2: LITERATURE REVIEW

The literature review contributes to the primary objective of this study, by mainly focussing on the first four secondary objectives namely, understanding employment flexibility and the global shift towards a-typical employment, understanding and discussing both the Metal and Engineering Industry, as well as the TES industry in South Africa and lastly to define and discuss client loyalty.

2.1 INTRODUCTION

During the last ten years, the international labour market has seen a shift in labour norms. An increasing amount of businesses have chosen to make use of TES as a business partner, that allows business to diversify risk and enables organisations to focus on their core business by outsourcing the HR function. This has become prevalent, especially during uncertain times and in industries that are subject to rapid change and temporary work.

Vittee (2014:1) alludes to the international trend focussing on the need for flexibility and the resultant market demand for the removal of restrictive labour laws. This has given rise to a higher demand for labour, which is both flexible and cheaper, enabling businesses to compete more fiercely on an international level, and adapt to changing environments. South Africa's reaction has, however been the opposite by introducing more regulation in labour laws, resulting in classification as a country with the highest restrictive labour laws and evidently, becoming an unattractive investment option.

In 2011 the Department of Labour (DOL) published its proposal to amend the Labour Relations Act 66 of 1995 (LRA), specifically section 198: Temporary Employment Services, (Department of Labour, 2011:1). In its proposal, the DOL sought to delete the section, in its entirety, and disallowing TES to employ persons, by limiting their involvement in employment by only being allowed to place persons at clients (Department of Labour, 2011:1). Although the approved amendments did not follow through in eliminating the TES from the employment equation, it certainly limited their involvement but more so, created uncertainty of the industry's future.

The main cause for uncertainty of the industry has been the interpretation of section 198 (3) (b) which, according to Cliffe, Dekker and Hofmeyr (2015:1), has been a contentious topic as the law is ambiguous regarding what is intended when stating that an employee is "deemed" to be the employee of the client. A lot of clients (of TES) however interpreted this section as

the client becoming the sole employer after they have employed a TES employee, for longer than three months.

This section will therefore, firstly discuss the imperative of flexibility in the business environment and then outline and define the Metal and engineering industry and the temporary employment industry and then move to defining loyalty, identifying prominent factors affecting loyalty and formulating a conceptual framework that will be used to assess how these factors affect loyalty of clients in the metal and engineering industry towards TES.

2.2 EMPLOYMENT FLEXIBILITY

A fundamental requirement to conduct business and achieve long term success is the ability to be relatively flexible, and to be able to change as the environment around business change (Goldberg and Wilkinson, 2014:1). According to the research conducted by PageGroup (cited by Vittee, 2014:1) 89.4% of clients listed flexibility as the reason for making use of TES. Flexibility is therefore important in business, which is why clients tend to engage in business practices or partners / suppliers, in order to gain such ability.

Mack (2017:1) maintains that the ability of a business to be flexible is crucial to its success and survival. The need for flexibility stems from the increasing rate at that economies and technology change, as well as short product life cycles. These changes more often than not, change the playing field, or even the rules of the game. Organisations should therefore accept that change is inevitable and learn to use and incorporate it into the operational processes of the company, in order to utilize it as a competitive advantage (Heizer and Render, 2014:314).

Flexibility is defined by VC4 (2014:1) as the ability to adapt to different situations without much hassle. It's the ability to make timeous changes in the internal environment of the organisation, to effectively respond to changes in the external environment. Business Dictionary (2017:1) suggests that flexibility is the ability of a system to change its outputs within a given timeframe. Heizer and Render (2014:314) state that it is the ability to respond, with minimal impact, on time, cost and customer value. This paper therefore defines flexibility as the ability to make changes, at will, within a very short space of time and with minimal sacrifice or loss.

Flexibility translated into employment refers to the organisation's ability to make swift changes to its employment compliment in response to a changing environment (Bamu and Godfrey, 2009:1). Companies seeking employment flexibility would therefore seek alternative means of employing a workforce, which would not require full time or indefinite contracts where the

employee is inflexible and costly. It is for this reason that companies make use of A-typical employment solutions, by involving a TES, especially in changing economic circumstances.

Ono (2009:1) maintains that companies use temporary workers as it enhances flexibility within the firm, by only utilizing labour for the periods of time (usually short) during which they experience increases in output. It is for this very reason that firms chose to hire temporary labour, rather than permanent staff, when it is expected that output would drop in the future or when the future is uncertain. These short-term employment arrangements allow firms to make use of labour without carrying the costs associated with maintaining permanent employment and the reduction thereof. Making use of temporary labour further enables firms to identify workers with the required skill-set and experience and hire based on their specific performance level.

According to Lowth, Prowle and Zhang (2010:9), a struggling economy, is the breeding ground for fierce competition between businesses. In addition, competition is exacerbated by the effect globalisation has on breaking down barriers between states and countries through the increasing use of enhanced communication and technology (Bamu and Godfrey, 2009:7). More and more businesses are forced to make organizational changes in order to deal with the economic downturn and the ever-increasing threat of competition. These changes, in turn, affect business strategies. However, Lowe (2009:5) points out that even during challenging economic times, the economic principle of “competition breeds competitiveness” cannot be discarded.

The challenging times, more often than not, serve as motivator for the “efficient allocation of resources and stimulates technological development and innovation.” Lowe (2009:5). Efficient allocation of resources has, in recent years, translated into the utilization of flexible employment solutions. Bamu and Godfrey, (2009:7) accurately points out that this strategy allows employers to adapt their workforce requirements, in concert with changes in the market. This paper therefore, draws the conclusion from the above, that the global competitive environment served as breeding ground for innovative ways in which companies can become more competitive, which among others, resulted in the growth of the TES industry.

Utilizing flexible employment solutions is strategy deployed, not only by South African firms, but has been a world-wide phenomenon. In 2008, the International Labour Organisation (ILO) recognized the need for businesses to have flexible employment arrangements, in order to remain relevant and competitive and as a result, legitimized the use of TES in 28 countries (Bhorat *et al.*, 2016:17). TES have therefore been identified by the global business community

as an effective solution to the inflexible and sometimes burdensome labour regulations. It can be argued that these employment regulations are not business-fit, given that businesses would have to change in the face of a changing environment, however they would have to do so with an unchangeable labour force. Given that employees are one of the biggest expenses in most organisations, the predicament is clear and their needs more so.

2.3 THE TES INDUSTRY IN SOUTH AFRICA

The temporary employment service industry is the result of a changing and uncertain business environment, which sought the means for accommodating and mitigating the effects of changes in a company. According to SABA (2014:2), workforce costs averages around 70% of operating expenses for the majority of organisations, including Fortune 500 companies, and thus the largest organisational expense.

When considering the almost unpredictable and changing nature of some industries, such as the construction industry, SABA (2014:2) states that this further complicates the way in which workforce costs are controlled and managed, especially given the unattractive nature of the budgeting and hiring process, during growth periods and layoffs during organisational shrinkage. SABA (2014:2) maintains that organisations fall short of means in which the workforce can be properly optimised and managed. In addition, management faces the unrealistic task of predicting workforce headcount a year in advance. Essentially, one can identify the need for organisations to employ workforce experts to manage this crucial expense, keeping costs low, supply labour on short notice and ensuring flexibility to efficiently deal with economic growth and decline periods.

In South Africa, these workforce experts are known as Labour Brokers or Temporary Employment Services. The Labour Relations Act (66 of 1995) defines TES as any person who obtains other persons for the purpose of employment at a client and who is rewarded for such service by the client.

When companies chose to include a third party in the employment relationship, it gave rise to a triangular employment relationship, wherein each party interacts and transacts with two other parties. The triangular employment relationship between TES, the client and the employee has become more prominent over the past two decades. Van Eck (2010:108) makes the observation that South-African organisations have increasingly relied on the services of TES by outsourcing the employment function, by making use of temporary labour rather than full time labour.

Including a third party to the employment relationship, also means that clients would share any risk that may arise out of employment, and would therefore not be held solely liable should the employee institute a claim against his/her employer. Soko and Balchin (2014:1) further states that businesses are discouraged from hiring workers when considering the abuse of the Commission for Conciliation, Mediation and Arbitration (CCMA) relating to dismissals, limited recourse for employees who do not perform during probationary periods and general limited rights of employers serve as encouragement to make use of TES, which allows for shared risk, and assist workers to enter the labour market.

2.3.1 The benefits

The reasons why companies make use of TES are abundant, which explains why the industry is so big. Bamu and Godfrey (2009:32) as well as Construction Labour Contractors (2017:1) explain that these reasons relate to the benefit TES offer to firms, especially in the construction sector. These include:

- A) Offer flexibility in changing the size of the workforce, in accordance with the changing needs of the firms that is especially relevant in seasonal and project based work.
- B) The benefit of not having to retrench permanent workers during the “off-season”
- C) The benefit of not having to carry the cost of non-productive workers’ salaries.
- D) Being able to assess labour demand and request specific job categories, as and when the need arise.
- E) Being supplied with specific job categories and in exact numbers at the site at that they are required.
- F) Having access to highly skilled and unskilled labour for a specific project and being able to change the labour scope as projects differ.
- G) Not having to focus on non-core activities such as labour administration, payroll, statutory regulations, and labour legislation.
- H) Not having to deal with labour unrest, unions, dismissals, wage negotiations or other industrial relations. Human Resources is an outsourced function leaving firms to focus on their core functions.
- I) Allows for the opportunity to assess an employee for a fixed period of time, with minimal risk, before considering permanent employment.
- J) Employment Equity benefits (procurement).

In the research conducted by PageGroup (cited by Vittee, 2014:1) the main reasons for using TES were “Flexibility (89.4%), Value in answering short-term needs (87.8%), Benefit in

identifying candidates for long-term position (75.7%), Cost-effective solution to HR challenges (61.2%) and Bringing external expertise into the business (49.1%).” Making use of TES therefore seems to hold several benefits to the client.

The benefits TES offer do however, not stop at their clients. Contrary to popular views, Wells (2015:10) suggest that there are advantages employees enjoy from being employed by TES, rather than directly, on temporary contracts. In most instances, TES have various clients that translate to the employee being considered for positions that arise with these clients, resulting in more regular employment. Considering that same scenario, employees are exposed to different clients, with different business approaches, projects and scopes, exposing the employee to an array of skills acquired in the process. Employees still enjoy benefits such as provident fund contribution made by the TES, when party to bargaining councils such as the Metal and engineering industry Bargaining Council (MEIBC). The benefits of a TES are therefore extended to the employee as well.

The benefits to an employee of a TES are also realized in employment itself. The research of Borat, Cassim and Yu (2016:13) indicate that TES make a considerable contribution in combating South Africa’s unemployment rate. In the first instance, it is reported that there has been significant employment growth in TES, where growth was more rapid than other broad industry categories, which indicates that the TES industry, not only contributed to total employment share in South Africa, but more importantly, employment creation. This was also confirmed by Stats SA (2013:12) that indicated that the growth of South Africa’s employment level, can largely be attributed to the rise in limited duration contracts of employment. The TES industry is therefore an important contributor to the South African economy.

2.3.2 Economy of scale

Achieving an economy of scale can, to a large extent, be classified as achieving business success, which is why most companies aim for this achievement. Sievers, Seifert, Franzen, Schembecker and Bramsiepe (2017:396) indicate that that economy of scale is achieved when a company is able to produce increasing numbers of units of a good or service with less input cost.

In 1776, the father of economics, Adam Smith identified the means to achieving economies of scale. Smith (1776:8) stated: *“The greatest improvement in the productive powers of labour, and the greater part of the skill, dexterity, and judgement with which it is anywhere directed, or applied, seem to have been the effects of the division of labour.”* When applied to modern

business, Smith (1776:8) found that by dividing company functions such as labour and specializing only in some functions, one is able to achieve larger returns on production, as this enables the company to concentrate on a specific task and improve its ability to perform the task it specializes in, resulting in the task being done better and faster. This would not only improve efficiency, but saves time and money. It therefore makes business sense to utilize labour specialists as an outsourced function.

Wells (2015:10) argues that labour specialists are one of the areas in which contractors could specialize. Instead of providing the full contractor function of being responsible for the task, materials, labour etc. opportunities now exist to focus on one area of contracting. This opens the door to entrepreneurs who now would not necessarily need the capital to become a “fully fledged” / “turnkey” contractor. Modern-day economies have moved away from generalization into specialization. Examples of modern day specialisation are ample and can be found in almost any area of the economy such as business functions (outsourced IT function), product focus (“DIY” hardware stores, grocery only), gender focus (male catalogue-only), country exports (fish, mining minerals), etc. Wells (2015:10) further argues that labour specialization creates opportunity for growth and employment, which is confirmed by the studies of Borat, Cassim and Yu (2016:6). TES allow companies to specialize in their field, whilst TES specialize in theirs and this creates opportunity to increase employment figures.

2.3.3 Economic contribution

In the second instance, Borat, *et al.* (2016:6), reports that TES, as an employment subsector in the South African economy, contributed to an estimated 771 000 new jobs created during the period 1995 and 2014. This is a reported 8.7% annual growth in this sector which exceeded not only the annual national employment growth rate, but also every other main sector in the economy. Bernstein (2012:28), alluded to the same by stating that TES experienced rapid growth during the time of economic recovery, following 2008. The TES industry further makes a considerable contribution to the South African economy as highlighted by Makhubele (2015:1) who indicates that the industry is responsible for generating an amount in excess of R40 billion each year, which adds to government’s revenue generated in taxes and VAT. Rasool (2010:1) elaborates on the economic contribution TES make stating that the amount of tax revenue generated for government by TES would be missed, should TES face decline or even a ban, because there would be less revenue available for government to spend on job creation programmes that can further result in current employees paying more tax. The indirect consequences of labour restrictions pertaining to TES are worth noting.

It is further estimated that the TES industry employs 20 000 people directly, through its operations and one million workers in temporary contracts each day. It is thus evident that the TES industry plays an important part in the South African economy.

Ono (2009:1) states that firms are eager to make use of TES, as it allows them to circumvent the whole initiation phase of employment that includes pre-screening, recruitment and induction into the company/ industry. These functions are thus managed by a third party who specializes in this field, making employing the right individual more likely. Ono (2009:3) further found that firms making use of TES experienced an increase in the efficiency of hiring labour by avoiding bottlenecks caused by the difficulties of hiring the correct amount of skilled labour and as a result potentially reduced the rate of unemployment.

Several sources including Leader (2011:1), Mobius (2017:1) and Writer (2016:1) list unemployment as one of the most serious challenges facing South Africa. This is however well known, considering that Stats SA (2017:6) publishes the same result every quarter. It would therefore be reasonable to expect that this problem deserves serious attention by government considering that, it only employs about 17% of the total South African workforce (The Conversation, 2016:1), which leaves the private sector to account for the rest. In order to stimulate employment in the private sector, Government would have to create an ecosystem that appeals to private sector employers.

The Department of Research and Information (2016:3) reported that South African firms in competitive industries have lately faced challenging times in economic growth. In 2015, following the legislative changes, Statistics South Africa (2016) has reported a 1.3% GDP growth in the 1st quarter, -1.3% in the second quarter and a 0.7% in the third quarter. Continuing in this downward trajectory, Statistics South Africa (2017:1) reported a 0.3% contraction of the economy in the fourth quarter of 2016, which is evidence that the South African economy shows definite signs of struggle and possible recession. It is during these times that policy makers should guard against over regulation, especially in areas that affect business and discourages entrepreneurial activity. The Global Entrepreneurship Monitor (2015:15) confirms this by stating that South Africa's high cost of labour relative to its productivity, as well as restrictive labour legislation deters foreign investment.

The research of Bhorat *et al.* (2016:6) confirms South Africa's slow growth and importantly points out that the growth rate in the TES sector commenced stagnation in 2010, around the same time legislative measures were put into motion, which would aim to curtail the use of TES providers or at least placed under close scrutiny in order to tighten up regulation of the

industry (van Eck, 2010:107). We can therefore conclude that the changes in legislation governing the TES industry had a reasonable impact on client's loyalty to continue making use of a TES. This is noteworthy especially given that TES made a 9% contribution to the South African GDP in 2013 (Bhorat *et al.* 2016:23). The loss of loyalty in TES therefore has a direct negative effect on the South African economy and the unemployment rate, which according to Bhorat *et al.* (2016:1) is one of the highest in the world.

Finweek (2016:44) reported that, in spite of South Africa placing a lot of emphasis on creating competitive and sustainable industries, it neglected to give enough attention to restrictive labour practices. Soko and Balchin (2014:1) support this view by adding that South Africa's unemployment problem can, to a large degree, be attributed to the regulatory environment in which business finds itself. It does appear that South African policy makers have misplaced its priorities, which is evident through the counterproductive over regulation. Goldberg and Wilkinson (2014:1) state that in times of a struggling economy, the priority should be to create a conducive environment for business where opportunities can generate jobs, however the opposite seems to dominate.

2.3.4 Change in TES legislation

The most recent regulatory changes are found in the amendments to Section 198 of the LRA governing TES and fixed term contracts. These amendments pose concern to TES and to those who make use of them, as the TES industry makes a considerable contribution to the South African economy. Furthermore, this is a concern that business have expressed clearly by warning against the 2014 labour legislation amendments that could result in job losses (Donnelly, 2012:1), which would work against Government's plans for job creation. Factors such as minimum wage and the rigidity of the labour legislation hampers employment growth and are restrictive when compared to global standards (Soko and Balchin, 2014:1).

In its pursuit of adding more regulation on employment practices, the Department of Labour reconciled with, and continued to push for more regulation, contrary to the findings provided by an independent research firm, The Small Business Project (SBP) as well as the findings provided by government's own Regulatory Impact Assessment (RIA), (Goldberg and Wilkinson, 2014:1) which found that several hundred thousand job losses were expected, when it had conducted a regulatory impact assessment (Donnelly, 2012:1). These regulations placed business under pressure, as it would result in higher personnel costs and contribute to an even wider wage gap.

2.3.4.1 Negative effect: business withdrawal

The changes in labour legislation had several different negative effects. Soko and Balchin's (2014:1) predicted that the newly introduced legislation changes, specifically the notion of "deemed employment" after three months, would only increase labour costs, make the system more complex and legal contestation more prominent in the workplace. This in turn, has serious consequences on the number of jobs made available in the market and negatively affects the unemployment rate. Businesses making use of TES are therefore discouraged from making use of these services and choose to avoid these risks by becoming content with a smaller workforce.

According to Makhubele (2015:1) the amended LRA had serious implications, not only for the TES industry, but also South Africa as a whole, as it caused differences in interpretation, and overall confusion in the TES industry and greater labour market (Goldberg and Wilkinson, 2014:1). This is amidst an existing high unemployment rate. The introduction of the new regulations on TES have created uncertainty amongst TES clients that could cost South Africa 254 000 jobs. A further resultant factor was the closure of small and medium recruitment enterprises, of which numbers of them were owned by black businessmen. In contrast to Government's and union expectations, many clients of TES have opted to reassess their workforce and down scale on employment rather than converting TES employees to permanent staff.

A further report by Mahlakoana (2015:1) indicates that the TES industry has suffered tremendously under the changes of the LRA, but those affected the worst are workers who previously occupied temporary jobs. The result is also confirmed by the CCMA (cited by Mahlakoana, 2015:1) who received an influx in referrals for unfair dismissal.

2.3.4.2 Negative effect: employment deterrent

Botes (2015:1) states that the interpretation of TES employees being transferred to the client on permanent basis after three months have acted as an employment deterrent for clients who in the past upscaled their workforce as the need arose. The amendments had a resultant negative effect on employment through the use of TES, indicating that clients are less loyal to TES. Maseko (2015:1) also confirmed the loss of loyalty towards TES by conferring the reports by the Confederation of Associations in the Private Employment Sector (CAPES) that indicated that a mere 20% of employees were employed permanently during the 12 months following the changes in legislation, however little more than half of temporary employees have seen their contracts terminated. Clients terminating the contracts of temporary workers

as a result of the changes in legislation are therefore a clear indication that they are no longer loyal to the TES industry.

According to Sharp (cited by Mahlaka, 2015:1), TES serve as the largest channel through which unemployed individuals gain entry into the labour market, however, the amended LRA changed this and caused unemployment to rise. Botes (cited by Mahlaka, 2015:1) adds that the amendments have caused companies to actively review staffing needs and will do so on a regular basis going forward. The negative effects of the changes are however visible from the date of effect. Sharp (cited by Mahlaka, 2015:1) reported that 254 000 temporary jobs had been expected to be lost by April 2015 of which 192 000 already had been lost. This is because the changes had the opposite effect lawmakers had in mind where temporary jobs were terminated, instead of being converted to permanent jobs.

Labour unions share the same observation as Kruger (cited by Mahlaka, 2015:1) who stated that the amended Act will have the effect of companies either resorting to subcontracting or scaling down, which neither of them involve employing temporary workers on a permanent basis. This was also confirmed by Mahlakoana (2015:1) who maintains that although a seamless conversion was expected, wherein temporary jobs are made permanent, employers have instead opted to dismiss workers. The same result realised in the mining sector, whereby 189 temporary employees were dismissed rather than being placed on permanent contracts.

2.3.4.3 Decline in TES usage

As indicated in the research conducted by Bhorat *et al.* (2015:13) a mere 25% of employees were employed permanently following the amendments and close to half, lost their jobs as a result. These figures suggest that approximately 70% of employees supplied by TES were no longer on TES books, which translates to a significant drop in the business conducted by TES with their clients.

Temporary employment services play an “under estimated” important role in the South African economy, for if the TES industry’s importance was clear to all stakeholders, legislation might have seen a different approach to the regulation of the TES industry. Instead, legislation acted as deterrent for clients who considered using TES due to the many benefits it holds, not only for the client but also for the employee. The result of these changes in legislation are clearly negative to the TES industry, but also for the South African economy as clients have, to an extent, lost their loyalty to the TES industry and evidently reduced their use of TES employees.

2.4 THE METAL AND ENGINEERING ENVIRONMENT

The metal and engineering industry has been one of the industries that made use of TES the most, however also the one with the highest rate of termination of temporary employment services. It therefore makes an interesting industry for study in order to understand the industry, as well as its need for TES.

In accordance with Metal and Engineering Industry Bargaining Council (MEIBC) main agreement as published by South Africa (2014:8) the metal and engineering industry includes “the Iron, Steel, Engineering and Metallurgical Industry throughout the Republic of South Africa”. This industry concerns itself with the manufacturing of steel products, but is further closely linked to the construction industry as Deloitte (2015:6) points out that various forms of iron is the most consumed material by the construction industry and adds that the engineering industry has been the largest consumer of ferrous materials of all other industries.

Economy Watch (2010:1) also confirms that the engineering industry primarily involves the manufacturing and construction processes, whether it be in the civil, industrial, chemical or mechanical engineering divisions. It is therefore safe to conclude that the metal and engineering industry is greatly dependent on the demand for manufactured metal products as well as construction projects. It is for this reason that a proper understanding of the dynamics in the construction and manufacturing industries is necessary for the purposes of this paper.

2.4.1 Manufacturing

Classified as the secondary industry in South Africa, second to mining and agriculture, the manufacturing industry plays a pivotal role in the South African (SA) economy. This is highlighted by Business Partners (2014:2) who maintain that the industry ranks third in SA's largest GDP contributors with 15.2%. More relevant is the Automotive and Metals manufacturing industries within the manufacturing sector. Brand South Africa (2017:1) elaborates on the importance of this industry by stating that large multinational organisations such as Arvin Exhust, BMW, Bloxwitch, Senior Flexonics, Toyota, Corning, Ford and Daimler-Chrysler make use of South Africa to establish production bases and use manufacturing firms for vehicle manufacturing and assembly and sourcing components, which are sold to local and international markets. The South African manufacturing industry is clearly influenced by global markets, which may be uncertain but never the less, is crucial to the economy.

These multinationals selected South Africa for reasons related to lower production costs, and access to new markets (Brand South Africa, 2017:1). We can therefore conclude that labour cost plays an important role in deciding whether multinational firms would utilize South Africa as manufacturer of choice. Multinational firms with footprints in SA does, however infer that SA would be susceptible to global changes and movements in the markets and as a result would experience higher volatility.

2.4.1.1 Economic contribution

The sizeable interest of the manufacturing industry in the South African economy and its multinational presence suggests that the industry itself, is big and competes on global standard. According to Brand South Africa (2017:1), the metals industry is large by international standards, placing 19th globally and first in Africa producing 60% of Africa's steel which includes the manufacturing of steel products from iron ore, steel products, metal products and non-ferrous metals. The abundance of SA's resources coupled with an industry that is well-developed means that the South African steel manufacturing industry is a competitive force. Brand South Africa (2017:1) does however point out that both local and international steel industries have seen drastic changes in the past couple of years which have had the effect of closure of several steel companies and an increased focus on local production and tariff barriers. In order to remain competitive, the South African steel industry had to take steps in order to become more efficient and save costs by making improvements on productivity and restructuring its workforce.

The Department of Trade and Industry (2016:5) has also shared its concern over the effect of global downturn in the steel market, by stating that the steel manufacturers find it difficult to compete and as a result, finds it challenging to sustain its 190 000 jobs. The fear of job loss in the metals industry has also been reported by ENCA (2015:1) stating that 30 000 jobs were in jeopardy following the steel price hitting record time lows, which was further exacerbated by China's decelerated growth. This is indicative of South Africa's dependence on global steel market demand and pricing that has had ripple effects on construction and manufacturing. It is however important to note that global shifts and economic pressures seem to hit jobs first, as it is the first place where companies want to save costs. Considering that jobs are the single biggest expense in production (SABA, 2014:2), jobs would appear to be an enticing target. This is confirmed by The Real Economy Bulletin (2016:2) who reported 130 000 jobs in iron and steel refining and casting in 2011 and a subsequent decline to 100 000 in 2015, following a decline in production and exports.

Considering that jobs are one of the first in line for cost cutting purposes in challenging economic times, it is likely that in an attempt to save jobs, companies resort to alternatives which involve keeping jobs but at a lower cost, as this will enable them to keep up with production volumes, utilizing existing capacity and keeping per unit costs low making them more competitive.

The South African manufacturing sector is an important contributor to the economy and therefore should be well taken care of. However, the problem faced in this sector is its volatility when considering its link to the global market. Large multinational organisations who selected South Africa as a strategic manufacturing destination did so by intently considering manufacturing cost. Should manufacturing costs rise, it would no longer be a viable manufacturing destination, suggesting that these firms might move its operations elsewhere. Given the large share of expenses allocated to the wage bill, it is crucially important to maintain competitive wage levels or sourcing labour from strategic labour partners that could keep the industry competitive.

2.4.2 Construction

As a country which is still developing and addressing infrastructure challenges such as electricity shortage, road congestion and manufacturing inefficiencies, South Africa places a considerable amount of focus on the construction sector, a sector that involves, to a large degree the metal and engineering industry.

2.4.2.1 Economic contribution

According to Windapo (2016:1) the construction industry is representative of employers who are one of the largest contributors to employment in South Africa and who employed two thirds of craft workers in 2005. Oyewobi, Windapo and Rotimi (2016:214) arrives at the same conclusion by classifying the construction industry as a major contributor to economic growth in South Africa, with a compounded yearly growth rate of 10%, since the year 2000. This is also confirmed by Statistics South Africa (2017:7) indicating that the industry employs 1362 000 people, representing 8.68% of the total South African workforce. This clearly suggests that the industry plays an enormous part in the South African economy and its activities also influence other sectors in the economy.

2.4.2.2 Construction dynamics

The employment dynamics of the construction industry are shaped by the unique and fragmented nature of the industry itself, which Windapo and Cattell (2013:65) describe as an

industry defined by a complex cluster of industries such as materials and equipment manufacturers, banking and contracting organisations working together to achieve success. Oyewobi, *et al.* (2016:214) state that the industry is project-based, which calls for a range of different organisations to work together on an *ad hoc* basis to complete a given task. Bamu and Godfrey (2009:13) confirm this by stating that the industry is mainly project based, which is awarded to a contractor after following a tendering process. The tender process ensures that the project is awarded to the most suitable candidate. Candidates are, in most instances not known, meaning that one would not know which other construction companies are competing for the same project and what the chances for being awarded the contract, would be. Inevitably, this process leaves companies with a lot of uncertainty.

The implication of this type of uncertainty is that contractors do not necessarily have the required skills and infrastructure, such as payroll systems, database and IT to employ a large amount of skilled and unskilled labour in short periods of time. For this reason Goldman (2003:12) argues that employment in the industry is usually short term in nature. Understandably so, given that the nature of construction is project based, and once the project has been completed the company would have to tender on new upcoming projects. Construction companies would therefore, not necessarily know whether they would be awarded the next contract and as such, would be unable to provide security to its workers such as permanency.

The construction industry is however, one of the first industries affected when financial crises sets in. Bamu and Godfrey (2009:12) alluded to the 2008 recession, which was characterised by slower economic growth and weak investor confidence. The industry saw an almost immediate decline as projects were either suspended indefinitely or cancelled in totality as infrastructure spending was revised, resulting in heightened competition between firms. CIDB (2016:8) confirms the effect of slow economic growth on the construction industry and further adds that this also affects employment in the industry.

The construction industry provides a lot of opportunities for established and new entrants in this market. Classified as being in a growth market stage, this sector has seen growth since the 2008 economic recession, which Oyewobi, *et al.* (2016:214) attribute to the construction sector's connection to other key sectors in South Africa, influenced by financial market instability and technological advancements. These changes and instabilities leave construction companies searching for ways in which to reduce risk, whilst remaining competitive.

Erasmus and Breier (2009:3) also found that large scale projects trigger a skills crisis due to the increase in demand for qualified / skilled workers in a short amount of time, placing pressure on the ability to source these workers. Bernstein (2012:3) further confirms that construction in general faces a serious concern, which is the shortage of skilled and experienced people in the industry. Windapo (2016:1) reports that 2003 has seen an increase in infrastructure investment, which included that Gautrain and other infrastructure developments leading up to the FIFA World Cup, which gave rise to increased employment rates and with it, an increase in demand for qualified artisans, supervisors and managers. This effect applies to other projects such as the Sasol Wax Expansion Project and the Medupi and Kusile Power stations, which prove difficult to acquire the necessary skills needed, in short periods of time.

In addition to large scale projects triggering skills shortages, Bernstein (2012:1) observed that as the construction industry recovered following the 2008 recession, new trends started to emerge which included green industry, lean construction and increased collaboration between firms. This could provide an explanation as to why construction companies prefer to make use of sub-contractors and out sourcing functions, to firms that specialize in a specific field.

2.4.2.3 Outsourcing

According to Tshabangu (2013:28), construction companies such as Grinaker LTA, Aveng, Basil Read, Murray and Roberts and Wilson Bayly, rely heavily on TES' to source and supply them with the skills needed on a given project. This is mainly due to not having the database and infrastructure to recruit large amounts of labour on short notice, outsourcing this function places them in a more competitive position. This is confirmed by Marketline (2012:13) indicating that construction companies often make use of sub-contractors who are specialists in a specific field. This enables them to overcome several competitive barriers such as the high and complex level of regulation, competing with foreign companies and companies with established reputation or relationships with a given client and incurring a large amount of fixed costs associated with retaining a permanent workforce.

It should further more be noted that the economic principles of demand and supply applies to skills as well. CIDB (2016:21) places emphasis on this exact point by stating that during periods of skills shortage, the cost of that specific skill increases due to its scarcity, resulting in decreased profit margins for role players in the construction industry, as well as weakened ability to attract skilled labour. This not only serves as a constraint to growth but hampers construction companies' ability to access contracts from clients.

Oyewobi, *et al.* (2016:214) indicate that another constraint to growth is that of Government policy. Industry role players and business are competing in an environment, characterised by an uneven playing field, in which some are awarded preferential access to construction projects. Oyewobi, *et al.* (2016:214) state that these policies force companies to find alternative means to deal and overcome the barriers placed before them in order to maintain and improve performance levels. These means are often partnerships, joint ventures and outsourcing non-core functions to remain competitive.

One such partnership is that of construction companies and temporary employment service providers. Bernstein (2012:28) asserts the fact that temporary workers have always been an integral part of the construction industry, which is highlighted in times where productivity and profitability are the main aims for a contractor. This option provides contractors with a more suitable workforce solution in contrast to the traditional cycle of hiring employees permanently only to lay them off later on.

Bernstein (2012:28) further reiterated the importance of employing the correct skills in the positions where they are needed and at the right time. This means that contractors should not be burdened by having to spend long hours on the recruitment function, searching, selecting and assessing the abilities and qualifications of workers, especially during specific project stages. It is for this reason that construction companies have always heavily relied on the expertise of temporary employment service companies to supply skilled and unskilled workers. Furthermore, this service is crucial during urgent and last-minute tasks which needs to be completed on projects.

The importance of TES in construction was highlighted during recent times of skills shortage. According to Bernstein (2012:28), the number of skilled and experienced construction workers reaching retirement exceeds the calibre of workers entering the construction industry and this is a serious cause for concern. This is further exacerbated in parts of the country, such as Lephalale where growth is experienced and with it, skilled workers are attracted motivated by higher wages, resulting in skills shortages in other parts of the country. Bernstein (2012:28) states that TES, with their extensive networks, assist a great deal in bridging the gap by identifying surplus pockets of skilled labour and bringing them to fill the need in other parts of the country. Some of the skills in high demand include mechanical trades such as pipe fitters, welders and electricians.

TES firms do however bear the brunt of a recession first, as the need for their services decline in these times. Bernstein (2012:28) points out that temporary employees brought on projects

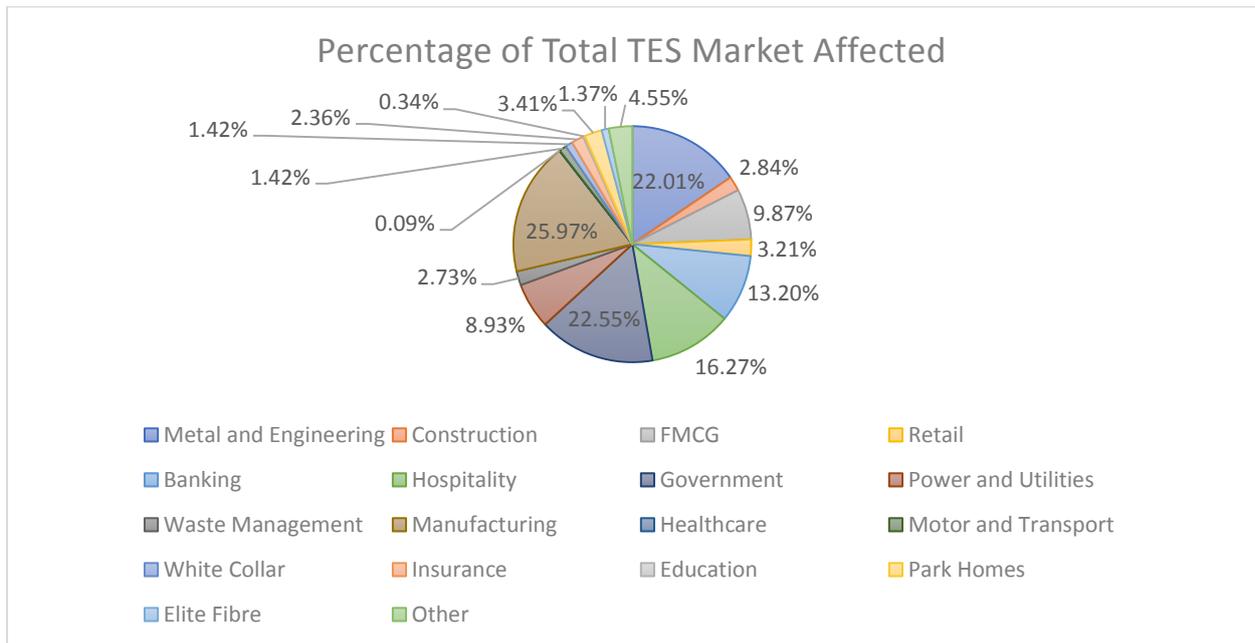
are the first to leave when recession strikes. This does however illustrate the importance of TES in allowing constructing companies to expand and contract their staff compliment in relation to economic changes with minimal effect on permanent employees. Construction firms therefore view the use of TES as a safer and cost-effective means of employment, especially given the short-term fluctuation nature of construction. Bernstein (2012:28) adds that TES are also able to assist retrenched workers in finding alternative employment and even by moving them between different projects, thereby ensuring continued employment. According to Bernstein (2012:28), TES' are more likely to form an integral part of the staffing strategies of construction companies.

In conclusion, it is clear that the construction industry is characterised by its expanding and contracting nature driven by its project based work through the tendering process, which is competitive and uncertain. The industry activity is also largely affected and gives effect to economic growth that influences other sectors in the market such as mining, manufacturing, real estate and business services. Because of its uncertain and short-term nature, firms in this sector tend to maintain lower overhead costs and avoid capital investment in areas of the firm that are not their core function, especially considering that work is project based and has an end date. This reduces risk, enables firms to make changes, in a short space of time and allows for smaller entrants into the market to compete in the tendering process. One such non-core function is staffing, which can be outsourced to TES which possess the necessary skills, expertise and database to supply skilled and unskilled labour on short notice.

2.5 TES SHIFT IN THE METAL AND ENGINEERING INDUSTRY

In the year following the LRA amendments (which gave rise to the “deeming provision”) effects were evident in multiple sectors (18) wherein TES employees were employed. Borat *et al.* (2015:2) reported that in the data analysis, of around 6900 employees, 78% were either positively or negatively affected by the changes. When the data is carefully scrutinised, it is evident that the metal and engineering industry is the third hardest hit by the changes, with manufacturing being second and government being first. Figure 3 below summarises the findings of Borat *et al.* (2015:2).

Figure 3: Percentage of total TES market negatively affected



Bhorat *et al.* (2015:2)

In the figure above, we notice that of the total TES market in different industries, the metal and engineering industry represents 22% of all employees in various industries affected by the changes in legislation. It is also clear that metal and engineering industry represents a sizeable portion of TES employees in the market. Approximately 75% of TES employees working in the metal and engineering industry saw the end of their contract following the amendments. From a sample of 1017 TES employees working in the metal and engineering industry, 764 contracts either got terminated or retrenched and 10 were taken on permanently.

It is therefore indicative that clients within the metal and engineering industry were no longer loyal to their respective TES providers and chose to eliminate them from the employment process by, either no longer using the TES employees provided or employed the employee permanently. The net result was a loss of loyalty towards TES in the metal and engineering industry. Bhorat *et al.* (2015:12) confirmed that the only exogenous change that have taken place during the reported period was the changes to the LRA.

The loss of loyalty towards TES therefore poses a problem to the industry, its survival but also to the South African economy, given that the industry plays a considerable part in it. The fact that TES are not banned suggests that it still has a part to play in labour and the economy. It is for this reason that a study into gaining and maintaining loyalty of firms in the metal and engineering industry is important. It is necessary to establish how TES firms could regain the

loyalty of metal and engineering firms within the construction and manufacturing sector by focussing on current perceptions of these firms towards TES, what value to gain by using TES and also which challenges they would want to address to secure their loyalty towards the TES industry.

2.6 CLIENT LOYALTY

Convincing clients to purchase a certain product or service is probably at the core of marketing efforts. This definition is however in singular form, as one would have accomplished the task should the client have purchased a product or service only once. It does however become an immensely intricate field when marketing efforts are aimed at clients repeating required behaviour. Dick and Basu (1994:99) maintain that the development, maintenance and enhancement of a client's loyalty to a given product or service forms the basis of all marketing efforts.

McMullan and Gilmore (2007:1084) state that due to the competitive nature of markets, as well as innovation and maturity of products and services (Dick and Basu, 1994:109) an increasing amount of organisations realize the importance of client loyalty, which Aksoy (2013:272) suggests involves creating, as well as maintaining loyalty in clients as this is pivotal to the success of an organisation. Maintaining existing clients is thus as important as acquiring new clients and organisations engage in various initiatives to maintain client loyalty.

In this regard, organisation ought to concentrate their attention on ensuring their product and/or service is a good value proposition to their clients, building sound relationships with clients and develop initiatives aimed at strengthening the bond between them and the client. Aksoy (2013:272) further suggests that organisations prioritise the creation of client loyalty to the extent of incorporating such as part of a core strategic objective. These objectives feed into a larger company objective which, Dick and Basu (1994:99) suggest is to gain a sustainable competitive advantage. The strategic importance of client loyalty is also confirmed by Kuusik (2007:4) who maintains that the world of marketing has taken on a different form, placing less emphasis on new client attainment and focussing on client retention. Companies who wish to achieve long term success should prioritise the retention of loyal clients.

There are numerous benefits to client loyalty, which McMullan and Gilmore (2007:1084) suggest include the client's willingness to expand their purchasing along the product range of the existing supplier, given a long-term relationship with that supplier. Organisations also incur lower costs when retaining existing clients rather than building relationships with new ones.

Maintaining the loyalty of existing clients also allows access to their networks of friends, colleagues, families and other customers. Client retention is the most important benefit during turbulent economic times.

2.6.1 Defining loyalty

On its own, Morgan *et al.* (1994:22) defines loyalty as the desire to retain a relationship that is important or valuable to a party. Various researchers have investigated the concept of client loyalty, but most agree that it encompasses a client predilection to repeat buying behaviour at a specific organisation, whether it be a product or service that they are buying (McMullan and Gilmore, 2007:1084). Oliver (1999:43) adds to this by stating that loyal clients only consider a specific brand and continues to buy that brand, without conducting any further research into similar brands.

Oliver (1999:34) further provides a comprehensive definition of client loyalty by describing it as: “a deeply held commitment to rebuy or re-patronize a preferred product/ service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour”. Dick and Basu (1994:99) took a direct approach by defining client loyalty as: “Customer loyalty is viewed as the strength of the relationship between an individual's relative attitude and repeat patronage.”

Watson (2015:803) also emphasised the influence of attitude by defining loyalty as “a collection of attitudes aligned with a series of purchase behaviours that systematically favour one entity over competing entities.”

Research further suggest that client loyalty cannot merely be viewed as a one-dimensional construct, but involves two separate dimensions. Rasheed and Abadi (2014:300) point to client loyalty characterised by a behavioural, as well as attitudinal dimension, where attitudinal refers to the buyer's reluctance to purchase from an alternative supplier, the tendency to introduce and persuade others to use the specific organisation's products or services and active thoughts of repurchasing from the supplier. According to Dick and Basu (1994:109) the behavioural dimension refers to a client's repeated patronage coupled with actions that prioritise a specific supplier's products or services.

This research paper therefore defines client loyalty as a client's repeated patronage of a specific brand of product/service, despite economic influences and resisting attractive

alternatives that come as a result of a supplier's specific value proposition. The value proposition may include the vested relationship with the supplier and satisfaction with the product or service which are distinguishable from alternatives.

2.6.2 Prominent factors affecting loyalty

In an effort to understand client loyalty it is of the utmost importance to understand the independent variables at play, with particular relevance to TES. It is important to identify the areas in which TES can focus to establish, gain or regain client loyalty. For this reason, client satisfaction, interpersonal relationships, perceived risk, perceived value and service quality have been used to explain client loyalty.

2.6.2.1 Satisfaction

McMullen and Gilmore (2008:1092) note that obstacles, such as unresolved areas of dissatisfaction, exist with regard to loyalty development. To overcome such obstacles, it is recommended to improve communication between the client and the organisation which may in turn lead to recognising customers who have experienced difficulties more effectively and efficiently.

Client satisfaction forms an integral part in gauging whether organisations are delivering on their promise, or at least client expectations. Both Kussik (2007:9) and Amoako, Dzogbenuku and Doe (2016:46) confirmed that client satisfaction has also been proven to have a significant impact on loyalty, so much so that a direct connection between client satisfaction and loyalty is evident. Satisfied clients have been found to become loyal over time, whereas dissatisfied clients were more prone to consider and even use alternative suppliers. Kussik (2007:8) encourages organisations to focus on attaining "emotionally loyal" clients as they would commit to using only a specific supplier's services and will do so in future. These loyal clients also tend to promote their supplier's services to others.

Amoako *et al.* (2016:47) share the same interpretation by stating that truly loyal clients have undergone an emotional evaluation process when a service was delivered. During this time, clients could recall a positive effect that they can associate with the service that tied in with their values. The experience ultimately affected them emotionally, by aligning with their self-concept and served a higher purpose than just reaching service expectations.

In contrast Kussik (2007:8) warns that "behaviourally" loyal clients make the same commitment of future use but would not recommend the supplier to others. "Ambivalently" loyal

clients would also commit to using the supplier's services but is indifferent as to whether they would use the supplier in the future.

Statistical analysis of Megdadi and Aljaber (2013:149) show that the effect of customer satisfaction on loyalty is strongly positive and significant. It also indicates that special strategies must be derived in order to satisfy the client's needs and prevent switching to other competitors, which will entail among others. According to the analysis, clients become loyal as their current and future needs are fulfilled by the organisation.

Research findings of Zaw and Chaipoopirutana (2014:3) indicated that price fairness, customer satisfaction and brand reputation are all directly impacting customer loyalty. The study of Levin, Lobo and Thaichon (2016:17) also corresponds with these findings, as the greatest effects on client loyalty were found to be satisfaction, relationships within the organisation, perceived value as well as creativity.

García-Fernandez, Gálvez-Ruiz, Velez-Colon and Bernal-Garcia (2016:1149) found that the variable within their study with the strongest significance and positive predictor of client loyalty was related to satisfaction. This was also confirmed by Haghidi, Dorosti, Rahnama and Hoseinpour (2012:5045) who found that satisfaction had a positive outcome on loyalty.

According to Santos and Isaias (2016:71), the traditional emphasis place on competition by businesses should rather be shifted to focus on customer satisfaction, which should be the constant concern when trying to achieve the competitive advantage. Santos and Isaias explain that satisfied customers can generate more customers through recommendation or sharing their satisfaction, whereas dissatisfied customers could prevent potential new customers by sharing their anger or poor experience (2016:72).

2.6.2.2 Relationships

In the study of Kuusik (2007:19) it was found that the importance of a relationship plays a major role in the client's decision to terminate a contract with their vendor. Kuusik indicates that if the relationship is considered important, it is less probable for the client to move to another vendor. Kuusik also found that within his study model, the vendor has to think of strategies, such as providing added services free of charge, in order to increase the loyalty of customers who might potentially leave. Kuusik (2007:4) also highlighted the fact that companies' long-term success is built on establishing customer relationships rather than optimising their product price and quality. This is due to the fact that customer awareness has been enhanced by means of globalisation of competition, saturation of markets, as well as

developments of information technology. Kuusik (2007:6) shows that there is a difference between behaviourally loyal and emotionally loyal customers, which are referred to as false and true long-term loyalty. Kuusik explains that emotional loyalty is stronger and outlasts behavioural loyalty – in this case the relationship is of such importance to customers, that they will put in great effort to maintain it.

Levin *et al.* (2016:18) incorporated inter-firm relationships within their study model. This has proven to be a powerful predictor of value, satisfaction, and loyalty. Furthermore, the development of these bonds was made possible through service encounters between clients and agencies. Santos and Isaias (2016:71) concluded in their study that longevity and customer loyalty were becoming increasingly more significant with regard to customer relationships in sustainable businesses.

McMullen and Gilmore (2008:1091) indicated that highly loyal customers respond to “being recognized by the company, believing in a reciprocal relationship supported by unique rewards.” Their study has shown that by reciprocating, companies can further develop the relationship with customers with a medium and high level of loyalty seeking. Companies must therefore find appropriate and tangible ways of maintaining the relationship (2008:1092).

Mcarville (2000:31) provides strategies to improve client relationship, and consequently loyalty. By consistently providing attentive, pleasant and knowledgeable service where staff are willing to go the extra mile, positive relationships can be established. Mcarville emphasises these lasting relationships are best developed through ongoing efforts of staff members willing to respond to the client’s requirements. This can, however not be established through staff members alone, but through the atmosphere established by management. Mcarville also highlights the importance of improving relationships within the company, in order to improve client based relationships.

2.6.2.3 Service Quality

According to Zaw and Chaipoopirutana (2014:3) a client does not merely make a purchase of a service, but instead spends some degree of time considering the quality of the service. Service quality relates to the overall impression that a client gets when he/she has received a service and includes their judgement and attitude towards the service (Zaw and Chaipoopirutana, 2014:1). The client’s perception of the quality of a service could be formed without any previous experience of the service (Megdadi, Aljaber and Alajmi, 2013:1).

It is the findings of this study that service quality plays an equally important role when keeping clients loyal to an organisation, however Khizindar, Al-Azzam and Khanfar (2015:110) weighed up the effects that service quality, image, price and trends had on loyalty and found that service quality was the most significant predictor of client loyalty. This was also confirmed by Haghidi, *et al.* (2012:5043) who suggested that quality is the most important determinant to a loyal client.

Rasheed and Abadi (2014:303) found that when organisations experience quality service, the result had been an increase in loyalty to the particular service provider. Clients were found to prefer service providers who provide excellent service. There were also other indirect effects of service quality, whereby service providers delivering an excellent service caused their clients to perceive value in the service provided, increased trust in their service providers (Rasheed and Abadi, 2014:303). The perceived value and trust evidently also positively affected loyalty of customers.

The extended effects of service quality have also been documented by Amoako, *et al.* (2016:40) who indicated the significant positive effect that service quality had on client satisfaction, but more importantly, contributed significantly to client loyalty, whereby 14% of the variance found in client loyalty could be attributed to service quality (Amoako, *et al.* 2016:46) which provides important insight into how organisations can ensure success.

Afande and John (2015:12) further recommend that in instances where organisations demand steadfast loyalty, organisations should actively assess and pursue delivering a service to a quality standard higher than the norm. This will not only ensure that clients do not easily switch between service providers according to Khizindar, *et al.* (2015:109), but would also recommend the service provided to others.

McMullan and Gilmore, (2008:1092) found an inverted relationship between loyalty and service quality, by stating that although clients have exhibited high levels of loyalty, they remain strict judges of the quality of service provided, throughout the business relationship and as such, do not overlook service failure. They further point out that service providers do not always realize that loyalty is accompanied by higher client expectation and the reason for this can be traced to the client awareness of the value of his/her own involvement and commitment to a service provider and as a result expect more.

2.6.2.4 Perceived risk

Kim, Ferrin and Rao (2008:546) defines perceived risk as “a consumer’s belief about the potential uncertain negative outcome from the outline transaction.” Whereas Bauer (1960:392) suggests that it involves the expression of a person’s uncertainty about a product or service, especially when considering the consequences. For the purposes of this study, perceived risk will therefore be defined as the client’s uncertainty about the outcome of the transaction coupled with the perception that a high probability exist that the transaction might deliver negative results.

Given the negative connotation with risk, particularly in business, it should be no surprise that it would influence a client’s purchase behaviour. According to Gefen (2002:40) the loyalty associated with a client’s purchase behaviour negatively correlates with perceived risk. Put differently, it was found that client loyalty increases as perceived risk decreased. Similarly, the findings of Yen (2010:220) indicated that perceived risk served as a moderating effect for customer loyalty, and as such loyalty will vary when a client’s perception of risk is high. It is essential to add that where clients perceive a high risk in transacting with the supplier, it could lead to the destruction of purchase intentions, and lead clients to make use of rivals or alternatives.

Literature also indicates that perceived risk has further implications on other variables. Cheng and Lee (2011:5206) found that where clients perceive risk in transacting with a service provider, both their satisfaction and loyalty towards the supplier will be negatively affected. It was also confirmed that both satisfaction and perceived risk have a significant impact on client loyalty. The multiple effects of perceived risk were also confirmed by Ghotabadi and Baharun (2016:170) who found that perceived risk was negatively associated with client satisfaction, service quality, relationship marketing and brand image, but the last-named variables served as mediating factors when clients perceive risk. Reducing service quality, relationship marketing and brand image will lead to an increased perceived risk.

Ghotabadi and Baharun (2016:171) also pointed to clients’ inherent inclination to evaluate service providers based on their past performance and comparing this with alternative options, when considering repurchasing. It is for this very reason that perceived risk occupies a significant role in future purchase intention and loyalty to a provider.

Suffices to say that perceived risk is crucial in conducting business and forms an important consideration whether to transact with a supplier. These influences suggest that perceived risk is found to be an element that could either contribute or be the destruction of business

success (Currás -Perez and Garcia, 2012:200). It stands to reason that organisations should focus on reducing the perceived risk that a client may associate with the service.

Perceived risk have been measured in different ways, whereby Maciejewski (2012:41) used financial, physical, time loss, psycho-social, opportunity and performance risk; Han and Kim (2016:31) utilized financial, privacy product, time, security and social risk and Kim *et al.*, (2008:546) identified financial, social, time, opportunity performance, physical and psychological risk. For the purpose of this study and with consideration to the changes in legislation, perceived risk will be measured by two distinct variables namely financial and performance risk.

2.6.2.5 Perceived value

Perceived value refers to the worth a client attaches to a specific service or product, irrespective of whether they have actually made use of, or consumed the product or service (Zaw and Chaipooirutana (2014:1). This is due to the worth attached representing a manifestation in the consumer's mind, however according to Rasheed and Abadi (2014:300) perceived value could also point to the consumer's assessment of whether the product or service has actually performed to the standard and expectation of the consumer. This suggests that consumption does form part of the perception process.

Perceived value and client loyalty are positively correlated that suggests that when clients perceive the service or product to add value to their lives, they are more likely to continue to use the product or service. The research of Zaw and Chaipooirutana (2014:4) supports this notion by confirming that in instances where clients have perceived a product or service to have higher value, their loyalty to and use of the product or service was higher

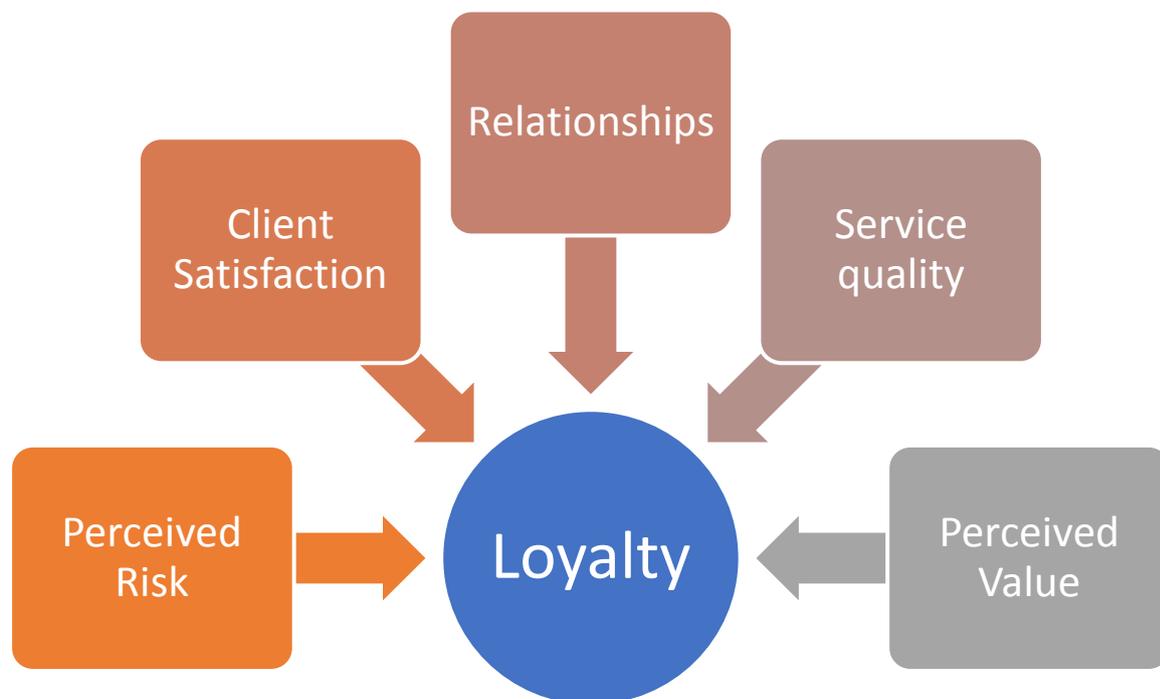
The value a client attaches to a product or service plays an important role in whether a client will repeat their purchase and essentially become a loyal consumer of that product, service or brand. Creating or increasing perceived value should therefore form part of management's key strategic initiatives. Rasheed and Abadi (2014:300) suggest that managers should place greater emphasis on improving the perceived value a client has over a service or product, as this will enable them to attract loyal clients. In turn, this will enable companies to gain larger market share and becoming more profitable.

Relevant to this study, it is important to point out that Borat *et al.* (2014:31) found that the service TES offers has been found to be of great value to not only clients, but also the greater South African economy and as such play an important role in securing loyalty of clients.

2.6.3 A conceptual framework for loyalty

Following the literature review of prominent factors affecting loyalty, this paper has identified five factors most relevant to the study. Figure 6 below, illustrates the five prominent factors in a conceptual framework that will be used to explain loyalty of metal and engineering organisations towards TES.

Figure 4: Loyalty framework for TES industry



2.7 SUMMARY

Through the study conducted in the preceding sections, it is clear that there has been a shift in employment practices, whereby organisations across the globe tend to favour fixed term or limited duration employment, which is the result of unpredictable and the changing nature of business.

The outsourcing of non-core functions suggest that organisations have specialised to such an extent that certain functions are just performed better by those who make it their sole purpose. More relevant to this study, TES offer their clients the option to diversify their risk as well as flexibility. Through the research conducted by Borat *et al.* (2015:13), this paper concludes that the clients in the metal and engineering industry who made use of TES are no longer loyal to TES, which poses a problem to the industry and the South African economy.

Firstly, Afande and John (2015:12) stated that client satisfaction remains the primary driver for loyalty and should be made a top priority by organisations to “desire unwavering loyalty”. Secondly, Mcarville (2000:31) found that relationships play an effective role in both satisfaction and client loyalty. Thirdly, organisations should focus on delivering a quality service that exceeds the standard of competitors (Afande and John, 2015:12). Fourthly, when organisations manage to reduce or eliminate perceived risk, they would be able to generate higher levels of client loyalty (Gefen, 2002:40) and lastly, when value is created in the minds of consumers, they are more likely to continue to use the product or service. (Rasheed and Abadi, 2014:303).

Yoo and Kitterlin (2012:123) suggest that clients who continue their patronage, even in the face of attractive alternatives, are the lifeblood of an organisation. It is therefore important for organisations to establish and prioritise client loyalty as strategic initiative, especially during challenging economic times.

The following questions have emerged from literature: What are the current perceptions of firms in the metal and engineering industry towards TES? Do these firms get any value out of the utilization of TES and if so what? What are the challenges that these firms face when dealing with TES and what can TES do to gain loyalty towards the industry?

CHAPTER 3 – RESEARCH METHODOLOGY

3.1 INTRODUCTION

The primary objective of this study was to assess how TES could gain / regain loyalty of firms in the Metal & Engineering industry in South Africa. This empirical study contributed to the primary objective by mainly focussing on the last four secondary objectives of the study; to explore client's current perceptions of TES; to understand clients' perceived value in TES; to explore how TES can regain client loyalty. During the interview process, themes emerged from the answers of the participants. These themes made a significant contribution to achieving the primary objective.

This chapter therefore firstly discusses the methodology used to conduct empirical research and secondly report on and discuss the findings of interviews conducted. The chapter is concluded with a summary.

3.2 METHODOLOGY DATA GATHERING AND ANALYSIS

This section of chapter three describes the methods used to gather data, used in the empirical research, describes the data subjects and discusses how the data was analysed. It further addresses ethical considerations made during the course of the study.

3.2.1 Research design

This research paper made use of a qualitative exploratory design in which a better understanding of client loyalty towards TES was gained. In order to achieve the primary objective of this study, it was necessary to implement the social constructivist paradigm. According to Cottone (2016:465) social constructivism is knowledge produced by humans through shared experiences. Knowledge therefore does not exist by means of discovery, but is constructed by the role players or community by sharing experiences and collaboration.

The social constructivist approach is particularly relevant to this study, as it is applied in empirical research, especially considering that this study emphasises the perceptions of firms in the metal and engineering industry. In addition, the results of this study show that indicators of loyalty towards TES is gained through the shared experiences of the participants in the metal and engineering community.

3.2.2 Participants and Sampling

In order to achieve the objective of the study, it was important to utilize a purposive sampling method, which is selective and subjective in nature where the aim was to interview participants who qualified, given the necessary inclusion criteria requiring them to have some knowledge of TES, are operating in the metal and engineering industry, and occupy some position that requires the participant to make decisions regarding TES. Participants were therefore selected based on their knowledge and interaction with TES. (Streubert and Carpenter, 1999:87). The size of the sample was dependent on data saturation.

Participants were telephonically contacted and their availability determined for an interview process that would take between 10 minutes and 20 minutes. Once they agreed to the interview, a date and time were established and electronic meeting invitation were dispatched. In some cases, participants were contacted a day prior to the interview to remind them of the appointment.

Participants in this study were first and foremost people. These people are further characterised by specifically being involved in and dealing with TES on a regular basis, making decisions around the utilization of TES and having knowledge of TES and applicable legislation changes. Of crucial importance was the requirement for participants to conceptualize their own perception of TES.

This study focused on organizations within the Metal & Engineering industry in South Africa. As a prerequisite, for a Metal & Engineering organization to qualify as an organization of interest for this study, the organization must have had some form of interaction with one or more TES. This interaction stretches further to include the use of TES. Although the study objective did not foresee the necessity of obtaining units of analysis pertaining to the size of these organizations, in terms of amount of permanent staff employed, turnover and amount of projects per year, this was considered and may have been included, if the study parameters allowed for this.

Table 2 below depicts the demographic composition of participants who participated in this study, illustrated as a percentage of total.

Table 2 – demographic information

Age		Gender		Race	
19 – 25	0%	Male	100%	White	84%
26 – 35	50%	Female	0%	Coloured	16%
36 - 45	0%				
46 – 60	50%				
Highest Qualification			Current position		
Grade 12	0%		Junior manager	16%	
Diploma	50%		Senior manager	66%	
Degree	50%		Director	16%	

3.2.3 Data Collection

The data that this research intended to use was drawn from the responses of the participants during semi-structured interviews. Semi-structured interviews outlined important topics for discussion, formulated in question format that could be tied back to the objectives of this study. All participants were subjected to the same key topics, however this type of interview allowed participants to elaborate beyond the scope of questions, to describe their own thoughts and perceptions of a specific topic, which also allowed for probing to gain deeper insights.

The advantage of this form of interview is that it allowed the researcher to explore individualized perceptions, motives, attitudes and beliefs. It further allowed the researcher to gain as much information from the participant as possible and secured a higher success rate in having questions answered, as participants could clarify the questions. This structure also ensured that the participant gave his own answer and was not assisted by someone else.

The disadvantages of this method are participants could possibly have given a socially acceptable answer and may have been influenced by stereotypes or appearances. The researcher did however try to, as far possible, place the participants at ease with giving a straight and honest answer without fear of prejudice being suffered and ensuring the highest degree of confidentiality.

The researcher conducted interviews with the participants on a one-on-one basis, which were done in the comfort of their own office. However, the location was not limited to offices: the researcher attempted to establish from the participant where he/she would be comfortable and the interview was conducted accordingly, as some participants were only available via telephone call. All interviews were digitally recorded.

The researcher was interested in data relating to the participant's perception of TES. The interview questions were open ended and focused on the participant's own view of TES and factors that lead them to becoming or remaining loyal users of TES. The interview questions can be found in annexure A of this document. The researcher made use of a predetermined questionnaire, however questions were not exhaustive, as probing was done when clarity was needed.

The data gathered during these interviews was digitally recorded, in addition to field notes taken during the interview process, after establishing whether the participant was comfortable with the process. The digital data was transcribed, saved electronically and interpreted.

The researcher made use of the techniques suggested by Okun (2002:79) for interviews, by keeping verbal responses to a minimum and instead using "uh-huh" and head nodding assuring the participant that the researcher was listening. The researcher further asked questions to clarify statements made by the participant and where needed, statements were paraphrased by using synonyms to ensure the message was placed in words better understood by the researcher and readers of this paper. In some instances, the researcher reflected on the responses of the participant, enabling him/her to hear what was said and elaborated or clarified where necessary. Lastly, the researcher in some instances summarized the participant's statements by highlighting important and relevant topics.

3.2.4 Data Collection Process

The researcher had access to several Metal & Engineering companies and their employees. The researcher contacted all possible participants via electronic mail and requested an interview. In some instances, the researcher made telephonic contact to request a convenient time and date to conduct the interview. Once the participant agreed to an interview, a convenient time was established, as well as the location for the interview. Where applicable, electronic meeting requests were sent out.

The researcher has, in some instances contacted the participant a day prior to the scheduled interviews to confirm the time and date, as well as the participant's availability. In instances where the researcher could conduct the interview himself, he asked for assistance from the company managers. The same process of securing appropriate dates and times for the interviews applied. The researcher conducted the interviews with the participants in person and via telephonic calls.

3.2.5 Data Analysis

In keeping with Creswell (2014), data was analysed using inductive content analysis, as the findings which emerged from the data was conducted using the qualitative analysis process, as outlined by De Hoyos and Barnes (2012:6). Data analysis occurred in several steps.

During the interview process data was collected and managed by means of electronic recordings and field notes. After the interviews were conducted, the data was transcribed and copied into a Microsoft Word-file, where the data was organized according to questions and answers given by each participant. Answers to each question were listed and each participant's answer was placed in categories next to other participants' answers to the relevant question. Where necessary, the answers were described in more detail, as it related to the topics mentioned.

The first step in the process was for the researcher to familiarize himself with the data, which involved reading and re-reading the transcripts. The second step involved demarcating focus areas by selecting one transcript to initiate analysis. De Hoyos and Barnes (2012:12) suggest that the researcher should describe and conceptualize the data. This will be done by generating categories and themes from the data and organizing it in a logical format in the Microsoft Word-file. When data is categorized, consideration will be given to causes, opposites, contexts, mediating factors etc.

Keeping the primary research question (to establish how TES' could gain / regain the loyalty of firms in the Metal & Engineering industry in South Africa) in mind at all times, the researcher began open coding, where he highlighted and assigned labels to all segments of text that answered the research question (pro labour broking as a function of management & business). Once this process was completed with all the transcripts, the researcher then proceeded with axial coding, where he grouped all the similar code labels together. These groups then emerged into themes (business support function).

In the last step, De Hoyos and Barnes (2012:29) concluded that the data should be interpreted and explanatory accounts created. This process involved drawing conclusions from the interpreted data and establishing whether themes play a significant role in a Metal & Engineering company's loyalty towards a specific TES.

3.2.6 Literature control

The research questions, as well as the data gathered in the empirical study were cross checked with that of the literature review, in order to establish if an overlap existed and to identify new and contradictory information that surfaced from the empirical study. This enabled the researcher to identify differences and similarities, which contributed to the better understanding of loyalty towards TES in the metal and engineering industry.

3.3 TRUSTWORTHINESS

The researcher has included direct quotations of participant responses in order to ensure that the data is trustworthy. This provided further credibility to the research being conducted. Furthermore, the researcher has made use of an independent coder, who verified the codes and themes and met for a discussion on the final themes, whereupon consensus was reached before finalisation as suggested by Saldana (2009:288).

According to Polit and Beck (2010:570), trustworthiness can be defined as the “the degree of confidence qualitative researchers have in their data” and further maintains that trustworthiness is characterised by five distinct features namely, credibility, dependability, confirmability, transferability; and authenticity.

Polit and Beck (2010:492) suggests that credibility refers to the self-assurance the researcher or writer has in the veracity of the study, which is why the findings (contained in chapter 4) are so important for the credibility of this study. This study has further applied peer debriefing and member checking as additional means to ensure credibility.

Dependability shares some resemblance to reliability found in quantitative research (Connelly, 2016:435) with the main emphasis on consistency of data over time, even if certain conditions may change. Confirmability is achieved by replication of results in similar studies. Polit and Beck (2010:492) state that confirmability is synonymous with objectivity in quantitative research, wherein the researcher could make detailed recordings of his/her methodology applied.

When data is transferable, it refers to the usefulness of the data to people in different conditions (Polit and Beck, 2010:492) and whether the data can be generalized. The researcher has focussed on transferability of this study by ensuring the findings are detailed in its description of the context, participants and location.

Finally, it is important to ensure the study carries with it, authenticity. Polit and Beck (2010:492) suggest that the researcher can secure authenticity by selecting appropriate research participants and making provision for accurate description of the sample data. The participants who formed part of the sample data in this study were carefully selected by making use of inclusion criteria and being accurately described under subheading “participants and sampling” in the methodology section.

3.4 ETHICAL CONSIDERATIONS

The research proposal was submitted to and approved by the North-West University’s Ethics Committee and an ethical clearance number had been issued (EMSPBS16/11/25-01/45). Before commencement with interviews, all participants were invited and given informed consent forms. These forms provided information on the background of the study, the aims, the procedures, any risks/benefits, and that participation was voluntary. No participants were, in any way, coerced into taking part of the study. All participants were asked if they were comfortable with being audio recorded, and all consented.

The researcher took steps to ensure the confidentiality and anonymity of all participants by assigning a participant number to the recordings of their interviews and to the transcripts, and at no time was the identities of participants revealed. Only the researcher and the supervisor are aware of the participants’ identities. The informed consent forms and transcripts are digitally stored with password protection.

The researcher further conducted the interviews in the language participants were most comfortable with, which was mostly either English or Afrikaans. Additionally, the topic of the research was not sensitive, and no participant became upset or uneasy during the course of their participation. The use of language forms an important part of the legitimacy and acceptance of the research. Walliman (2011:46) further warns against bias and the use of discriminating, patronising, stereotyping and intolerant language. Although the researched did, as far possible avoid such terminology, he appointed a language editor to assist in this regard.

The researcher committed to conduct and write his own work unless specifically referring to the author or owner of the work, in which case the researcher has acknowledged the owner of the specific work (Walliman, 2011:44).

Walliman (2011:44) alludes to the fact that no researcher would be able to fully rely on his or her own concepts and ideas in the field of research, which is why the researched has made

extensive use of sources whom have conducted research on elements of this topic in the past. The researcher has acknowledged these sources through citation in accordance with the Harvard referencing style of 2008.

The research contained in this study have been conducted with honesty. Walliman (2011:44) maintains that the researcher has the responsibility towards the public, participants, fellow researchers and the academic community to provide accurate information detailing how the research was conducted. The researcher has committed himself to conducting honest and ethically sound research as prescribed by Walliman (2011:49). No covert or deceptive methods of obtaining data or evidence have been employed when the research was conducted.

The data and analysis thereof in this paper has not intentionally been distorted and the researcher has, as far possible, remained unbiased, although Walliman (2011:45) maintains that it is impossible to be totally free from bias. The researcher has therefore maintained scientific objectivity, as far as reasonably practicable by not ignoring or rejecting evidence contrary to his own beliefs.

Walliman (2011:46) suggest that the aims of research should be in accordance with the university standards. The researcher has taken care in ensuring the research results will not harm the participants or the general public, but aims to provide meaningful results that would contribute to and benefit society.

The researcher places on record that he has acted in the capacity of student researcher only and has not been coerced or received financial support from institutional and /or political entities to cause immediate action (Walliman, 2011:46).

The guidelines provided by Walliman (2011:47) in dealing with participants have been applied by the researcher. In this regard, participants have been treated with the necessary dignity giving consideration to ethics when participants have been chosen and interacted with. Friends and relatives have not been part of this study. Participants have willingly participated in the research and have been fully informed of the reasons why the research is conducted. No participants have been unduly pressured into participating or coerced into providing a certain result. Walliman (2011:47) further suggests speaking in plain language that participants can understand and using terms known to them. Consent have been obtained, however the researcher has committed to keeping participant information confidential whereby no participant's personal details will be used in any of the findings.

The researcher has guarded against imposing his own assumption when recording and interpreting data from transcripts. Walliman (2011:48) states that one should not impose a biased interpretation of vocal inflections, subtleties and repetitions that leads to loss of meaning. This research contains little to no sensitive information; however, the researcher has taken care in maintaining confidentiality and not imposing any damage to participants or others. (Walliman, 2011:49).

Although not being officially promulgated, the research has given consideration to the Protection of Personal Information Act (POPI) when dealing with any personal information. Data obtained from participants will be safely stored on a personal computer that is protected by anti-virus and passcodes, which severely hampers unauthorised access. Walliman (2011:50) suggests that a suitable time be decided upon for disposal of records. The researcher will dispose of records upon submission for examination on 20 November 2017, by latest 30 November 2017. Field notes will be shredded and electronic copies of transcripts and recording will be deleted in full.

During the course of the research, draft papers have continuously been passed to the researcher's supervisor for comment, (Walliman, 2011:50), with the proviso that the contents are to be kept confidential. Participants and institutions who formed part of the research have not been involved in the editing and changes made to any of the draft papers.

3.5 SUMMARY

This research study was conducted using a qualitative explorative design, which provided rich and trustworthy data. Social constructivism is one of the key characteristics of this study as participants shared their own perceptions of TES, which formed as a result of their personal experiences with TES and legislative challenges. In order to obtain valuable and credible data, it was necessary to apply inclusion criteria when participants were selected for the study.

Some of the key demographic information contained in table 2 indicated that 100% of participants were male, all of whom occupy a managerial role with an education level higher than matric.

Chapter 4 contains the results and discussion of the findings following the semi-structured interviews with participants who illuminated key themes that emerged giving indication that TES provides a valuable service.

CHAPTER 4 – RESULTS AND DISCUSSION

4.1 RESULTS AND DISCUSSION

To achieve the primary objective of this study, it was important to conduct interviews with participants who has knowledge of TES, as well as the metal and engineering industry, and who possesses some decision-making power especially on whether or which TES to use. For this reason, all of the participants are in a managerial or senior position within a metal and engineering company.

The researcher conducted interviews with 6 participants who qualify in terms of the prerequisites mentioned above. In order to gain an understanding of what TES should do to gain the loyalty of clients in the metal and engineering industry, it was important to design the questionnaire in a way that supports the secondary objectives.

The questionnaire administered to the participants enabled the researcher to draw out participant's perceptions of TES and well as to ascertain whether participants get any value from utilizing TES. Building on this, the researcher enquired as to what the value would be in cases where participants indicated that they gain value from using TES. Lastly, it was important to establish whether the participants encounter any challenges when dealing with TES and what those challenges might be.

4.1.1 Analysis of interview questions

The main research question was to establish how TES could gain/regain the loyalty of firms in the metal and engineering industry. Table 3 summarises the interview questions and explains the purpose of each question posed to participants. Answers to the questions have been categorized in themes that emerged from the research. When examining the themes that emerged it was interesting to note that some themes re-emerged in other questions posed to participants, which contributes to the validity and value of the theme in answering the primary research question.

Table 3: Interview analysis

Question	Purpose	Emerging themes	Quote
What is your current perception of TES?	The purpose of this open-ended question was to draw out the participant's current view of TES and to give the participant the freedom to express their general views of TES without leading the participant in a specific direction.	<ul style="list-style-type: none"> - Business support function - Sourcing and placement of competent staff 	<p>"I am very pro-labour broking as a function of management & business" (P2, 3-7)</p> <p>"TES have the database, facilities and manpower to recruit effectively" (P6, 5-7)</p>
Do you get any value out of the utilization of TES and if so, what?	The purpose of the question was to establish whether the participant believes there are any value in the services that TES delivers. This also enabled the researcher to establish what the participant values when utilizing TES.	<ul style="list-style-type: none"> - Sourcing and placement of competent staff - Business support function 	<p>"supply of competent employees" (P3, 13-14)</p> <p>"providing payroll function and assists with resolving pay queries accurately and on time" (P3, 14-16)</p>
What are the reasons for making use of TES?	The purpose of the question was to establish what the reasons are for making use of TES. The question was structured in such a way that the participant could mention any reasons he/she felt relevant that might not necessarily be one of the services or value being offered by a TES, i.e. influenced by external parties or factors to use TES.	<ul style="list-style-type: none"> - Business support function 	<p>"assists with documentation and administration of employees, such as injury on duty" (P5, 20-23)</p> <p>"delegation of HR tasks, which frees up time for a client to deal with their main responsibilities" (P6, 38-44)</p>
Which challenges do you face when working with TES?	The purpose of the question was to give the participant the freedom to express the challenges he/she faces when working with TES. The question further	<ul style="list-style-type: none"> - Service levels 	<p>"TES sometimes supplies unsuitable candidates" (P6, 49-55)</p>

	allows the participant to voice any other dissatisfaction or unhappiness with TES.		“insufficient meetings” (P2, 51-54)
How do you want them addressed to convince you to continue making use of TES?	The purpose of the question was to build on the previous question by allowing the participant to give input into how he/she would like to challenges addressed.	2 Extra mile	“willingness to assist after hours (P2, 72-73)
How has the changes in legislation affected your view of TES?	The purpose of the question was to establish whether the participant and the company he/she works for has been affected by the changes in legislation and whether the changes affected the participant’s view or perception of TES.	- Compliance - Unaffected	“ensuring compliance with the Labour relations Act following procedures instead of giving notice of contract ending (P5”, 57-6) “no effect” (P4, 16-17)
What can TES do to gain your loyalty towards the industry?	The purpose of the question was to put a simple and straight forward question to the participant and allowing him/her to give his/her own personal view of what it will take for him/her to become / remain a loyal user of TES.	- Extra mile	“going the extra mile, answering a call when phoned, giving the client attention when required” (P6, 66-71) “TES to make employees feel part of the team” (P5, 70-73)
Would you recommend using TES to other firms?	The purpose of the question was to determine whether the participant shows loyalty towards TES to the extent of being willing to recommend using TES.	3 Yes	“yes because performing the HR functions is labour intensive” (P5, 82-89)
Do you enjoy doing business with TES?	The purpose of the question was to determine whether the participant shows loyalty towards TES to the extent of enjoying doing business with TES	4 Yes	“yes, structured service mentality” (P1, 57)

4.1.2 Discussion

Considering the nature of this study, it was important for the researcher not to lead participants in answers, but to create an opportunity to have participants express their own views and in their own words. This ensures credibility and trust in the research. The researcher has taken the themes that emerged from the empirical research and have allocated it to the corresponding literature terms, in order to explain themes and check for any overlap or discrepancies between literature and empirical research.

In general, participant responses served as an indication of their loyalty towards TES, especially considering the challenges posed by the changes in legislation. Responses such as “I am very pro-labour broking as a function management & business” (P2, 3-7) and the overwhelming result of their willingness to refer TES to other organisations and their enjoyment of doing business with TES confirms their loyalty toward TES. These responses are in accordance with literature which indicate that loyalty refers to deep commitment towards a service, even in the wake of situational influences (Oliver, 1999:34) and an attitude that aligns with repeated buying behaviour, (Watson, 2015:803).

Table 3 depicts the themes that emerged next to corresponding loyalty indicator from literature and the allocated acronym. A discussion and justification for the allocation will follow.

Table 4: Emerging themes

Acronym	Theme	Loyalty factor
BS	Provide business support function	Flexibility & Value
SP	Sourcing and placement of competent staff	Value & Service quality
EM	Going the extra mile	Value & Relationships
SL	Expectation of high quality service	Service quality & Satisfaction
CO	Prioritise compliance	Perceived risk

The results indicated that TES adds value to a client by providing a business support function, they source and supply competent staff. The challenges faced with TES include going the extra mile, the expectation of high quality service offered to clients and lack of compliance to client protocols and legislation.

4.1.2.1 Provide business support function

Business support functions are described by Eurostat (2013:1) as all activities that are conducted by an organisation, which facilitates core or production activities. This suggests that support activities are not performed with the intention to sell to the consumer but assists the organisation to perform its core functions, which are intended for public or consumer use. Depending on the organisation, support functions usually include I.T., logistics, marketing, sales, legal services and human resources, the last which is the domain of TES.

This theme was the most prevalent in the study and that surfaced during questioning on participant's perception of TES, is the value they get when using TES and the reasons they make use of TES. As a business support function, TES enables clients to make instant changes to its staff compliment in response to the changing business environment (Bamu and Godfrey, 2009:1), which suggests that client business is more agile and enables them to focus on their core function of business.

When clients were asked what value they get from utilizing TES, the recurring response was that TES deliver a business support function. It is therefore clear that clients value the support function that TES provides, "because performing the HR-functions is labour intensive" (P5, 82-89) and enables a client to "delegate business responsibilities (P5-101-106). The access to expertise and relieving pressure on businesses is therefore a prevalent theme when explaining why, according to Van Eck (2010:108), an increasing number of organisations have chosen to rely on TES.

More importantly, the aforementioned responses seem to be in line with Smith's (1776:8) notion of the "productive powers of labour" whereby the division of company functions lead to a higher return on production, which enables the achievement of an economy of scale.

This paper has identified the importance of flexibility within organisations as this enables business to change and adapt faster as the world around them changes. Although one can describe the latest trend of outsourcing non-core functions as cyclical, it is clear that the current business environment necessitates focussing on the core functions of a business, which enables organisations to become more specialised.

Participant responses have further confirmed the definition of flexibility provided by Heizer and Render (2014:314) concluding that businesses are able to make changes in short periods of time without the loss of time, cost, and value. Therefore, delivering a flexible business support function is perceived by participants to add value to their daily business lives, which according

to Zaw and Chaipoopirutana (2014:4), leads clients to become more loyal and frequent users of the service. This would also explain why participants state they have been unaffected by the changes in legislation.

4.1.2.2 Sourcing and placement of competent staff

Sourcing and placement of competent staff is a two-component function, which requires an organisation to either maintain a detailed and effective database of candidates, their qualities, abilities, historical data and contact details or obtain this information efficiently and usually on short notice. The second component requires the organisation to place the individual with the clients in which case service level agreements and payment terms form an integral part of the process. Specifically, in the metal and engineering industry, it further requires the placement firm to get the candidate “site-ready”, which usually involves arranging inductions, medical examinations, training, accommodation and transport. (IZA, 2013:65).

As stated before, SABA (2014:2) found that organisations face an overwhelming challenge of optimising and managing a workforce properly, wherein headcounts need to be predicted and labour supply to take place on short notice. Participants reached consensus in confirming that TES relieves a client’s pressure to recruit competent staff, especially on short notice, “TES have the database, facilities, and manpower to recruit effectively” (P6, lines 5-7).

Participant responses indicated that this theme becomes prevalent in their perception of TES, as well as the value they get when using TES. Participants indicated that when TES provide them with competent staff, this service is truly valued “Labour broker provides value in terms of competent staff” (P2. lines 13-15). This is because TES are specialists in the field of sourcing and placement of competent staff, which according to Wells (2015:10) and Borhat, Cassim and Yu (2016:6), create a prime environment for organisations to growth and specialize in their field.

In the event that TES manages to deliver a valuable service, Rasheed and Abadi (2014:300) suggest that they will attract loyal clients. The re-occurrence of “competent” staff supplied is indicative of a quality level. Participants could have answered “sourcing and supply of staff”, however the specific reference to “competent”, especially when enquiring about the value participants get from using TES, suggests that they attach value to the competency of staff and as such, regard the service offering as a higher quality of service. Rasheed and Abadi (2014:303) confirm this phenomenon by stating that clients who experience quality in service delivery, attach value to that service.

This study further confirms that that participant's loyalty could, to a large extent, be ascribed to the service quality they experience from TES, which supports the claim of Haghidi, *et al.* (2012:5043) that service quality plays a crucially important role in determining client loyalty.

The value of TES has also been confirmed by Borat *et al.* (2014:31) who found that the service is of great value to clients and greater South African economy considering its economic contribution. This research further found that TES should provide this service to the highest standard. This suggests that the quality of service delivered to clients should be high which ensures a satisfied client. Amoako, *et al.* (2016:47) maintain that good customer service is a prerequisite for client loyalty.

4.1.2.3 Going the extra mile

Participants raised the issue of going the extra mile when being asked what TES can do to gain their loyalty and how challenges should be addressed i.e. "going the extra mile, answering a call when phoned, giving the client attention when required" (P6, 66-71). The importance of going the extra mile is especially important, as this theme emerged when participants were directly asked what would make them loyal towards TES.

Participants indicated that they value "Structured approaches to problem solving and successful problem solving" (P4 10-11)". The significance of this response is invaluable as it supports the research of Dalton (2003:2) who claims that going the extra mile drives client loyalty, especially when the service provider assists in problem solving. McDougall (2017:24) contributed to this finding by stating that when service providers extend their services beyond what is expected, it could even have clients "fall in love". This notion supports client loyalty.

Going the extra mile is closely related to fostering lasting and valuable relationships with clients in an attempt to secure client loyalty. Mcarville (2000:31) points out that after a client has been attracted the next step would be to foster a relationship with the client, which may require a great deal of effort. This is confirmed i.e. "willingness to assist after hours" (P2, 72-73). Mcarville further states that this effort may require the service provider to "go above and beyond the call of duty". This could pose a serious challenge for TES and if overcome, could develop positive business relationships. Santos (2016:71) further confirmed the importance of making extended efforts to maintain business relationships. In essence, this is the value being added after TES has sourced and placed candidates with the client.

4.1.2.4 Expectation of high quality service

Participants mentioned that TES would sometimes offer low quality service. This is a direct link to service quality, as translated from the findings in literature. Although participants have shown high levels of loyalty towards TES, especially by enjoying doing business with TES and willingness to recommend TES, they do point out that TES sometimes lack proper service quality. It is interesting to point out that McMullen (2008:1092) confirmed this phenomenon stating that a client's loyalty is in no way a confirmation that the client will turn a blind eye on low quality of service.

Khizindar, *et al.* (2015:110) sustain the argument that when clients perceive the service of a high quality, there is a greater probability for that client continued use of the service being offered. Service level also plays an integral part in client satisfaction. Santos and Isaias (2016:72) reason that satisfied clients recommend other clients to make use of the same service. This has also been confirmed in participant responses. On the other hand, dissatisfied clients are likely to share their experience of poor quality service with others.

Confirmation of these results was shared by Haghidi, *et al.* (2012:5045) who maintain that the quality of a service is the most important factor affecting client satisfaction. In turn client satisfaction have been found to be a substantial predictor of client loyalty (Afande and John, 2015:12). It is further noteworthy to mention that participants indicated some degree of dissatisfaction with TES communication: "Inadequate communication" (P4 10). McMullen and Gilmore (2008:1092) specifically listed communication as important contributor to client satisfaction, especially given its ability to resolve areas of dissatisfaction.

Through the loyalty participants displayed in their responses, this study confirmed the findings of Khizindar, *et al.* (2015:109) who remarked that when clients perceive a service of a high quality, they are more likely to recommend the service to others. An overwhelming majority of participants indicated that they would recommend using TES to other organisations.

By the occurrence of this theme, this study has supplied confirmation for the research of Rasheed and Abadi (2014:303) indicating that there is a definite correlation between service quality and client loyalty.

4.1.2.5 Prioritise compliance

Although participants indicated that they were not affected by the changes in legislation, compliance has become a prevalent theme following the changes. Participants indicated that the changes in legislation governing TES lead them to place greater emphasis on compliance.

TES are the required to comply, clients expect TES to place greater emphasis on compliance to legislation. Considering the implications on both TES and the client should TES be found not to comply, the resulting factor to consider is exposure to risk, as covered in the literature review.

The importance of perceived risk should not be underestimated when aiming to foster loyalty in clients (Yen, 2010:221). This research paper has found that perceived risk refers to the potential uncertainty a client faces when considering the possibility of a negative outcome of a transaction being concluded with a service provider (Kim, Ferrin and Rao, 2008:546). As previously mentioned, the findings of Maseko (2015:1) among others, suggest that a copious amount uncertainty exist in companies who make use of TES, hence the participant's focus on compliance as a means to avoid risk.

Perceived risk does however also serve as a pulling factor for clients who wish to share or avoid risk of referrals and awards at the CCMA. Soko and Balchin (2014:1) found that one of the reasons why clients tend to become loyal users of TES, relates to their possible exposure to risk through the abuse of the CCMA, the limited options available for companies that struggle with poorly performing employees and the general limited rights of employers.

4.2 SUMMARY

In order to foster the use of TES, it will be prudent to ensure clients become and remain loyal to TES. Maintaining good professional relationships, delivering a quality service, ensuring clients are satisfied, increasing perceived value and reducing perceived risk in doing business with TES are therefore important. These five areas were translated into participant responses through the emergence of themes.

Figure 5, below summarises the themes that emerged from participant responses that affects their loyalty towards TES. It is the finding of this research that the factors affecting loyalty, discussed in chapter 2 are closely interlinked with the themes found in chapter 3. Again, it is reiterated that the research has provided participants the freedom to express their perception of TES in their own terms.

Figure 5 Interview themes



Murali, Pugazhendhi and Muralidharan (2016:81) make a significant point in that competitive environments continuously push organizations to place greater emphasis on service quality, in order to gain the competitive edge. This study has proven that service quality plays an enormous role in client's loyalty towards the industry. Service quality relates to the overall impression that a client gets when he/she has received a service and includes their judgement and attitude towards the service (Zaw and Chaipoopirutana, 2014:1).

Equally so, it was noted that clients truly value the business support function and going beyond of what is expected. The research concludes that these are the type of services that will distinguish one TES from another. The study further confirmed the importance of maintaining sound relationships with clients, and keeping them satisfied.

CHAPTER 5 – CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

It is evident that the TES industry plays a significant role in the South African economy and labour market. According to a report released by Adcorp (2013:1), “Labour brokers constitute (d) a R44 billion industry employing around 19500 internal staff and just over one million agency workers”.

The exclusion of TES from the employment process had severe detrimental effects on the employment rate and the economy at large. The purpose of this study was to explore the means in which TES' can gain or regain the loyalty of firms in the Metal & Engineering industry. This was done by establishing clients' perceptions of TES, what the reasons are for making use of TES, whether they get any value form utilizing TES, but also to establish whether they have any challenges when doing business with TES.

It was equally important to place the main research question at the feet of clients by asking them what TES should do to gain their loyalty and the responses corresponded with literature, although expressed in different terms.

Company leadership have come to realize that in order to achieve long term company success it is important to establish a loyal client base (Askoy, 2013:372), especially in volatile markets and challenging times. In order to achieve this, organisations should ensure that they have built lasting and reciprocal relationships with their clients, whilst clearly defining service / product parameters and roles within the business relationship. Equally so, emphasis should be placed on delivering a quality service adding value to a client's operations and keeping clients satisfied. Askoy (2013:372) found that organisations employ initiatives that will strengthen loyalty with clients and considers this type of loyalty a bond that has formed over time between the organisation and the client.

5.2 CONCLUSIONS

Clients are the lifeblood of any organisation however, Yoo and Kitterlin (2012:123) made the observation that although all clients make an important contribution to an organisation, it is necessary to single out loyal clients as they remain clients during tougher times. Given the challenge the changes in legislation have posed to TES, this was proven to be quite relevant. In light of the fact that loyal clients are seldom bought, it would be necessary for management

of TES to cultivate client loyalty by means of the recommendations provided in this chapter. These recommendations are based on the following conclusions:

5.2.1 Employment flexibility

In an environment in which challenges and innovation brings about disruption and rapid change, affecting the way organisations do business, the ability to adapt with minimal effect on cost, time is crucial for survival. It is for this reason that organisations that function in uncertain, short term and changing environments have sought ways in which to efficiently allocate their resources allowing them to reduce their exposure to risk by making use of experts in the human resources field and reduce overhead cost. This strategy has also proven to be an effective tool to become more competitive.

5.2.2 TES in South Africa

The TES industry has presented clients, who face the aforementioned challenging environment, with a solution and as a result have seen rapid growth over the past 10 years. The benefit of making use of TES presents itself in a number of ways ranging from flexibility, cost reduction, supply of competent staff on short notice and the ability to focus on core functions.

The benefits are not reserved for the client but are extended to employees of TES, wherein they have a better chance of employment, exposure to a variety of industries and organisations, whilst having access to benefits such as provident fund. The TES industry further makes a considerable contribution to the South African economy, being classified as one of a few industries that have secured 771 000 jobs and an 8.7% annual growth during 1995 to 2014.

The Department of Labour has indicated concerns regarding the industry and was hard-pressed for industry regulations that served as discouragement for the use of TES. This had a negative impact on TES and South Africa's employment rate. These regulations were further introduced during a time of a struggling economy, which needed a conducive and encouraging business environment rather than restrictive.

5.2.3 The Metal and engineering industry

The metal and engineering industry comprises of a combination of two industry sectors in South Africa, namely the manufacturing sector and the construction sector. The metal and

engineering industry can therefore be characterised by the manufacturing of steel products whereas construction is the largest consumer of ferrous metal produced by manufacturing. The two industries are closely linked as manufacturing heavily relies on construction for demand and construction relies on manufacturing for its supply. These industries play a considerable part in the South African economy, as secondary sectors.

The problem however faced by manufacturing, is its global competitors and the volatility of the market. The South African construction industry is not the only consumer of steel products and certainly not the largest. The demand for steel is greatly dependent manufacturing cost, which multinationals closely monitor. Wages makes out a large portion of manufacturing cost, which directly affects prices of steel and the ability to compete effectively, giving rise to the need for specialized labour partners.

The construction industry is constantly expanding and contracts, as it is project based and uncertainties are quite prevalent in this industry given the tendering processes and availability of capital to fund projects. This suggests that for construction companies to remain viable and profitable during the economic highs and lows, it is crucially important to keep overhead costs low (which includes labour). The need for temporary labour and a service provider that can supply labour on short notice is a proven fact.

5.2.4 Defining client loyalty

Through consideration of various factors influencing client loyalty, this paper defines client loyalty as “a client’s repeated patronage of a specific brand of product / service despite economic influences and resisting attractive alternatives, which come as a result of a suppliers’ specific value proposition. The value proposition may include the vested relationship with the supplier and satisfaction with the product or service that are distinguishable from alternatives.”

5.2.5 Current perceptions of TES

The metal and engineering industry have shown to share an overwhelming consensus that they positively perceive TES as a business support function, which supplies competent staff on short notice. The industry is greatly supportive of the TES industry and is “pro-labour broker”.

5.2.6 Value of TES

The value clients in the metal and engineering industry get from using TES are the exact same factors found in their perceptions of TES. This paper concludes that TES adds value to client businesses in the metal and engineering industry, by providing a business support function that specializes in the sourcing and supply of competent staff. This function is valuable because clients do not necessarily possess the expertise in screening staff and do not have the infrastructure and database that would make competent staff accessible on short notice. The value further stretches to a client's ability to delegate non-core functions to a service supplier and shares possible risk.

5.2.7 Challenges with TES

Clients in the metal and engineering industry have indicated that they sometimes experience low quality service levels from TES, which include insufficient communication and the quality of staff supplied. The quality of the service supplied by TES has a significant impact on their satisfaction levels, which relate to a client's inclination to become and remain a loyal user of TES. This study further concludes that firms in the metal and engineering industry find it challenging when TES do not go the extra mile in solving problems, being available on call and giving general support beyond the scope of what is contracted for.

In addition, metal and engineering industry firms have indicated that compliance to client protocols and labour legislation could pose a serious challenge if TES do not show strict adherence thereto and prioritise compliance. Despite these challenges, it is clear that clients in the metal and engineering industry generally experience quality service that is supported by the fact that they would recommend using TES and enjoys doing business with TES.

5.2.8 Gaining loyalty

The primary objective of this research paper was to ascertain how TES could gain the loyalty of clients in the metal and engineering industry. It is concluded that the primary driver behind client loyalty is a TES' ability and willingness to go the extra mile. This was also the response of clients when posed with the direct question, enquiring about what it will take to gain their loyalty. Clients want to know that TES would be available any time of the day and would like to be treated with the highest degree of friendliness and professionalism. It is further concluded that clients want TES involved in and supports their decision making in solving problems. Going the extra mile further secures a valuable professional relationship with clients.

5.3 ANALYSIS OF OBJECTIVES ACHIEVED

The primary objective of this research paper was to establish how TES' could gain / regain the loyalty of firms in the Metal & Engineering industry in South Africa. This research paper extends this objective by making recommendations to management of TES.

The secondary objectives of this research support the achievement of the primary objective:

- To understand and discuss the need for employment flexibility
- To understand and discuss the TES industry in South Africa
- To understand and discuss the Metal & Engineering industry and environment
- To define client loyalty in the field of TES
- To establish what perceptions clients have of TES
- To establish what value clients get when using TES
- To establish what a TES can do to gain client loyalty
- To establish what challenges clients face when using TES

Upon scrutiny of this research paper the secondary objectives have been assessed to ascertain whether it has been achieved. The first secondary objective aimed at understanding and discussing the need for employment flexibility. This objective has been achieved in chapter 2 subsection 2.2, wherein the global need and move toward employment flexibility is discussed and understood.

The second secondary objective was achieved through in-depth research contained in chapter 2, subsection 2.3 and the third achieved in chapter 2, 2.4. Both these subsections provide a clear understanding of the dynamics of the two industries and how the metal and engineering require TES. It further discusses the importance of the role of the TES industry in the metal and engineering industry and the shift that occurred, which negatively affected employment.

The fourth secondary objective was achieved in chapter 2, subsection 2.6 by giving consideration to client repeat buying behaviour despite situational influences, the value of the service and resisting attractive alternatives.

The fifth and sixth secondary objectives were achieved in chapter 3, contained in the interview analysis, wherein clients have shown no negative perceptions of TES but instead value TES for their business support function in sourcing and supplying competent staff.

The seventh secondary objective was achieved in chapter 3, during the interview analysis, whereby clients indicated that they will remain loyal in the event that the TES stands ready for their beck and call.

The last secondary objective was achieved in chapter 3 during the interview analysis in which clients raised concerns regarding service levels.

5.4 TES MANAGEMENT RECOMMENDATIONS

The researcher makes the following recommendations to the management of TES in order to ensure client loyalty.

5.4.1 Providing a business support function

This study has shown that where clients believe that TES deliver a valuable and flexible business support function, their loyalty towards TES and frequency of use are higher. Management of TES is therefore advised to ensure that their services are as much integrated into the client's business as possible. This can be done by extending the service offering to encompass the full HR-function. Once TES form an integral part of clients' businesses by supporting their core functions, management is advised to deliver the service at the highest standard.

5.4.2 Sourcing and supply of competent staff

The research contained in this study has shown that participants value TES' ability to source and supply competent people. Management is therefore advised to ensure that this core component of a TES' function is done with the highest degree of quality. Emphasis is placed on (competent) staff being supplied. It would be necessary to put systems and checks in place to ensure that the candidate supplied fits the position at the client. Client interviews could provide valuable information as to what a client would look for in candidates. Satisfaction surveys and needs analysis are helpful tools in stablishing which areas a TES can improve on and which to maintain.

5.4.3 Going the extra mile

Going beyond the call of duty has been shown to improve personal relationships and increase the value clients place on TES. It is the recommendation of this study that management ensures that TES staff, who work directly with the client, are available, professional, friendly

and competent both during and after hours. This research found that an area in which TES really adds value, is their availability at clients' beck and call. In order to secure client loyalty by going the extra mile, it would be important for a TES to display an interest in their client that stretches past contractual terms and conditions.

5.4.4 Expectation of high quality service

This study has highlighted the importance of service quality in ensuring client loyalty. TES should ensure that the service they provide remains of a high standard. This includes, as previously mentioned, supplying competent staff, and being friendly and professional while supplying the service. Management of TES is also advised to give attention to the timeframes of service delivery, a timeous service plays an important part in delivering a quality service especially in the metal and engineering environment where conditions constantly change.

Literature placed further emphasis on delivering a service which is above the norm if clients wish to secure their client's loyalty. Management is therefore advised to ensure they put measures in place, which would evaluate a candidate's abilities more effectively, to secure a higher success rate when clients have to interview candidates provided by TES.

5.4.5 Prioritise compliance

The researcher found that although participants have lower levels of perceived risk, their focus on compliance is certainly noteworthy. In this regard, management of TES is advised to ensure their company is compliant with the amended LRA. It is essential to note that perceived risk does not necessarily refer to actual risk, but refers to the client's perception of his/her exposure to risk, should he/she deal with a TES. Therefore, it is important to maintain a close relationship with the client and communicating the TES' compliance measures to the client in order to put the client at ease.

5.5 RECOMMENDATIONS FOR FUTURE RESEARCH

The findings of this paper provide a workable foundation from which other industries/companies in the service sector within South Africa can work from and conduct further research into the topic of loyalty towards TES. This may also include experimental research based on the findings of this paper.

It is still evident that very little research has been conducted on labour brokers in general. During the course of research, it became apparent that employees employed by TES might not be less prosperous than their permanent counterparts. This paper therefore recommends a comparative research to be conducted between the opportunities provided by TES and companies in general or measuring the wealth of TES employees in comparison to permanent employees. Further research could also focus on the financial performance of companies making use of TES and those that don't.

5.6 VALUE OF THIS STUDY

The TES industry is not confined to South Africa alone however, it is well known that TES in South Africa is a controversial topic, where many will hold different opinions.

It should be pointed out that very little research has been conducted on labour brokers in general. This study could therefore contribute by not only shedding new light on the determinants of loyalty in the metal and engineering industry, but also broadening research on TES in South Africa across different industries. Suffice it to say, no other research has focussed on fostering loyalty towards TES in the metal and engineering industry. This study therefore contributes by giving insight into the valuable services offered by TES and how to gain loyalty in the industry.

Given that the TES industry falls within the service sector, this study has potentially made valuable contributions to other industries in the service sector where client loyalty are of specific importance to companies. The findings of this study can therefore supplement strategic decision making by marketing managers and company directors who are faced with the issue of how to gain/regain and maintain loyalty of their clients in the TES industry.

This paper aims to provide meaningful insight to other researchers, managers and business owners of TES in South Africa as to how relationships and quality of service affects client loyalty. The study would not focus on only one client but a range of clients in the metal and engineering industry thereby covering a broad view on metal and engineering companies in South Africa and their loyalty towards TES.

According to Yoo and Kitterlin (2012:124) focussing on and achieving client loyalty has the effect that clients make more frequent visits, improve relationships with clients and ultimately increase profitability, whilst maintaining clients during tougher economic times. The TES

industry is not confined to South Africa alone, suggests that the research conducted in this study could potentially provide meaningful insights in TES globally.

5.7 SUMMARY

Based on the research conducted, the researcher set out to assess the loyalty of clients in the metal and engineering industry, towards TES but extended the scope by making recommendations on what the management of TES can do to gain loyalty.

Client loyalty was discussed by giving consideration to the secondary objectives of this study, which provided valuable input on establishing how clients would become loyal users of TES. It was further found that literature, to a large extent, supports the empirical results suggesting that the relationships, service quality, client satisfaction, perceived value and risk are in fact factors that influence a client's perception of TES and serves as indicators of the value a client experiences by using TES.

This chapter made conclusions on each of the secondary objectives leading into a conclusion on how TES could gain loyalty from clients in the metal and engineering industry. Furthermore, this chapter made practical recommendations for the management teams of TES on ways to gain loyalty of clients in the metal and engineering industry by highlighting key focus areas, namely the value proposition and challenges clients face.

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APPENDIX A

INTERVIEW QUESTIONS

Primary research question: How can TES gain/ regain loyalty from firms in the metal and engineering industry

1. What is your current perception of TES or labour brokers?
2. Do you get any value out of the utilization of TES and if so what?
3. What are your reasons for making use of a TES?
4. Which challenges do you have when working with a TES?
5. And how do you want them addressed to convince you to continue making use of TES?
6. How has the change in legislation affected your view of TES?
7. What can TES do to gain your loyalty towards the industry? (Convince you to keep using TES)
8. Would you recommend to other firms to use a TES?
9. Do you enjoy doing business with TES?



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APPENDIX B

Dear participant,



PERMISSION TO CONDUCT RESEARCH

I am currently enrolled as an MBA student at the North-West University (NWU). I intend to collect data for my research study relating to how Temporary Employment Services could gain loyalty of firms in the metal and engineering industry. The title of my proposed dissertation is;

An assessment of loyalty towards TES in the South African metal and engineering industry

I hereby request you to participate in a semi-structured interview on your experiences and perceptions as a decision maker working for a firm in the metal and engineering industry. Completion of the interview will take approximately 10-20 minutes. Ethical clearance for this study was obtained from the NWU, Research Ethics Committee (WorkWell), and the number for this study is **EMSPBS16/11/25-01/45**

I pledge to maintain professional and research ethical codes, which implies that;

- You will only be asked to complete a semi-structured interview for the research project.
- Your participation in this research remains voluntary and anonymously, and you may at any time withdraw from this research.
- Your personal information and feedback will at all times be treated as confidential.
- Your participation in this interview will not interfere with your employment.
- Should you be interested in the research findings, the researcher could provide the research findings to you.

I plan to conduct this research study between June - October 2017. Your participation in this research project is greatly appreciated!

Xander van Wyk - Final year MBA student
North-West University
Student number: 20463669
Mobile: 0714924145

Name and surname: _____

Date: _____

Signature: _____

APPENDIX C

INTERVIEWER: What is your current perception of labour brokers?

PARTICIPANT 6: Uhm, I think my personal opinion, experience, I think labour brokers, they're doing quite an important, they're filling an important part of construction recruitment, uhm, so the role they play for me, it is quite important, uhm, you know, they have the facilities, the manpower to uhm, to recruit faster, obviously to build quite a database for themselves to assist with that. Uhm, the only problem I have with labour broking is that, it seems to me that all the labour brokers, they say that they have a system to blacklist, but in actual fact, they do not blacklist, uhm, and its not just one, its throughout; all labour brokers do that. But then it can also, look, you can understand because at the end of the day, every individual out there in the market that's an artisan, is money for the labour broker. If that guy walking there is at home is a welder or a boilermaker, that is actual money sitting there for the labour broker that he can obviously make should he recruit that person and place him somewhere.

INTERVIEWER: Do you get any value out of using a labour broker?

PARTICIPANT 6: Look, I do, uhm, especially up here in Medupi, uhm, I was alone in Kusile; the service you guys are rendering here is phenomenal, through Gert and his crew, uhm, you know, they're just a phone call away, should there be anything happening on site, and a lot of times I've found that I can make a decision myself or make a call and implement something but I don't have the time to sit with something, and then I'll just dump it on Gert's lap and leave, and he'll get it done for me, you know? It also depends of course on the relationship you have with the labour broker, if you don't have that relationship, then obviously you can't expect people to go that extra mile for you, you know, to have your back when you need it, but if you have that good relationship, working relationship, with the labour broker, then they will give an even better service to you, that's my experience of labour brokers.

INTERVIEWER: Okay. What would you say is the main reason you would use a labour broker? Or maybe one or two or three main reasons for using a labour broker?

PARTICIPANT 6: Well, I'd say that... They take a lot of responsibility off your shoulders as well, uh, if you look at the IR fight on site, uhm, (inaudible) when it comes to pay queries, you know, the day to day complaints from the workforce, cause the labour broker will have somebody on site who deals with these day to day complaints and uhm, whether it be hours that you miscalculated on a clock card, or anything like that. Uhm, so otherwise you will have to... There's quite a big and a large white collar crew on site, to deal with all these issues, and that means more people answering to you, more responsibility to you, but if you have a labour broker who covers that side of it,

then its something that you don't need to get involved in, and resolve yourself, so it gives you a bit of extra time to do your thing and be on site and, you know, interact with the workforce on site. So ja, it helps, definitely, to have a labour broker.

INTERVIEWER: Okay. You said the challenges you face is blacklisting; labour brokers say they have the system, but they don't usually use it. What other challenges or issues do you have with labour brokers?

PARTICIPANT 6: Uhm, look, sometimes it's a bit slow. Quite often you will get, with recruitment process, they will bring you guys to interview, uhm, look, it could be that they have experience but this guy, they placed him with a number of companies throughout a couple of years, so they know the person, but they will bring this guy to you, you will interview the person, and then he has no clue, you know, he shouldn't even be there, at the interview, so they will bring you people that is not really qualified, and don't have much experience. The fact that they know you, they should not even waste your time to bring people that's under qualified, you know, just bring me the proper... I can understand the pressure is there, you're pushing, you want your people on site, you wanna get your interviews done, you want people there, and on site, and they are under pressure, so, obviously they will try. So ja, that's the only problem, is with recruiting, otherwise, other than that, I don't have any other issues with labour brokers.

INTERVIEWER: What can labour brokers do to make you continue using them? Is it addressing those previous issues, the recruitment and bringing competent people to site? What can a labour broker do to convince you to continue using the service?

PARTICIPANT 6: It's to go that extra mile for me. When I dial your number, you take my call. If I have a problem, you address my problem. You need to give me attention when I want attention, you need to be there; you need to give me that attention that I require at that point in time. That's all that I want, and that's building a working relationship. That's what I currently have with the labour broker that I'm using.

INTERVIEWER: That's something that's come up in the past as well when I speak to other people; it's that going the extra mile, and the availability. And then, just one or two more; uhm, the changes in legislation around labour brokers, has that changed your perception of labour brokers?

PARTICIPANT 6: Not at all, not at all.

INTERVIEWER: And then, would you recommend to other firms that they should use a labour broker?

PARTICIPANT 6: Yes I will, definitely.

INTERVIEWER: And lastly, do you enjoy doing business with a labour broker?

PARTICIPANT 6: Yes, they make my life easy. They make my life very easy. You know, also, with the recruitment process, if it's done correctly, even that, I don't even have to interview. If the labour broker does the interview properly, to my standards, I don't have to then do an interview.

INTERVIEWER: And that now also ties in with the fact that you need to have that good relationship and you need to be able to trust the labour broker.

PARTICIPANT 6: You need to trust the labour broker, you know that when that guy brings somebody on the site, that person is 100% qualified, he's fully experienced, you're gonna be happy with that guy, he's gonna perform on that site there. That's what I wanna see with a labour broker.

INTERVIEWER: Thank you.

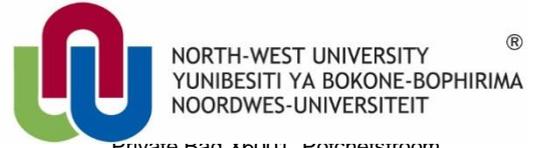
APPENDIX D



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25 April 2017

ETHICAL CLEARANCE

This letter serves to confirm that the research project of **VAN WYK, XWP** has undergone ethical review. The proposal was presented at a Faculty Research Meeting and accepted. The Faculty Research Meeting assigned the project number **EMSPBS16/11/25-01/45**. This acceptance deems the proposed research as being of minimal risk, granted that all requirements of anonymity, confidentiality and informed consent are met. This letter should form part of your dissertation manuscript submitted for examination purposes.

Yours sincerely

A handwritten signature in black ink, appearing to read 'CJ Botha'.

Prof CJ Botha

Manager: Research - NWU Potchefstroom Business School

Original details: Wilma Pretorius(12090298) C:\Documents and Settings\Administrator\My Documents\Briewe MBA\2017\