

Factors perceived to affect employee satisfaction and productivity at a mine in the Northern Cape

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Mini-dissertation submitted in partial fulfilment of the requirements for the degree Masters in Business Administration at the North-West University, Mafikeng Campus

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DECLARATION

I declare that this mini-dissertation hereby submitted to the North-West University, for the degree Master of Business Administration were not previously submitted by me for a degree at this or any other university, that it is my work in design and in execution, and that all material contained herein has been duly acknowledged.



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Declaration

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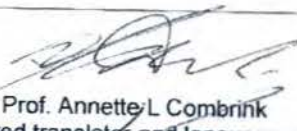
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Factors perceived to affect employee satisfaction and productivity at a mine in the Northern Cape


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DEDICATION

This work is dedicated to my late mother, my father, younger sister and elder brother. I wish they were here to witness my completion of such an important paper. I would also like to dedicate this to my wife and children who had been a pillar of strength and encouraged me to finish this work against all odds we faced during the initiation and completion of this research.

ABSTRACT

This study investigates the factors perceived to negatively affect employee satisfaction and productivity at the mine. More especially the analysis focuses on the implementation of the incentive schemes without the involvement of the workers 'unions, a situation which has led to misunderstanding between management and the unions.

The study also focused on the following specific objectives:

- To investigate the effect of Incentive Schemes on employee satisfaction, employee relations and productivity;
- To investigate employees satisfaction with and perceptions of the implementation and awarding of Incentives;
- To investigate employees perceptions of the effect of Union bargaining on employee satisfaction and productivity;
- To investigate whether perceptions with regard to unions and incentive schemes differ depending on demographic classifications.

The study sought to answer the following research questions;

- 1.3.1 Does the failure to negotiate incentive schemes with the unions cause friction between employees?
- 1.3.2 Is the imposing of the incentive schemes on employees leading to mistrust between employees and supervisors because the employees feel unfairly treated?
- 1.3.3 Are incentive schemes extended to supervisory, middle and senior management jobs because of the criteria for awarding the incentives have not been negotiated with the unions?
- 1.3.4 Are strikes and go-slows a result of employees 'misconception that management has the ability to pay salary increases if management is able to give incentives?
- 1.3.5 Do employees feel de-motivated thinking other employees are paid more than them a result of simply not understanding the scheme as it is not negotiated with their unions?

The data collected was subject to quantitative analysis. A questionnaire was developed and used as a data collection instrument. There were 122 completed questionnaires returned using simple random sampling technique. Out of the returned questionnaires, 119 were completed satisfactorily. The number of 119 returned questionnaires was considered an adequate sample size according to Krejcie and Morgan (1970:608). The study revealed that there was a positive correlation between incentive scheme concerns and other variables like age and citizenship, indicating that environmental concerns were true. Results revealed a positive correlation between knowledge of incentive concerns and other variables like citizenship and length of service indicating that incentive concerns were true. Other results revealed a correlation between satisfaction of the incentive scheme concerns and the age of respondents. Other concerns included the correlation between collective bargaining and the incentive scheme.

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CHAPTER 1

SCOPE AND OVERVIEW OF THE STUDY

1.1 INTRODUCTION

The South African mining sector has always been seen as a major employer and a big spender. It is still one of the most labour-intensive sectors in the industry but because of rising costs money now needs to be saved wherever possible.

Management of mining companies has always had a strong objective to minimize costs, increase production and ensure profitability. Such objectives have been the focal point of relations shared by management and employees (Imbun, 2006:119). There has been an increase in the use of staff incentive schemes to motivate employees for higher productivity (McKim & Hughart, 2005:4). Incentive schemes have in the past been awarded to executive members of the organisation only but have now been extended to all employees.

Well-negotiated and acceptable incentive schemes can significantly contribute to the satisfaction and motivation of employees resulting in positive outcomes for both employer and employee. Literature suggests that, for incentive schemes to be successful, affected individuals should be involved in the design of such incentives (Bonner & Sprinkle, 2002:316). Similarly poorly-negotiated and ineffective incentive schemes can contribute to negative feelings between employer and employee and also the unions involved who normally negotiate on behalf of their members. Perceptions of unfairness and discriminatory employment practices can lead to poor work performance and even to industrial action such as strikes.

Management is implementing incentive schemes with the aim of increasing productivity in this mining company. The experience has been that the implementation of the incentive schemes without the involvement of the workers' unions has led to misunderstandings between management and the unions representing the workers. The National Union of Mineworkers and the Solidarity Union are the two unions that represent the workers.

Concerns over the incentive schemes have caused employee discontent usually because they do not understand what is happening. This has contributed to negative factors like employee demotivation, strike action, go-slows and increased absenteeism. The company has

experienced low productivity as a result, which has affected profitability. Incentive schemes are meant to give suitable motivation for employees to improve output (Knox *et al.*, 2004:33). The intended effect of the incentive schemes has been inevitable in terms of leading to increased problems for the employer.

This research aims at investigating the perceptions of the National Union of Mineworkers and Solidarity Union towards performance incentive schemes offered by management to workers in the mining industry. The study further addresses the issue as to whether the incentive offered by management will lead to higher productivity and the impact of the union's perception.

1.2 BACKGROUND TO THE STUDY

The problem was identified through observation during the normal course of the daily functions in the human resource department. The problem was also highlighted in discussions with the affected employees and at union negotiations. In-depth knowledge of the problem came from a study of general literature.

It is common practice for employees to join unions and for unions to negotiate on their behalf (Kaufman, 2008:56). The issues that unions negotiate about relate to wages and working conditions. In most cases, unions and management deadlock during wage negotiations. In some instances the parties deadlock over low percentages. It has transpired that some companies have incentive schemes and these schemes are based on weekly, monthly or annual wages of employees (Armstrong & Murlis, 1994:252). When one looks at these schemes, one realises that they pay much more than the union can bargain for during wage negotiations. Employers give inflation-linked salary increases but pay above inflation incentive amounts as incentives.

Implementation of incentive schemes by companies has resulted in unions complaining that the companies are weakening their bargaining powers. The practice has further increased the mistrust between management and unions, thereby affecting the relationship between the company and unions. In the end, you would expect that it is the employee who suffers from this unhealthy relationship, resulting in employee dissatisfaction, loss of workforce time or productivity.

1.3 PROBLEM STATEMENT

Management has resorted to giving employees performance incentive schemes without consultation with the unions. The union perception is that these schemes dilute their collective bargaining power, as these schemes were not negotiated with them and they are a managerial prerogative. According to Kaufman (2008:54), in the labour process (LP) story of early HRM history, "capitalist gain, but at workers expense, and no amount of public relations or 'petty manipulations' of HRM can hide this central fact. Where the IR story holds out the promise that capitalism and HRM can be stabilised and preserved with unions and government regulation, the LP story concludes that the two are inherently flawed, anti-worker, and doomed to recurrent crisis". Unions also feel that all their members are working hard and when it comes to wage negotiations, the company is not acceding to their demands for wage increases.

Management implements incentive schemes subjectively and employees become suspicious if their unions are not involved.

Imposing the incentive schemes on employees makes them feel unfairly treated, leading to mistrust between employees and supervisors.

When there is an extension of incentive schemes to supervisory, middle and senior management jobs because the criteria for awarding the incentives have not been negotiated with the unions, the union will always be suspicious and have the perception that the incentives are only paid to supervisory, middle and senior management jobs

The perception of the unions would always be that the company has money and is just refusing to pay the salary increases that have been demanded, but they can pay high incentives out on a scheme which has not been negotiated with the unions.

De-motivation of employees when they might feel that others are paid more than them because they do not understand the operation of the incentive scheme as it was not negotiated with their unions.

1.4 RESEARCH OBJECTIVES

1.4.1 Primary objective

The primary objective of this study is to investigate the effectiveness of implemented incentive schemes.

1.4.2 Secondary objectives

The secondary objectives of the study are to:

- Review literature on incentive schemes in order to describe the effect it has on employees and management and how they are implemented.
- Determine the effect of the management offered incentive schemes and employee perception on productivity.
- Determine the effect on employment relationships. (Does the failure to negotiate incentive schemes with the unions cause friction between employees? Is the imposition of the incentive schemes on employees leading to mistrust between employees and supervisors because the employees feel unfairly treated? Do employees feel de-motivated thinking other employees are paid more than them as a result of simply not understand the scheme as it is not negotiated with their unions?)
- Determine whether the schemes achieve their objectives. (Are strikes and go-slows a result of employees' misconception that management has the ability to pay salary increases if management is able to give incentives?)

1.5 RATIONALE FOR THE STUDY

The use of incentive schemes has proved to be a contentious issue between management and employees represented by unions. Unions prefer that employees derive benefits from their collective bargaining powers while management on the other hand expects to reduce expenses, increase productivity and reward employees for actual work done through incentive schemes. Therefore this study seeks to provide a contribution to the field of human resources in the mining sector of South Africa through this specific research done at the mine. This is more important to both management and employees represented by unions. This follows from the acknowledgment that an improvement of the perception of the use of incentive schemes will

lead to improved relationships between management and employees. Ultimately this will contribute to the objective of enhanced productivity in the mining industry.

1.6 KEY WORDS

Incentive schemes, wage deadlocks, union perceptions, productivity, absenteeism, safety, cost, CPIX implications, cost of living.

1.7 METHOD OF RESEARCH

The study consists of a literature review and an empirical study (Leedy & Ormrod, 2013:184).

1.7.1 Research approach

Descriptive-quantitative approaches are used in this research. The quantitative method is mainly concerned with the analysis of numerical data, manipulation of variables and control of natural phenomena. In other words, quantitative methods are generally associated with systematic measurement, statistical analysis and mathematical models (Wang, 2003:243). Quantitative research methodology relies upon measurement and use of various scales and numbers that form a coding system by which different variables may be compared (Bless *et al.*, 2013:16). A combination of primary and secondary research is used. Primary research consists of empirical research of which the main purpose is to investigate the impact of incentive schemes at place of work. Secondary data is used to contextualise the primary data. Internet sources, journals and books are used for the collection of secondary data.

1.7.2 Research design

The research method used is a scientific method of acquiring knowledge. This method applies a systematic investigation to a problem, research question or phenomenon, using certain socially accepted principles (Bless *et al.*, 2013:3). The research design gives an outline on how the data was collected to investigate the research questions in the most economical way (Huysamen, 2001:10)

1.7.3 Organisation

The mine where the study was conducted is situated 29 kilometres from Kathu next to the N14 in the southern Kalahari region of the Northern Cape. It has 1374 employees. It produces iron ore. It has sections for Finance, Human Resources, Technical Services, Engineering, Safety, Health, Environment and Quality (SHERQ) departments. It has 714 employees who are unionised (National Union of Mineworkers) and 306 from the Solidarity Union. A further 352 employees are non-unionised.

1.7.4 The target population

The units of analysis are individuals selected from a population of both unionised and non-unionised employees of the mine. This was supplemented by a few union representatives. The population has a diverse gender orientation of employees. The incentive schemes being investigated are incentive schemes offered to non-management workers and therefore, non-management employees formed the basis of selecting the population.

1.7.5 The sampling technique

The sample units were randomly selected from each stratum. The sampling technique was a proportionate random stratified sample. Using a simple random sampling in each stratum, each employee in the stratum has an equal chance to be selected into the sample, as such making the sample representative of the population. The consideration of the employee's demographics within a particular work place, therefore it would be ideal to use a random stratified sample proportional to the designation of the target population Bless *et al.*, (2013:170).

1.7.6 The sample

A sample of 450 was used for the study (Krejcie & Morgan, 1970:608-609). This was made up non-management employees. The employees were selected from unionised and non-unionised staff. The sample also included some union representatives from the executives.

Table 1.1 Population size

Unionised employees	Non-unionised employees	Union representatives
250	190	10

1.7.7 The collecting methods

Self-administered questionnaires were used to collect the primary data for quantitative analysis. The collection of the primary data was by means of supplying the questionnaire to the workforce who should be the beneficiaries of incentive schemes offered by management. The secondary data gathering was conducted by consulting relevant literature including professional magazines, newspapers, journals, legislation, Institute of People Management's fact sheets, completed published and / or unpublished dissertations and by listening to specialist interviews from the television and radio stations (Bless *et al.*, 2013:214).

1.7.8 Data collection instrument

A questionnaire is used to collect data for this research. Questionnaires are based on written information supplied directly by people in response to questions asked by the researcher. To qualify, a research questionnaire should have the following:

- Be designed to collect information which can be used subsequently as data for analysis
- Consist of a written set of questions
- Gather information by asking people directly
- Be used to collect factual information or opinions (Denscombe, 2003:194-195)

1.7.9 Data analysis techniques

Data was analysed by means of descriptive statistics. Descriptive statistics were used to describe the basic features of the data. This provides summaries about the sample and the measures. Together with graphics analysis, this forms the basis of the quantitative analysis of the data. With descriptive statistics what is or what the data shows is described. Coding of data, which entails the attribution of a number to a piece of data, with the express aim of allowing such data to be analysed in quantitative terms (Denscombe, 2003:194-195), is used to analyse the data.

1.8 DIVISION OF CHAPTERS

Chapter 1 gives the reader a general understanding with regards to the primary importance of the study, providing an introduction to the background of the study, research problem, and the research objectives.

Chapter 2 looks at literature pertaining to the study under a literature review. The literature used is associated with the current study. Other literature from previous studies conducted based on the perceptions of unions towards management incentive schemes is also used.

Chapter 3 summarizes the research methodology used in the study citing the rationale of choice of the methodology. The chapter also outlines the research design and analysis. The features covered are research design, sampling, measuring instrument and data analysis.

Chapter 4 deals with the response rate and the results of the study. The chapter also deals with the interpretation in relation to the objectives of the research, as outlined in Chapter 1.

In Chapter 5 the outcome of the study is discussed, conclusions are drawn and recommendations are made to remedy and supply corrective measures for the research problem.

1.9 CONCLUSION

The aim of this Chapter was to introduce the reader to the background of the problem in general terms and to give a detailed statement of the problem. The four objectives of the study dealt with are included in the research design. The research design for this study is mainly exploratory and quantitative. The chapter also dealt with the sampling methods technique and the targeted population used to conduct the study. The structured self-administered questionnaire method was an instrument to collect data.

Trade Unions and companies play an important role in advancing social justice, economic development, labour peace and the promotion of workplace democracy in terms of the Labour Relations Act 66 of 1995. Any uncertainty in the workplace may result in the employment relationship being damaged. The focus of this chapter is also on seeing how the perceptions of the unions towards incentive scheme contribute to the above.

In Chapter Two a literature review was done to place the research problem in the context of the

perceptions of unions towards management incentive schemes. The demonstration of available studies on perceptions of unions that are focusing on productivity is reflected. Highlights of existing studies on organisation mergers and areas of the subject which hitherto have been neglected are included in the Chapter.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

Employees are motivated when provided with suitable remuneration and conditions of service (Knox *et al.*, 2004:63). Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thereby increasing levels of productivity (Bonner & Sprinkle, 2002:303). The role of unions is vital for incentive schemes to operate effectively. Employees should have a say in the performance of the rewarded activity and should have the necessary decision-making authority to make informed decisions (Bonner & Sprinkle, 2002:316). The role of unions encompasses negotiation for proper wages and conditions of working (Ndungu, 2008:9-10). The failure to involve unions in work-related matters affects unionization and is bound to breed mistrust between the unions and management.

Work slow-downs and strikes resulting from unhappiness of employee affect profitability at all places of employment. The failure to negotiate incentive schemes with the union has resulted in friction and suspicion among employees. It is perceived that the incentive scheme is extended to inapplicable jobs because of the failure of management to negotiate the implementation criteria for awarding the incentives with the unions. At the same time, the union believes management should be able to offer higher wages if it can afford an incentive scheme. This has often resulted in strikes and go-slows due to management and union deadlock. Employees have been demotivated, feeling that others are paid more than them because they do not understand the scheme. This has contributed to absenteeism and low morale. This increases problems for the employer and nullifies the effect of the incentive scheme.

The keywords used for the search of literature include incentive schemes; collective bargaining; wage deadlocks; union perceptions; productivity; absenteeism; CPIX implications; inflation targeting; cost of living and down string economic impact. Search engines used included Google Scholar, Emerald and Business Source Complete.

The chapter begins with a definition of concepts and keywords followed by a brief discussion

of literature related to theories regarding the potential of incentives. Literature on wages and working conditions for mine workers is discussed followed by literature on employee incentive schemes. To understand the role played by unions, a section on literature relating to trade unions at places of work has been included followed by a section dealing with union perceptions of incentive schemes. A section on literature on management perception towards unions assists in understanding the relationship between management and unions. Literature on the effect of negotiation deadlocks and strikes on production follows this. Lastly, the section looks at literature on the international perspective and the future and development of employee incentive schemes. The research questions have been reiterated, ending with a conclusion of the chapter.

2.2 DEFINITION OF CONCEPTS AND KEYWORDS

According to Yusof and Chell (1998:96) it is important to define terminology in research; this discharges confusion and gives better understanding, for both those who are new to the subject and those who are familiar with the subject.

Incentive schemes: A scheme devised to encourage employees to produce a greater output or harder work in return for a share in company profits or other bonuses (Rock & Bergers, 1991:137).

CPIX implications: The awarding of high percentage incentives disregarding the CPIX trends prevailing in wage increase negotiations with unions.

2.3 THEORIES REGARDING THE POTENTIAL OF INCENTIVES

Objectives are fundamental to all organisations. Some of those objectives are complex, such as designing an innovative product or achieving a cost leader position; others are more elementary, such as making a profit. In order to achieve its objectives, an organisation must motivate its employees towards achieving those objectives. This is referred to as goal congruence (Anthony & Govindarajan, 2004:45). It is frequently suggested that incentives provide motivation for individuals to alter their effort, and these changes in effort affect the performance of rewarded tasks (Chu *et al.*, 2006:236). Explanations of this phenomenon refer to a number of theories.

Agency theory assumes that people are motivated purely by self-interest. Individuals attempt

to maximize their own utility, which involves trade-offs between wealth and leisure. Consequently, tangible incentives provide motivation to put effort into work in order to increase an individual's utility (Jensen & Meckling, 1976:328).

Expectancy theory is derived from the principle of self-satisfaction, which suggests that people seek to maximize their pleasure and minimize their pain (Vroom, 1964:9). As a result, motivation is a function of: valence, the value of the perceived outcome to the individual; instrumentality, the belief that if particular actions are taken the outcome will be realised; and expectancy, an individual's belief that they are capable of executing particular actions. That is, incentives motivate individuals by adding value to the expected outcome, thus increasing effort.

Goal-setting theory suggests that individuals set clear, challenging and achievable goals which they are motivated to attain. Incentives provide motivation to set goals, motivation to set goals that are more challenging, and motivation to achieve goals (Locke & Latham, 2002:709).

The human resource market model (HRMM) described by Knox *et al.*, (2004:47) holds a different position from the preceding theories on incentives. It proposes that because businesses operate in highly competitive labour markets, incentives are necessary to satisfy and retain valuable staff. The HRMM does not conflict with the other four theories described; it merely introduces external environmental and personal variables that influence the use of incentives. The preceding theories claim that incentives induce effort. However, whether incentives have a positive impact on performance is dependent on several other factors.

The following section looks at the miners' working conditions. This will also involve the working conditions compared to remuneration in terms of wages and basic benefits. The section provides a preamble towards the needs of employees which will normally form the basis of management and union negotiations.

2.4 WAGES AND WORKING CONDITIONS OF MINEWORKERS

Pay structures are often complex, consisting of a mix of salary, various allowances, periodic bonuses, overtime payments, and other forms of remuneration such as per diems. Most data exclude non-wage benefits (such as employers' contributions to pensions, medical insurance and housing); unofficial payments or gifts from patients; and other income from private sources (McCoy *et al.*, 2008:675).

Section 23 of the South African Constitution emphasizes the right to fair labour practices. The freedom to choose a trade, occupation, or profession is guaranteed by Section 22 of the Constitution. Section 27 informs labour relations. The Basic Conditions of Employment Act, BCEA of 1997, applies to all employers and workers and regulates leave, working hours, employment contracts, deductions, and termination. Further developments to the provision of the BCEA are contained in the Acts summarized in Table 1 below.

Table 2.1 Legislation

Labour Acts(Chronological Order)	Description
Unemployment Insurance Contribution Act, No. 4 of 2002	Prescribes how employers should contribute to the UIF Contributions fund.
Unemployment Insurance Act, No. 63 of 2001	Provides security to workers when they become unemployed.
Employment Equity Act, No. 55 of 1998	Applies to all employers and workers and protects worker and job seekers from discrimination, and also provides a framework for implementing affirmative action.
Skills Development Act, No. 97 of 1998	Aims to develop and improve the skills of the South African workforce.
Skills Development Act, No. 9 of 1999	Prescribes how employers should contribute to the National Skills Fund.
Basic Conditions of Employment Act, No. 75 of 1997	Applies to all employers and workers and regulates leave, working hours, employment contracts, deductions, pay slips and termination.
Labour Relations Act, No. 66 of 1995	Applies to workers and employers and aims to advance economic development, social justice, labour peace and democracy of workplace.
Occupational Health and Safety Act, No 85 of 1993	Aims to provide and regulate health and safety at place of workplace for all workers.
Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993	Workers who are affected by occupational injuries and diseases are entitled to compensation.

Source: Adapted from Department of Labour, RSA

Legislation is not the only way through which issues of employees in South Africa can be addressed. Another possibility can be the introduction of management standards for employee work conditions. Where government enforces legislation, the use of management standards is more self-regulatory (Cousins *et al.*, 2004:114).

Prior to political independence, the management of employment relations in the developing country mines was influenced by the whims of the colonial state and multinational mining capital. A systematic process of recruitment of workers was used where powerful stimuli for locals to seek employment at the mines such as poll tax were used (Nelson, 1992 as *cited* in Imbun, 2006:115).

Monetary policy itself has shifted to a far greater focus on inflation (Aron & Muellbauer, 2009:6). The maintenance of price stability and inflation is widely recognized as the primary goal of modern monetary policy, and the management of private sector inaction expectations has become an essential channel through which this goal is achieved (Reid, 2009:1).

In inflation-targeting countries, like South Africa, the central bank's inflation target can become an anchor if it is built into wage agreements (Cecchetti *et al.*, 2009:9). Wages tend to have little relationship to the marginal product of labour on a day-by day or even month-by-month basis. Instead, wages are conceived of as instalment payments in longer-term contracts, with the vast majority of workers working harder, hence there is more work to do and sitting around the rest of the time. There tends to be a spot market for marginal workers, where their wage is moved to clear that market (Cecchetti *et al.*, 2009:9). Employers argue that the regulation of employment needs to be more responsive to changing business needs, given increased competition and change (Arrow Smith *et al.*, 2008:7).

South Africa adopted inflation targeting in 2000. The move to inflation targeting aimed at enhancing policy transparency and accountability and thereby to decrease inflationary expectations, as well as private sector uncertainty. Currently, the inflation target has been specified as achieving a rate of increase in the overall consumer price index, excluding mortgage interest cost (CPIX), of between 3 and 6 percent per year (Aron *et al.*, 2004:2). When the standard price measures like the CPI is used to increase the nominal wage of the typical household in an attempt to keep their welfare invariant in the face of price changes, too much additional money is given to workers. This will have an effect on the central bank's inflation target (Cecchetti *et al.*, 2009:9). Wages and other prices can be linked to headline CPI (Aron & Muellbauer, 2009:15).

The global crisis highlighted the importance for policy-makers of having good models for forecasting inflation. Central banks' caution about inflation risks, which may arise through reckless wage and price moderation, may be understandable, given the inflation shocks of 2008

(Aron & Muellbauer, 2009:15).

Suggestions have been made that haste should not be given to wage increases void of other working conditions. Warr (2007:2) regards job satisfaction as one important dimension of an individual's happiness at work. Job satisfaction is one component of the work-related well-being that should be included in diagnostic studies of people's well-being in organisations (Buitendach & Rothmann, 2009:1).

Since 1995, real wages have remained fairly moderate (Burger & Yu, 2006:2) and between 2000 and 2005, average monthly earnings stayed constant at between R 2000 and R 3000 (Ndungu, 2008:3). The National Labour and Economic Development Institute (NALEDI) analysed 40 wage settlements from the private sector (communications, finance, wholesale and retail, mining, manufacturing, etc.) as well as the public sector covering the period 2007-2009 which suggests that in 2007, employers and unions on average settled at around a 7.5% wage increase. For instance, the communication sector had an average settlement of 7.4%, finance 7.3%, mining 9% and manufacturing 8%. The public sector settled for 7.5% at the conclusion of its 2007 strike (Ndungu, 2008:7).

A number of labour regulations have been seen as obstacles to investment. This is attested to by the Bakvis (2006:7). Countries that establish minimum wages above a certain very low level are all considered to have rules that hinder their investment-friendliness and place them in a worse rank in comparison with other countries, according to Doing Business's "ease-of-doing-business" indicators. Countries can improve their rank when they do away with these and various other kinds of labour regulations. Additional bad marks are given to countries that do not allow employers to provide incentives (Bakvis, 2006:5).

Mine workers are exposed high levels of occupational and health hazards. Expectations by workers thus merit commensurate remuneration. Politicians, policy-makers, labour unions and employers need to be convinced of the importance of legitimate and approved work conditions such as adequate occupational health and safety regulations (Rantanen *et al.*, 2004:67). Justifiably, mining is listed as one of the high-risk sectors of employment by the South African Department of Labour. Employees in these sectors are at a higher risk of getting hurt or being involved in accidents at work. Between 1997 and 2006, an average of 173 mine workers died annually in South African gold mines (De Beer, 2007). Underground mining falls under stress-related occupations. It is critical that stress-related work must be risk-assessed and managed

like any other hazard (Cousins *et al.*, 2004:114).

The background of employee incentive schemes and the different types of incentives schemes are discussed in the next section. The section looks at different types of incentive schemes with specific reference to the mining sector.

2.5 BACKGROUND TO AND DIFFERENT TYPES OF INCENTIVES IN THE MINING INDUSTRY

In general incentives are often used by firms to encourage their employees to work hard. The bonus plans used vary widely, from complicated stock option offerings to simple employee of-the-month awards. While a particular bonus scheme may increase worker productivity by a large amount, this gain is costly as it is the result of workers exerting a higher level of effort (Copeland & Monnet, 2002:4). Other factors have been considered in the use of incentives, especially with regards to the mining sector.

The 1990s also saw a decline in mining and an apparent shift away from natural resource oriented industrial development. This might have been expected to herald a new industrial development trajectory, with the growth of more broad-based manufacturing rather than the capital-intensive and resource-based industries (Machaka & Roberts, 2004:3).

Competition for industrial space called for innovative management styles in the mining sector such as incentive schemes. Economists generally give great weight to the importance of competition in reducing inefficiency. Leibenstein (1966), *cited in* Burgess and Metcalfe (2000:3) proposed the concept of x-inefficiency to characterize managerial 'slack', and discussed its relationship to competition. Part of the role of competition may be in facilitating performance-related pay for managers (Burgess & Metcalfe, 2000:4).

There has been an increasing need to improve the social performance of the mining industry and raise its public standing over the last few years. Key players locally and internationally have been working on this. In the last decade the mining industry has come under increasing pressure from diverse sources to improve its environmental and social performance (Machaka & Roberts, 2004:3).

An attempt to address these challenges has championed the need for a sustained and coherent organisational change strategy for the industry to be successful in embedding new practices

and ways of thinking at the operational level. Increased global competition and the rapid developments in information technology in the mining sector has induced managers to rethink the way that work has usually been organized, leading to an increasing adoption of innovative, high performance, new, or flexible workplace organisations (Goddard, 2004:349).

Innovative work systems are often accompanied by incentive systems that encourage employees to participate and engage in high performance workplace practices leading to job satisfaction and human resource management practices that ensure an appropriately skilled workforce. One way to give workers incentives to participate in flexible work systems is the installation of various forms of pay for performance systems (Bauer, 2004:10).

The net impact of mining on economic development is likely to be enhanced with appropriate reforms in governance. Most importantly, there should be a greater awareness of incentive problems at the political level and their possible implications for sector performance and the economy at large. The setting of checks and balances, as stipulated by the Constitution, has to be reinforced. Besides, capacity building at different levels and institutions are needed and should be combined with efforts to enhance incentives for institutional performance (Ayee *et al.*, 2012:89).

Employee incentive schemes are discussed in the next section. The section looks at different types of incentive schemes, intention for incentive schemes and provides an introduction to the perception of both management and unions towards incentive schemes.

2.6 EMPLOYEE INCENTIVE SCHEMES

In order to objectively evaluate different incentive schemes that are offered by different organisations, it is important to understand the origins as well as the rationale behind companies opting to engage in such an exercise. It is important to understand the difference between the incentive schemes and other benefits that are part of the remuneration package. The need to improve productivity and employee commitment has been seen as the driving force behind organisations considering financial incentives schemes, which may be directly linked to the performance of the individuals or groups. The basic premise of reinforcement theory Komaki *et al.*, (1996:34-52) is that external stimuli (i.e., extrinsic rewards) force desired behavior (i.e., performance). Goal-setting theory (Locke & Latham, 1990:708), proposes that incentives increase employees' acceptance of established goals, leading to increased effort and

performance. Although these theories propose different mechanisms via which incentives affect performance, they all suggest that incentives increase the intensity and/or the duration of effort, and that increased effort leads to increased performance (Bonner & Sprinkle, 2002:304). multitask setting complicates the incentive design problem considerably. In this setting, incentives influence not only effort intensity and/or duration, but also effort direction (Bonner & Sprinkle, 2002:306).

Traditionally, companies have offered their employees fixed salary contracts with small non-monetary incentives for good performance such as periodic awards, training opportunities and public recognition. However, there seems to have been a noticeable shift towards adopting formal staff incentive schemes to motivate employees. Despite the importance of staff incentive schemes they appear relatively little known about the actual utilization and design of staff incentive policies (McKim & Hughart, 2005:12).

It is important for policy-makers at places of work to judge the adequacy of pay and incentives in order to assess to what extent it contributes to the bad distribution, poor retention, and low motivation of workers (McCoy *et al.*, 2008:677). Incentives can be used to align the interests of the individual and the organisation, thus improving employee satisfaction and retention and organizational performance and competitiveness (Knox *et al.*, 2004:47). Incentives provide motivation for individuals to adjust their efforts, and this change in effort can affect the performance of rewarded tasks (Chu *et al.*, 2006:236). Different business sizes and industry types have different rates of adoption and use different types of incentives (Colville *et al.*, 2006:5).

Incentive compensation literature suggests that appropriate incentives provide motivation for employees (Knox *et al.*, 2004:64). It is expected that appropriate incentives will contribute to job satisfaction. Job satisfaction is defined as a personal evaluation of conditions present in the job, or outcomes that arise as a result of having a job (Schneider & Snyder, 1975 as *cited* in Buitendach & Rothmann, 2009:1). Employees will experience job satisfaction if they feel that their individual capacities, experience and values can be organized in their work environment, and that the work environment offers those opportunities and rewards (Roberts & Roseanne, 1998 as *cited* in Buitendach & Rothmann, 2009:1).

There are a number of features required for an incentive scheme to be successful. Kauhanen and Piekkola (2006:154) observe the following features as important for a successful incentive

scheme:

- the employees have to feel that they are able to affect the outcomes;
- the organisational level of the performance measurement should be close to the employee: individual and team level performance measurements increase the probability that the scheme is perceived to be motivating;
- employees should be familiar with the performance measures;
- the level of payments should be high enough and rewards frequent enough
- Levels below the median do not generate positive effects;
- employees should participate in the design of the incentive scheme (Kauhanen & Piekkola, 2006:154-157).

Bonner and Sprinkle (2002:316) explain that, for incentive schemes to operate effectively, individuals should be able to influence the performance of the rewarded activity, have the necessary decision-making authority to influence performance, and be well-informed. The lack of participation of employees (through unions) is bound to breed mistrust if unions are left out.

Proper incentives and mechanisms need to be devised to ensure optimal performance of the employees of institutions. This will apply especially in situations where it is difficult for managers to directly monitor employees or where much contention with regards to proper reward for work exists. Both of these factors indicate a great need for effective employee incentive mechanisms (McKim & Hughart, 2005:10). David (2005:51) states that five tests are often used to determine whether a performance-pay plan will benefit an organisation:

- Does the plan capture attention?
- Do employees understand the plan?
- Is the plan improving communication?
- Does the plan pay when it should?
- Is the company or unit performing better?

The next section looks at trade unions at places of work. The section briefly explains the role played by trade unions and the importance attached to the function of trade unions. This puts in perspective the relationship enjoyed between mineworkers and their unions.

2.7 TRADE UNIONS IN THE WORKPLACE

The lack of sound unions is responsible for undermining workers' welfare and benefits and therefore the entire operation of the industrial relations machinery. The trade union movement is particularly weak and fragmented, and this is more evident in the private sector. The failure to develop effective unionism has been caused by a myriad of factors including poor leadership, misconceptions about how unions should operate, to workers' lack of education. The poor level of union development undermines the industrial relations system's potential for dispute resolution and wage determination (Imbun, 2002:6).

The role of unions at place of work concerns employees with regard to negotiation for proper wages and conditions of working (Ndungu, 2008:9-10). Whether unions have managed to live up to this expectation remains to be answered. Between 1995 and 2006, the wage gap in South Africa's public sector increased from 16:1 to 30:1, while in the private sector, the wage gap rose from 6:1 in 1985 to 700:1 in 2005 (Ndungu, 2008:9). Pay and income have been described as hygiene factors that affect motivation, performance, morale, and the ability of employers to attract and retain staff. When pay is low in absolute terms, workers will moonlight to supplement their incomes (McCoy *et al.*, 2008:675).

Ndungu (2008:9) suggests that unions have offered inadequate thought to strategies that would close or eliminate the wage gap altogether. Evidence indicates the wage gap continues on its expansion without much union intervention. There are a number of unions that have used a differentiated wage increase, which raises lower wages by a higher margin. These unions have avoided the across the board (ATB) formula. The majority of union agreements are still based on the ATB framework.

The National Union of Mine Workers (NUM) and to a lesser extent the National Union of Metal Workers of South Africa (NUMSA) appear to have a strategic approach to the wage gap phenomenon. Only NUM has in some of its 2007 agreements an explicit call for both the union and employers to look into ways of closing down the wage gap (Ndungu, 2008:9).

Over and above union participation in wage negotiations, there are other pertinent worker issues that should not be relegated. There are different role-players who can participate in efforts to ensure the health and wellness of employees, especially in industries like the mining sector. Cartwright *et al.*, (2004:190) observe the importance of unions with regard to health and

wellness. Of the four major role-players included in health and wellness concerns, unions play a vital role through negotiating health and wellness issues on behalf of employees. Other players include employees themselves, management of organisations by means of the implementation of employee health and wellness or assistance programmes; and the national government, by means of the laws and national strategy it imposes (Cousins *et al.*, 2004:118).

Salaminah (2007:28) contends that the positive influence and involvement of unions in matters of wellness at place of work are not widely acknowledged. For instance, although government has policies and programmes in place to fight the spread of HIV, there are certain things the unions can do to help seeing that they have more influence on the workers and they have easier access to them. Unions have remained remotely involved despite the spread of the scourge among truckers and the effects on the family (Salaminah, 2007:28).

The place for unions continues to be threatened with the use of incentive schemes and work councils. Works councils may become an alternative focus of collective representation, eclipsing traditional bargaining practices (Schmidt *et al.*, 2003 as cited in Brewster *et al.*, 2007:58).

The following section briefly looks at the perception of unions of incentive schemes. The section describes the importance of incentive schemes linked to effort and ultimately performance. Incentive schemes will have little or no consequence without involvement of employees. This can be achieved through use of unions. On the other hand unions need to appreciate the aspect of effort related to performance.

2.8 UNION PERCEPTIONS OF INCENTIVE SCHEMES

There are many conflicting opinions regarding incentives, and evidence on the misinformation about the potential uses and benefits of incentives. The overarching theme among both users and non-users is the importance of the inherent motivators such as task attractiveness, flexibility and employee relationships (Colville *et al.*, 2006:17).

Incentive schemes are postulated on effort (Bonner & Sprinkle, 2002:306). Unions fail to realize the importance attached to effort. Effort can be directed either towards current performance or toward learning, to enable improved future performance. Effort directed towards current performance can be categorized by direction, intensity or duration (Bonner &

Sprinkle, 2002:306).

Effort direction refers to the activity an individual decides to engage in, and *effort intensity* refers to how hard an individual works on an activity while *effort duration* refers to the amount of time spent on an activity. Efforts directed toward current performance will lead to immediately improved performance. Incentives can motivate individuals to undertake the rewarded activity, and increase their intensity and duration in order to improve performance (Bonner & Sprinkle, 2002:307).

Without the ability and authority to influence the performance of the rewarded activity, individuals will lack motivation and consequently incentives will not result in increased effort. If individuals are poorly informed their effort may be in the wrong direction; therefore, incentives will not result in goal congruence or improved performance (Colville *et al.*, 2006:16). Union misconception or the lack of involvement in incentive schemes can lead to efforts directed towards performance enhancement through incentives being futile.

Union scepticism towards incentive schemes can be warranted to a lesser degree. Despite positive claims regarding incentive schemes, not all incentive systems can be expected to improve the performance of rewarded tasks. Contingency theory suggests that both individual and organisational performance is affected by the fit between the incentive system, the individual and the organisational environment (Chu *et al.*, 2006:236).

The following section looks at management perceptions of unions. Unions have been regarded with scepticism by management. This arises owing to the desire of many companies for increases in productivity and maximizing of profits. Unions and management can be used for the mutual benefit of all and not at the expense of the other.

2.9 MANAGEMENT PERCEPTIONS TOWARDS UNIONS

The main objectives of management in mining companies have been to minimize costs, increase production and ensure profitability. Such predetermined principles have impinged enormously on the conduct of employment relations, as it is labour that makes returns on investment for foreign mining capital (Imbun, 2006:115). Employee relationships are enhanced by unions. In a bid to maximize profits, management has regarded unions with an element of antagonism.

In many developing countries employment relations, which are so fundamental to the process of mining, have often been either under-recognized in the overall range of priorities, or handled by unions and management in ways that place short-term expedience above the achievement of longer-term strategic goals (Imbun, 2006:115).

Any discussion of what influences the conduct and maintenance of employment relations in a country must centre on the role of the state. Weak state intervention in the economic and political realm has allowed other stakeholders to influence employment relations (Imbun, 2006:118). Organisational theorists have long acknowledged the importance of the formal and informal incentives facing a firm's employees, stressing that the political economy of a firm plays a major role in shaping organisational life and firm behaviour (Kaplan & Henderson, 2005:509)

Relationships between management and unions can be used for the benefit of all concerned. Antagonistic relationships between management and unions leave workers the worse for wear. Pagano and Volpin (2005:864) describe the use of management and state that management and unions can work mutually. Where management has high private benefits and a small equity stake, managers and workers are natural allies against takeover threats. Management can transform employees into a "shark repellent" through long-term labour contracts and thereby reduce the firm's attractiveness to raiders. Employees, on the other hand, can act as "white squires" for the incumbent managers. To protect their high wages, they resist hostile takeovers by refusing to sell their shares to the raider or by lobbying against the takeover. The model predicts that wages are inversely correlated with the managerial equity stake, and decline after takeovers (Pagano & Volpin, 2005:859). The foregoing example can be used in many other situations to improve relationship between workers, unions and management alike.

The following section briefly looks at the effect of strike action on productivity. The section will explain that strike action is normally the last option taken, considering that both management and unions stand to lose. Strikes are largely the result of faulty negotiations (Cramton & Tracy, 2002:24).

2.10 EFFECT OF NEGOTIATION DEADLOCKS AND STRIKES ON PRODUCTION

Labour disputes are an intriguing feature of the landscape of industrialized economies.

Economists have had a long-standing interest in formulating a framework for understanding and analysing labour disputes. Strikes are largely the result of faulty negotiations (Cramton & Tracy, 2002:24). The Labour Relations Act, 1995 regulates the right to strike and/or lockout in South Africa. Legislation sets restrictions on the right to strike or lock-out in businesses that are declared an essential service. Industries not considered as part of essential services by government are not prevented from taking industrial action (Miller & Van Meelis, 2006). The unions have displayed a propensity to participate in violent strikes if negotiations do not resolve their demands from the onset. The national working class typically views an emotionally-charged and violent strike as preferable (Imbun, 2006:123). The 2006 security sector strike was probably the bloodiest in South Africa's history and has contributed to a rising trend in industrial action (Godfrey *et al.*, 2007:17).

Protracted strikes have had an effect on productivity and cost on firms and unions alike. By the time strike action is settled, the costs to both management and unions are often high (Anstey, 2006:17). There is constant uncertainty about when strikes will end. Strikes may result in several weeks or months of no productivity. Strikes have a negative effect by reducing productivity (Anstey, 2006:16).

The promotion of collective bargaining is that collective agreements are made legally binding and enforceable through arbitration. Underpinning collective bargaining is a protected right to strike that is given to unions that follow the statutory procedure (Du Toit *et al.*, 2006:299). The mine workers' strike in 1987 led to a major confrontation between the National Union of Mineworkers and the mine management of Anglo-American Corporation. An important lesson learnt was the institutionalization on the mines of an industrial relations system based on negotiation rather than confrontation. While the settlement of the 1987 strike represented a short-term victory for authoritarian mine managements and defeat for the union, in the longer term it kept open the possibility of an industrial relations system with full union participation (Moodie, 1999:62).

The labour regime introduced from 1996 did successfully reduce strike action. The number of person days lost due to strike action rose from 0.1 million in 1979, to 4.2 million in 1992. By 1996, person days lost fell to 1.7 million, and less than 1 million in 2000. In 2000, disputes were declared in 17.4% of all wage negotiations, and only 1.6% of all disputes resulted in strike action. The settling of the labour environment may be the combined result of the introduction of a new political regime, and new negotiated labour laws. But equally, it may be explained by

increasing vulnerability, with firm restructuring, expanded outsourcing, the expansion of precarious service jobs and rising unemployment and slow job creation (Altman, 2007:66).

The following section looks at how unions and incentive schemes are perceived internationally. Common practices of trans-national companies in Europe and the USA are briefly discussed. It is intended that this will give an overview on how incentive schemes and union activities are perceived internationally.

2.11 INTERNATIONAL PERSPECTIVES

In the Eastern Europe and Central Asia (ECA) region, the use of staff incentive schemes (SIS) is popular. Staff incentive schemes are least popular in Asia. One possible reason for this pattern is regional differences in cultural attitudes towards incentives. Another possible reason is that the ECA region has become relatively more commercialized than in Africa and Asia (McKim & Hughart, 2005:4).

Globalization has been closely associated with significant declines in the size and influence of the labour movement worldwide (Frege & Kelly, 2004:9-10). While the phenomenon is worldwide it has been most pronounced in the Anglo-American context. Union density (the proportion of unionized workers compared to the total non-agricultural workforce) has declined particularly sharply in the United States, from levels as high as 40 per cent to less than 14 per cent, and in both the UK and Australia, from 55 per cent in 1980 to below 30 per cent in 1999 (Fairbrother & Griffin, 2002:145).

Trans-nationals operating in an era of liberalized trade and deregulated economies have significantly increased their power and influence. Trans-national corporations have increased freedom to invest where they please, to move production and services to lower wage areas, to contract out production and services to non-unionized subsidiaries, and to more freely engage in anti-union management practices. These developments have, in many countries, led to significant contractions of labour movement membership and declining levels of union density (Orfald, 2005:1).

Declining trade union membership has led to alternative forms of collective representation being considered as a device through which unions may gain or entrench a workplace presence, or as part of a union marginalization/substitution process (Watling & Snook, 2003:260). This

has led to discussion of how far the 'representation gap' can be bridged by alternative forms of employee representation (Mayrhofer *et al.*, 2000 as *cited in* Brewster *et al.*, 2007:50).

In contrast, prior to this phenomenal global trend, during a 1999 Worker Representation and Participation Survey (WRPS) of the U.S.A private sector workers documented a large gap between the kind and extent of workplace representation and participation that U.S. workers had and the kind they desired (Freeman & Joel, 2006:82). Given a choice between a union and no representation, 32% of non-union workers reported that they would vote for a trade union in a representation election; while 90% of unionized workers said they would vote for their union in a new election. In the sample as a whole, 44% of workers favoured union representation. Even among those who did not seek union representation and collective bargaining there was a large group who desired representation through worker committees that met regularly and discussed matters with management. Putting aside the particular form of representation that workers favoured, the main finding of the survey was that the vast majority of workers-85% to 90% - wanted a greater collective say at the workplace than they had. Moreover, most workers thought that greater representation and voice to employees at their workplace would be good for their firm as well as for them (Freeman, 2007:1).

The proliferation of the European Works Council (EWC) system, while primarily consultative, could herald the diffusion of a European model of participation, characterized by unions and works councils acting as joint 'agents of change' working for more meaningful workplace participation (Gill & Krieger, 2000 as *cited in* Brewster *et al.*, 2007:50).

Meanwhile, in developed mining countries such as Australia, new management techniques like human resource management and worker empowerment arrangements (e.g. enterprise bargaining and individual contracts) have contributed to the establishment of a relatively more flexible, less strict workplace, reflecting the changes in the larger work environment (Swain, 1995 as *cited in* Imbun, 2006:129).

Similar to the South African situation where inflation may form a part of wage negotiations, inflation measurement is fundamental to the conduct of monetary policy around the world. Price indices form the foundation of central bank policy frameworks. They serve as guidelines to decision-making, as well as providing the primary mechanism for holding independent policymakers accountable. The Reserve Bank of India pays attention to wage bargaining and contracts, particularly in the public sector. The extent to which these are forward-looking can

provide policymakers with information about inflation expectations (Cecchetti *et al.*, 2009:6).

Lastly, it should be noted that the establishment of trade unionism in developing countries differs significantly from that in industrialized countries. The very different process of industrialization, social formation and economic structure has hampered the proletarianisation of the workers of developing countries (Siddique, 1989 as *cited* in Imbun, 2002:5). In these circumstances workers' unions have had to battle many non-industrial obstacles including colonialism, culture, tribalism, and politics to stay committed to representing the workers' needs (Hess, 1992 as *cited* in Imbun, 2002:5).

The section looked at the position unions occupy in Europe, USA and India. There has been a steady decrease in union representation participation in places of work favouring other models of worker representation. The next section looks at the future and development of the use of unions and employee incentive schemes.

2.12 FUTURE AND DEVELOPMENT OF EMPLOYEE INCENTIVE SCHEMES

Government policies strongly influence how the quality of employment factors is fulfilled. Both employers and employees (through collective bargaining) have a role in determining whether this is fulfilled. In South Africa employment laws can be divided into mandates that force a certain outcome, or incentives to encourage outcomes. Many employment laws are multi-faceted and therefore apply to a number of qualities of employment indicators, while other laws and policies neatly fall within one or another factor (Carapinha *et al.*, 2007:63).

Collective bargaining remains the most viable tool for advancing the rights and interests of workers, especially in a country like South Africa, where the inequities of apartheid have entrenched a legacy of low skills, poor wages and precarious working conditions. For the majority of workers, wages and wage increases have remained fairly modest and given South Africa's skills crisis and huge remuneration for executives, it is certain that the wage gap will continue to widen. There appears to be no strategic approach by unions on how to tackle the wage gap problem (Ndungu, 2008:9). The OECD found that the successful country performers in terms of employment growth include both countries with coordinated collective bargaining. Other findings included light employment protection legislation (EPL) and low welfare benefits, and countries with restrictive EPL and generous welfare benefits (Bakvis, 2006:3).

Based on findings by Boxall *et al.*, (as cited in Freeman, 2007:2) compared to what American workers say about their representation and participation with what workers say about representation and participation in the other advanced English-speaking countries—Canada, United Kingdom, Ireland, Australia, and New Zealand include the following five key findings:

- Workers today want a greater say at their workplace than in the 1990s;
- Workers want unions more than ever before;
- Workers want a workplace-committee form of representation;
- Workers see management opposition as a major reason for their inability to obtain the workplace representation and participation that they seek;
- The gap between what workers want and obtain in representation is greater in the United States than in any other advanced English-speaking country.

In contrast to collective bargaining or union activity, existing literature asserts that incentive compensation also has the ability to enhance goal congruence and to improve employee effort, job satisfaction and organisational performance (Bonner & Sprinkle, 2002:308). Businesses not aligning their business objectives with their employees' objectives, not using incentives and not conducting regular performance reviews may not have attained the optimal fit between the organisation, its owners and its employees (Colville *et al.*, 2006:11).

The International Labour Organisation's (ILO) has standards described under *Doing Business* indicators, which implies support for the core labour standards (CLS). Included under the standards is the freedom of association, right to collective bargaining, elimination of forced labour, abolition of child labour, and elimination of discrimination in respect of employment and occupation. However, none of the *Doing Business* indicators give better scores to countries that actually observe the CLS (Bakvis, 2006:4).

On the basis of the *Doing Business* indicators, South Africa scores particularly high in terms of the difficulty of hiring and dismissal procedures as compared, for example, to the OECD average. South Africa has been faulted because there are priority rules that apply to dismissals or lay-offs. South Africa was received bad marks under the indicator's "Grounds for firing" category, which defines as business-unfriendly rules such as that the employer may not terminate employment contract without cause and "the law establishes a public policy list of 'fair' grounds for dismissal (IMF, South Africa, 2005).

In light of global trends and rising trans-national companies, unions must look to global unionism and adopt strategies that organize across borders. Unions should emphasize the importance of designing effective on-the-ground unionization campaigns and structures (Orfald, 2005:2).

The section looked at literature on the future and development of employee incentive against the background of the growing need for collective bargaining. Government policy, employers and employees (through union representation) have a collective role to play in enforcing conducive work conditions. This should be moderated within certain confines that do not impede expected limits from role players. This is enshrined in government labour policies and standards such as the core labour standards defined by ILO.

2.13 RESEARCH QUESTIONS

From the literature reviewed, several opinions have been discussed and reviewed; however, the following research questions still remain:

1. Does the failure to negotiate incentive schemes with the unions cause friction between employees and are incentives extended to inapplicable jobs because the criteria for awarding the incentives have not been negotiated with the unions?
2. Does the misunderstanding and perception by the union that management has the ability to pay salary increases, if management is able to give incentives, lead to strikes and go-slows?
3. Do employees feel demotivated thinking that other employees are paid more than them as a result of not understanding the scheme as it is not negotiated with their unions, and does employee ignorance of incentives and union demands lead to low-productivity of the company?
4. Does collective bargaining through the union affect productivity through employee demotivation and absenteeism following strikes and go-slows?

2.14 CONCLUSION

The Basic Conditions of Employment Act of 1997 and a number of other laws and regulations stipulate mineworkers' conditions of employment. Wages continue to be moderated by inflation targeting in most countries, which include South Africa (Aron & Muellbauer, 2009:5).

Incentives can be used to align the interests of the individual and the organisation, thus improving employee satisfaction and retention, and organisational performance and competitiveness (Knox *et al.*, 2004:47). For incentive schemes to operate effectively, individuals, through union representation, must be able to influence the performance of the rewarded activity (Bonner & Sprinkle, 2002:316).

Unions at places of work are involved in employee negotiations for proper wages and conditions of working (Ndungu, 2008:9-10). Lack of effective unions is responsible for undermining workers welfare and benefits and therefore the entire operation of the industrial relations machinery (Imbun, 2006:136). Union functions should not be limited to monitory factors alone but should include other factors such as social factors at places of work.

There has been union misconception over the use of incentive schemes, especially with regard to effort by workers (Bonner & Sprinkle, 2002:308) while objectives of management in mining companies have been aimed at processes intended to minimize costs, increase production and ensure profitability (Imbun, 2006:119). This has created mistrust between union and management. Strikes are largely the result of faulty negotiations (Cramton & Tracy, 2002:24).

The literature reviewed suggests that incentive schemes need to be implemented in conjunction with trade unions. There can be no justification in awarding low wage increases or inflation-linked salary increases during wage negotiations while giving above inflation incentive payouts. The unions may settle on low inflation increases but the dispute would not be over because of a management practice which goes against the principles of inflation-linked salary increases.

The next chapter will look at the research methodologies that can be used to ascertain the perceptions of the National Union of Mineworkers and Solidarity Union towards performance incentive schemes at Assmang Limited. The section will discuss the rationale of the choice of methodology for data collection and data analysis. The advantages and limitations associated with the three research methodologies, a mixed research paradigm involving the use of qualitative and quantitative methods will be explored. Based on the relevance of the research paradigm investigated, a decision will be made on the type of methodology implementation needed to get the required information.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The research problems indicated in chapter 2 need now be addressed. Despite the review of diverse literature on the research problem no explicit solution was arrived at. This chapter presents a research methodology aimed at solving the questions put forward. Research methodology is the method in a logical sequence of connecting the research questions, objectives and the data collection, followed by analysis and interpretation (Hartley, 1994:223).

The study attempts to resolve the following research questions:

- 1 Does the failure to negotiate incentive schemes with the unions cause friction between employees and are incentives extended to inapplicable jobs because the criteria for awarding the incentives have not been negotiated with the unions?
- 2 Does the misunderstanding and perception by the union that management has the ability to pay salary increases, if management is able to give incentives, lead to strikes and go-slows?
- 3 Do employees feel demotivated thinking that other employees are paid more than them as a result of not understand the scheme as it is not negotiated with their unions and does employee ignorance of incentives and union demands lead to low-productivity of the company?
- 4 Does collective bargaining through the union affect productivity through employee demotivation and absenteeism following strikes and go-slows?

Aspects receiving review under this chapter include the research methodology used for the study in relation to the topic and the data collection methods available. The chapter also includes the nature of questions presented to respondents and the appropriateness of the questionnaires used. Special attention has been given to a discussion on the population and sampling. The chapter closes with a declaration on ethical limits to which the researcher has

undertaken to comply.

3.2 RESEARCH TYPES

3.2.1 Quantitative and qualitative research

Quantitative, qualitative and mixed method approaches (or triangulation) are the three main research methodology classifications. The choice of which methodology applied depends on the nature of data to be collected and the problem of the research. The quantitative methodology will apply where data is numerical while qualitative methodology will usually be undertaken where the data collected is verbal (Leedy & Ormrod, 2013:125).

Quantitative analysis is the collection and analysis of data that is non-qualitative. The quantitative method is mostly concerned with the analysis of numerical data. Quantitative research uses variables, control natural phenomena, and therefore is impersonal and experimental. It is generally associated with systematic measurement, statistical analysis and mathematical models. The characteristics of traditional quantitative research are a focus on deduction, confirmation, theory/hypothesis testing, explanation, prediction, standardised data collection, and statistical analysis (Wang, 2003:242). A quantitative method involves a systematic approach of using numerical data for the purpose of finding possible correlations among two or more phenomena. It examines the situation as it is and therefore does not lead to any addition to the investigation, nor does it provide the cause-and-effect relationship (Leedy & Ormrod, 2013:184).

Under quantitative methods multiple data is collected using different strategies, approaches, and methods in such a way that the resulting mixture or combination is likely to result in complementary strength and non-overlapping weaknesses (Brewer & Hunter, 1989:17). Qualitative methods focus mainly on phenomena occurring in its natural settings and aims to study the phenomena in their complexity entirely (Leedy & Ormrod, 2013:184).

In a qualitative analysis, it is assumed that there are differing views to a problem or phenomenon, and the use of this method will deliver an accurate opinion of the matter studied. The researcher is required to make an interpretation of the matter by not focusing on quantifying the situation alone (Creswell, 2003:11). Qualitative research is the methodology of study that produces descriptive data where people and written or spoken words are

discernible (Wang, 2003:243). Qualitative data is generally based on themes that emerge through open-ended interviews, observations, or the review of various documents and audio visual materials such as videotapes, photographs, sounds, and even email and text messages (Creswell, 2003:20).

Peshkin (1993:23-29) asserts that qualitative research has the ability to:

- ☐ Enable the researcher to have fresh views concerning a specific phenomenon allowing the development of new concepts or theoretical perspectives and or draw conclusions pertaining to the phenomenon;
- ☐ Expose the nature of certain situations, settings, processes, relationships, systems or people;
- ☐ Give the researcher tools to judge the effectiveness of certain policies, innovations and practices;
- ☐ Encourage the researcher to test the validity of particular assumptions, theories, generalizations or claims within a practical setting.

Mixed methods research is defined as the class of research where the researcher mixes or combines quantitative and qualitative research techniques, methods, approaches, concepts or language into a single study. It is an expansive and creative form of research. It is inclusive, pluralistic, and complementary, and it suggests that researchers take a heterogeneous approach to method selection and the thinking about and conduct of research. The research question is important to determine the approach and offers the best chance to obtain useful answers. Many research questions and combinations of questions are best and most fully answered through mixed research solutions by mixed methods research, and both quantitative and qualitative research approaches are important and useful. The goal of mixed methods research is not to replace either of these approaches but rather to draw from the strengths and minimise the weaknesses of both in single research studies and across studies (Johnson & Onwuegbuzie, 2004:14).

The following is a comparison of the quantitative, qualitative and triangulation using a Table.

Table 3.1 Distinction between quantitative, qualitative and triangulation methodology

Quantitative	Qualitative	Mixed
Testing and validating already constructed theories about how (and to a lesser degree, why) phenomena occur.	Data based on the participants' own categories of meaning	Words, pictures, and narrative can be used to add meaning to numbers
Can generalize a research finding when it has been replicated on many different populations and sub-populations	It is useful for studying a limited number of cases in depth	Numbers can be used to add precision to words, pictures, and narrative
Useful for obtaining data that allow quantitative predictions	It is useful for describing complex phenomena	Can provide quantitative and qualitative research strengths
Data collection using some quantitative methods is relatively quick (e.g., telephone interviews)	Provides individual case information	Researcher can generate and test a grounded theory
The research results are relatively independent of the researcher (e.g., effect, size, statistical significance)	Responsive to changes that occur during the conduct of a study (especially during extended fieldwork) and may shift the focus of their studies as a result	Can answer a broader and more complete range of research questions because the researcher is not confined to a single method or approach
It may have higher credibility with many people in power (e.g., administrators, politicians, people who fund programs)	Data in the words and categories of participants lend themselves to exploring how and why phenomena occur	A researcher can use the strengths of an additional method to overcome the weaknesses in another method by using both in a research study
It is useful for studying large numbers of people.		Can provide stronger evidence for a conclusion through convergence and corroboration of findings

Source: Johnson and Onwuegbuzie (2004:17)

3.2.2 Research methods applied

The research approach used in this study is the quantitative approach. The methodology was chosen because it can best be used for observation studies, correlation research, development designs and survey research. On the other hand, qualitative methodology can best be used in descriptive, interpretive, verification and evaluation studies (Leedy & Ormrod, 2013:139). The method has been favoured based on the comparison of the two methods possible methods, i.e. the quantitative and the qualitative, in relation to the data-collection method and the research question. The aim of this study is to determine the correlation between the incentive schemes offered by management to staff and productivity at the mine.

3.2.3 Data required

Primary and secondary data

Primary data is first-hand information collected by the researcher and accurately focused on the study being conducted. Interviews and surveys can be used for the collection of data or information. Secondary data refers to information or data collected from previously gathered sources conducted by someone else for the purpose of a related study and subsequently used by other researcher. Secondary sources include data collected from sources such as books, journals, periodicals, and reports (Leedy & Ormrod, 2013:78). Primary data is considered the closest to the actual study and secondary data as a layer farther away from the study performed (Leedy & Ormrod, 2013:78). Secondary data provides background information and direction for a research (Cooper & Schindler, 2006: 536). This study, therefore, employs both primary and secondary data. According to Leedy & Ormrod (2013:189), a research methodology is used for obtaining primary data based on a conducted survey. To achieve this, a survey is conducted to gather primary data while secondary data is been drawn from journals, reports and available literature in the academic field on the topic.

The following section looks at data collection used in the study. The section explains the methods of collecting the primary data. A self-administered questionnaire is used for the purpose of collecting primary data. The questionnaire construction and choice sampling methods have also been explained. Lastly, the section looks at the types of variables used.

3.3 DATA COLLECTION METHODS

3.3.1 Primary data

Data collection is categorised as a monitoring and communication process. In monitoring, the researcher does not need any response from subjects but inspects activities or nature of a material. In the interrogation or communication type of data collection, the researcher questions the subjects through interview or telephone conversation, self-administered or self-reported instruments (Cooper & Schindler, 2006:550). There is no straightforward answer to what is the best data collection instrument. The nature and purpose of the research will just give guidance as to which method to use. Open-ended questions characterise quantitative studies, while survey interviews are structured (Leedy & Ormrod, 2013:190).

3.3.1.1 Interviews

Qualitative studies tend to have open-ended interviews, survey research interviews tend to be structured. The questions posed in a structured interview tend to have a standard set of questions from the researcher (Leedy & Ormrod 2013:190). The use of a survey is briefly discussed below in order to justify the use of a survey for the purpose of this study.

3.3.1.2 Surveys

The characteristic of a survey is the collection of numeric or quantitative data from a given group using direct observation. A survey can be used for various reasons that can include one of the following (Leedy & Ormrod, 2013:189):

- ☐ Explore differences
- ☐ Examine correlations and associations
- ☐ Exploratory research
- ☐ Testing of a theoretical model
- ☐ For identification of trends

The primary data in this study was collected by conducting a survey with structured questionnaires. The questionnaires were distributed physically and through email to employees and management and union representatives at the mine. The selected officials at the company formed part of the survey. These included decision-makers such as managers and union officials directly involved with the incentive schemes offered at the company.

Distribution of other questionnaires involved ordinary personnel at the company.

3.3.2 Questionnaires

Data-collection is the gathering of data that may range from a simple observation at one location to an extravagant survey of multinational corporations in different parts of the world (Cooper & Schindler, 2006:548). Questionnaires have been opted for in this study because alternative methods such as personal interviews are costly in terms of time and money. This constraint usually results in a small sample for study (Bless *et al.*, 2013:193). Telephone surveys as an option can be costly and therefore interviewing length must be limited. Using this as a basis, it was decided to use a self-administered structured questionnaire in conducting the present study.

De Vos (1998:290) describes a questionnaire as an instrument with open or closed ended questions or statements to which a respondent must react. Questions are arranged in a definite order according to the researcher's choice. In close-ended questions, a series of possible answers are given from which the respondent must make his/her choice. Open-ended questions allow the respondents to give their own opinions, perceptions, and etcetera and do not restrict them to specific alternatives. The management of the company was approached for approval to distribute copies of the questionnaire amongst staff members. The strategy used to develop the items in the questionnaire was mainly derived from the literature in Chapter 2.

Twenty (20) questions essential to the research make up the questionnaire as recommended by Leedy & Ormrod (2013:197). The intention is also to encourage and maximise the response rate. The questionnaire has three sections (refer to Annexure B). The first part concerns permission to use the respondent's answers to the academic research. The second section aims at collecting biographical data on the respondents such as age, gender and qualifications. The third section contains specific questions pertaining to the implementation of an incentive scheme at the mine. Responses require the respondent to indicate a yes or no answer. The following table gives the questionnaire outline.

Table 3.2: Questionnaire outline

A reminder – refer to Annexure B	
The Questionnaire – refer to Annexure B	
A ‘Thank you’ Note – refer to Annexure B	
Section 1	Permission to use the respondent’s answers the academic research
Section 2	Collects biography data on the respondents including age, gender and
Section 3	Focuses on collecting response on the implementation of an incentive

3.3.3 Sampling methods

Nachmias and Nachmias (1996:201) describe a population for a study as that group (usually of people) about whom the researcher wants to draw inferences. However, with limited time and money, researchers are unlikely to study the entire body of relevant facts about the whole group of people under investigation. Therefore, the findings and conclusions in survey research are based on information gathered from a limited number of people from whom generalisations can be made about the whole number. This selected group from the population is called a sample (Nachmias & Nachmias, 1996:201). When choosing a sample, the researcher often has to prepare a comprehensive list of all units in the target population that is called a sampling frame (Leedy & Ormrod, 2013:208).

A list of all participants required for the sample is sourced followed by a random selection of the sample to be used for the purpose of the survey. The population is divided into the following: management or directors, union officials and members of staff. After stratifying the population, the respondents are randomly selected from each stratum. By using simple random selection in each stratum, each employee has an equal chance to be selected into the sample, as such making it more representative of the population.

3.3.4 The organisation

The mine is producing iron ore by open-cast mining. They are based 29 kilometres from Kathu in the southern Kalahari region of the Northern Cape. It has 1374 employees. The mine is divided into the Engineering, Mining, Technical Services, Financial and Safety, Health, Environment and Quality (SHERQ) departments

3.3.5 The target population

A table prepared by Krejcie and Morgan (1970:608) can help establish the appropriate sample size (S) based on the population (N). The proposed population size in this particular study $N=900$ therefore $S= 269$. This entails that the sample size will require of a minimum of 269 completed questionnaires in order to draw an expressive conclusion from the data collected in the survey.

3.3.6 Types of variables

A variable is an empirical observable characteristic of some phenomenon, which can take more than one value or response category. For example, gender, number of tourists visiting a town, profits derived from a tourism business or the percentage of the provincial budget spent on improving infrastructure. The expectation is that all questions raised in a questionnaire generate a variable. The common variables include nominal, ordinal and ratio variables (Diamantopoulos & Schlegelmilch, 2004:1-4).

Nominal variables involve variables where the response can be placed in any order and the numbers assigned to the response categories have no other property except to serve as labels.

- ☐ Nominal variables allow the classification of responses
- ☐ The response groups should be mutually exclusive and collectively exclusive in nature
- ☐ The frequency or percentage of occurrence under each category can be determined for nominal variables
- ☐ No numerical meanings are given to the categories

Ordinal variables are variables where the response categories have a certain order and the numbers assigned to the response categories have an order.

- ☐ Response from ordinal variables can be placed in categories
- ☐ The frequency or percentage of occurrence under each category can be determined for nominal variables
- ☐ The order of the number assigned to the categories has meaning
- ☐ The numbers assigned to the ordinal variables do not have meaning
- ☐ A rank or order of response can be placed on ordinal variables

- ☐ Differences between consecutive categories need not be the same

Ratio variables are numerical variables where there is some standard unit of the property measured. The distance between consecutive numbers is the same. Therefore, accurate statements on the differences between cases can be made.

- ☐ Responses can be categorised
- ☐ The frequency or percentage of occurrence under each category can be determined for nominal variables
- ☐ The number assigned to the rational variables can have meaning
- ☐ The order of the number assigned to the categories can have meaning
- ☐ A rank or order of response can be placed on rational variables
- ☐ Distance between two cases can be calculated allowing the measure of how much more or less
- ☐ The ratio of the two responses can be calculated

The survey will employ a combination of variables. For identifying participants, nominal and ordinal variables are applied. The nature of questions asked determines variables applied for survey questions varying from ordinal to ratio variables. The data is collated and entered onto a spread sheet where statistical calculations are done and used and interpreted. This research relies on the questionnaire's validity and reliability to minimise response bias.

3.4 ETHICAL CONSIDERATIONS

Ethics are concerned with the rules and principles that harmonise the aims and desires of all men. Since human beings are the subject of the study in the social science, this brings its own unique ethical problems to the fore that would never be relevant in the pure, clinical laboratory settings of the natural sciences (De Vos, 1998:23). Ethical standards adhered to in this study follow the following norms:

- ☐ Justice; where all respondents are treated with respect and fairness
- ☐ Beneficence; no respondent is exploited in any way, nor harmed nor even exposed to any discomfort physical, emotionally or psychologically
- ☐ Confidentiality where no information provided by the respondents to the researcher is available to any other person

- Privacy; the researcher undertakes necessary precautions to ensure that the self-respect and dignity of the respondents is maintained by collecting the questionnaires privately
- Informed consent; full disclosure is given to the respondents on the purpose and objective of the study and how the study is conducted
- Trust between the researcher and the respondents are vital throughout the whole study. Each attempt is made to gain the trust of the respondents during the course of the survey.

3.5 LIMITATIONS

A survey technique suffers from a number of shortcomings including the low response rate from to questionnaires. This will tend to impinge on the relevance of the research owing to lack of full representation.

- Other limitations arise where respondents are required to tick one of the possible answers and are not asked to give their true feelings
- Survey respondents are also likely to provide socially acceptable answers or avoid strongly negative or positive views and stick to compromise positions
- Some respondents deliberately and unnecessarily give extreme opinions as their answers. Occasionally, response rates are also low and it takes researchers extra time and expense to collect required number of responses
- Correlation research has a limitation where the correlation may suggest existing relationships between two variables, while proof of change in a variable resulting from that of the other variable may not be given.

3.6 CONCLUSION

This chapter described the research design and methodology used in this study. Further, it looked at instrumentation, research type, population, sampling method, and data gathering methods from a theoretical perspective.

A discussion of how these were applied in this study was also indicated. Justifications for the choices made were provided as well. Schaefer and Dillman (1998:9) have found significantly faster response times with e-mails surveys and the same is hoped for this study

as it will use e-mail survey approach.

The next chapter looks at the study findings that would be used in rejecting or accepting the raised questions.

CHAPTER 4

DATA ANALYSIS

4.1 INTRODUCTION

The survey conducted involved the Factors perceived to affect employee satisfaction and productivity at a mine in the Northern Cape, as a result of the implementation of incentive schemes by management. The aim of the study is to analyse the impact of the implementation of incentive schemes by management employee job satisfaction, and the subsequent impact the implementation has on productivity of the company. The company has experienced low productivity as a result of the implementation of incentive schemes, which has affected profitability whereas incentive schemes are meant to give suitable motivation for employees (Knox *et al.*, 2004:64).

The main question being researched seeks to determine whether the failure to negotiate incentive schemes with the unions causes friction among employees and whether the imposition of the incentive schemes on employees leading to mistrust between employees and supervisors because the employees feel unfairly treated. The research further intended to ascertain whether incentives schemes are acceptable when extended to supervisory, middle and senior management jobs because of the criteria for awarding the incentives have not been negotiated with the unions and whether strikes and go-slows are a result of employees' misconception that management has the ability to pay salary increases if management is able to give incentives. Lastly the research tries to determine whether employees feel demotivated thinking other employees are paid more than them as a result of simply not understand the scheme as it is not negotiated with their unions.

This chapter discusses the research findings and provides analyses and interpretation of data. The survey conducted had certain questions asked that have been analysed based on the application of Chi-square test and p-value. The Chi-square test method analyses all listed variables with each other, on the different variables goodness-of-fit and test of independence. The p-value provides information on the extent which the significant region is (Diamantopoulos & Schlegelmilch, 2004:146).

The chapter begins with a descriptive introduction based on the demographics of the

respondents. This is followed by a section reflecting the findings of the target survey group's perception with regard to the impact of the implementation of incentive schemes in the company by use of Frequency Tables and Figures.

4.2 RESPONSE RATE

The following sections contain a discussion of the results of the survey. There were 250 questionnaires distributed to a population of 450 desired employees at the mine. There were 122 completed questionnaires returned using simple random sampling technique. Out of the returned questionnaires, 119 were completed satisfactorily. The number of 119 returned questionnaires was considered an adequate sample size according to Krejcie and Morgan (1970:607). The data was summarized on a spreadsheet and statistics were calculated using SPSS. The sample met the strict rules and was randomly selected. All names were allocated a number and numbers were drawn. Where a respondent did not complete a questionnaire, the next number was drawn and the questionnaire used. In this way the sample could be regarded as being representative.

4.3 DEMOGRAPHIC INFORMATION OF THE RESPONDENTS

The eight questions in the first section of the questionnaire were asked to compile a demographic profile of the population. The results include Figures and Graphs showing the ethnic demographic profiles, occupation profiles, qualification profiles, gender profiles, age profiles, citizenships of the respondents, areas where the respondents were brought up and finally the section looks at the respondents' years of service at the mine..

Question 1: Ethnicity

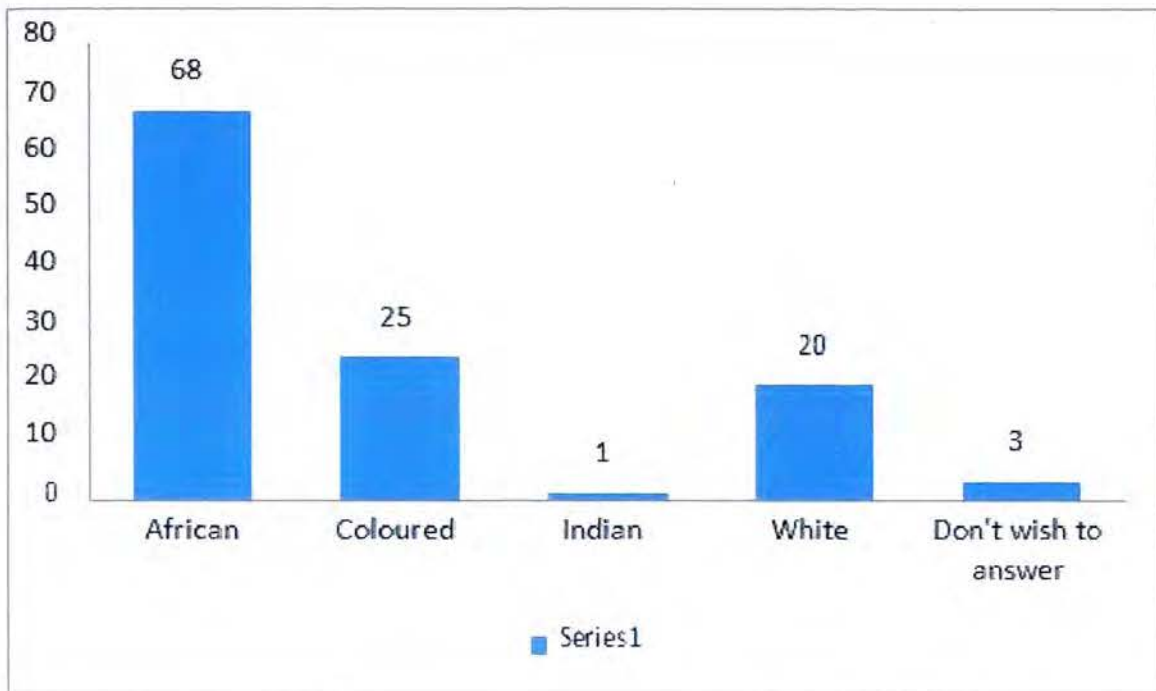


Figure 4.1 Ethnic profiles of the respondents

Results:

The results in the chart above indicate that out of the 119 respondents, there were a large number of African people. The result arises from the Affirmative Action policies currently in place in the civil service, which promotes the employment of more Africans. The policy has seen an increased exodus of other ethnic groups, especially among the white employees. This result may have an effect on the standard deviation. It shows how much variation there is from the "average" (mean). A high standard deviation indicates that the data is spread out over a large range of values owing to the fact that the African component is so large. This draws the sample out of proportion. The sample size shows variability showing that the sample was picked at random. There were 2 respondents who did not complete the question.

Question 2: Occupation

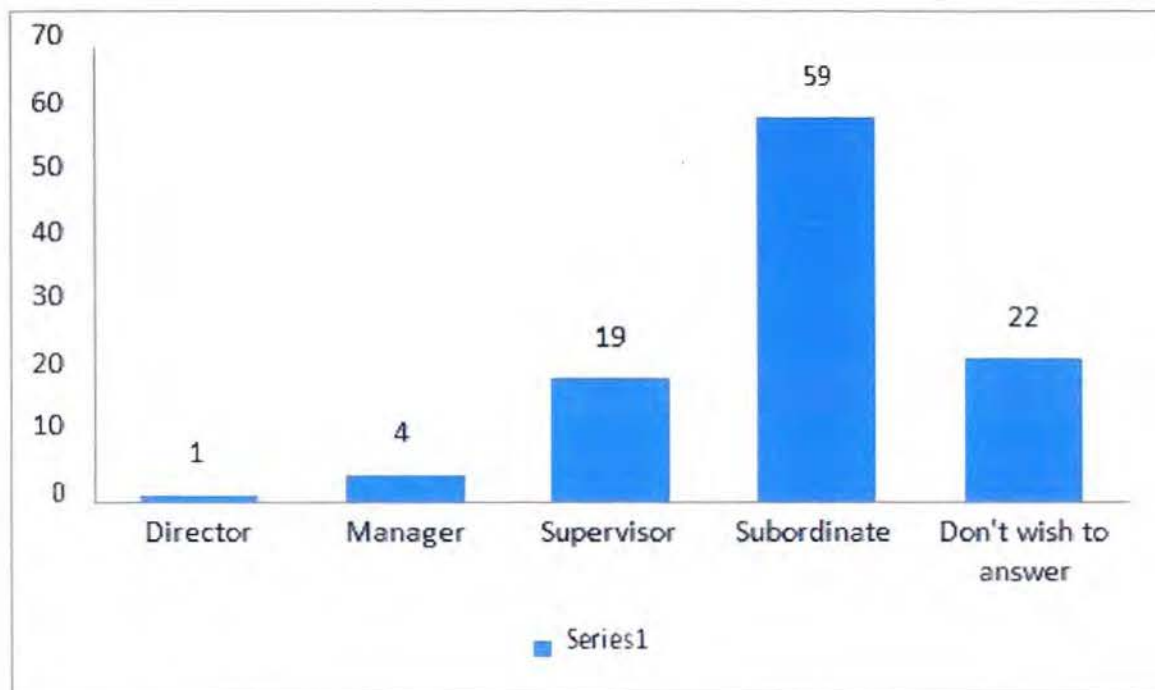


Figure 4.2 Positions of the respondents

Results:

As indicated in the figure above, the highest number 59 (49.60%) of respondents was received from subordinate workers, followed by supervisors with 19 (20.10%). The targeted sample was mainly employees who would be affected by incentive agreements. The targeted employees have a better understanding of the effect of the use of incentives in the company. This is because these are the employees directly affected by the incentive agreement scheme of the company. There were 22 (18.49%) respondents who chose not to answer. The number of employees who chose not to answer is worrying, which may have arisen for fear of victimization.

Question 3: Education

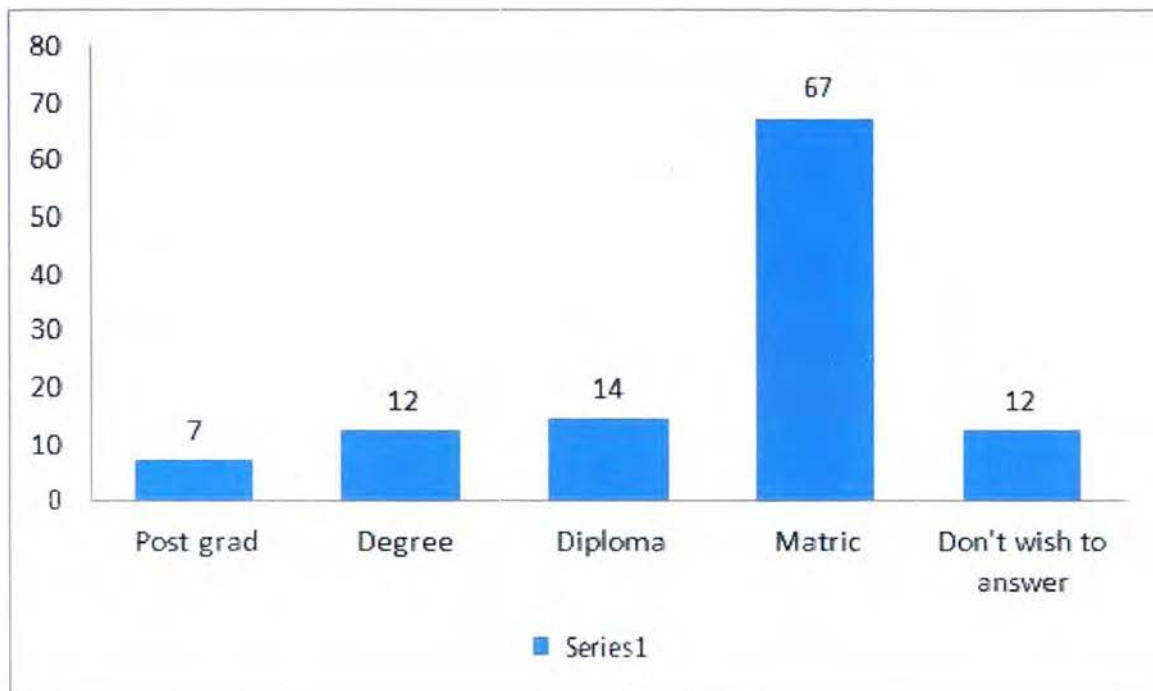


Figure 4.3 Education levels of the respondents

Results:

The information in Figure 4.3, indicates most of the respondents 67 (59.8%) have a matriculation qualification. This was followed by 14 (11.8%) respondents with a diploma qualification. The results indicate most of the respondents in subordinate positions have low qualifications. The qualifications held coincide with the current positions held. Employees in the subordinate roles will assist the research considering that they are directly involved with the implementation of the incentive schemes of the company. There were 12 (10.1%) respondents who chose not to answer.

Question 4: Gender

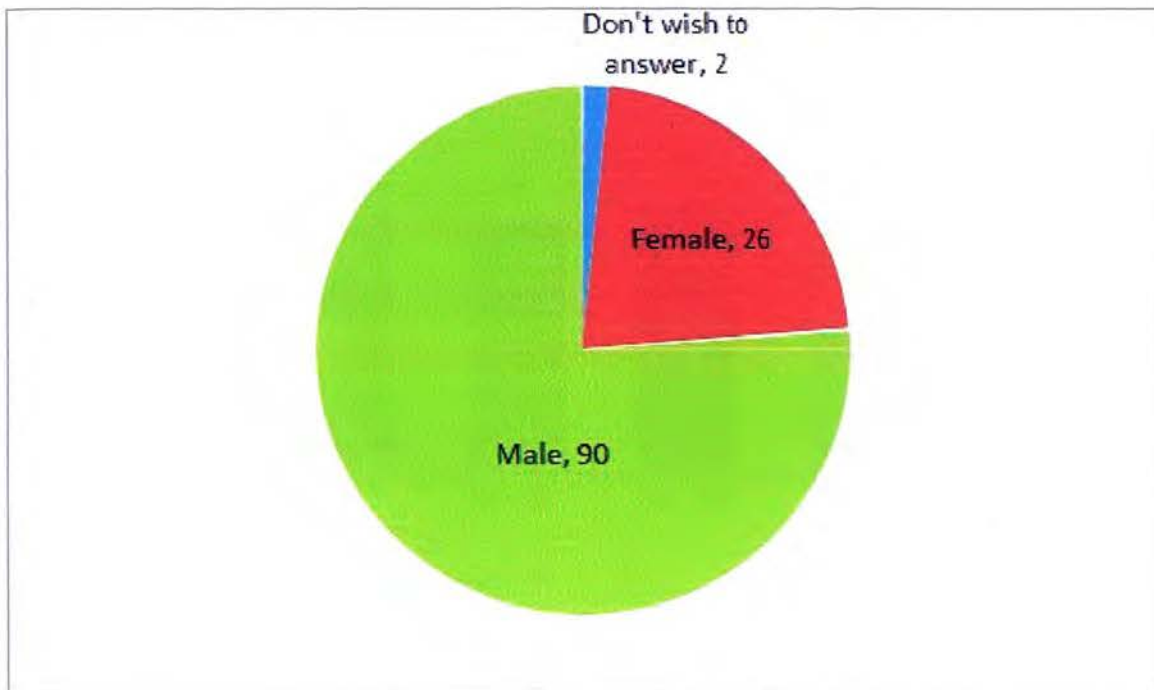


Figure 4.4 Gender of the respondents

Figure 4.4 indicates the majority of the respondents 90 (75.6%) were male employees while only 40 (21.8%) were female. The result indicates a high imbalance between male and female employees. This is a cause of concern considering that there have been efforts aimed at employment equity especially in the public sector. The difference in the number of male employees compared to female may have been caused because of the few female employees currently with the necessary qualifications to occupy senior positions. It is anticipated that this will position will change as more females attend university and are prepared to take up senior positions.

Question 5: Age

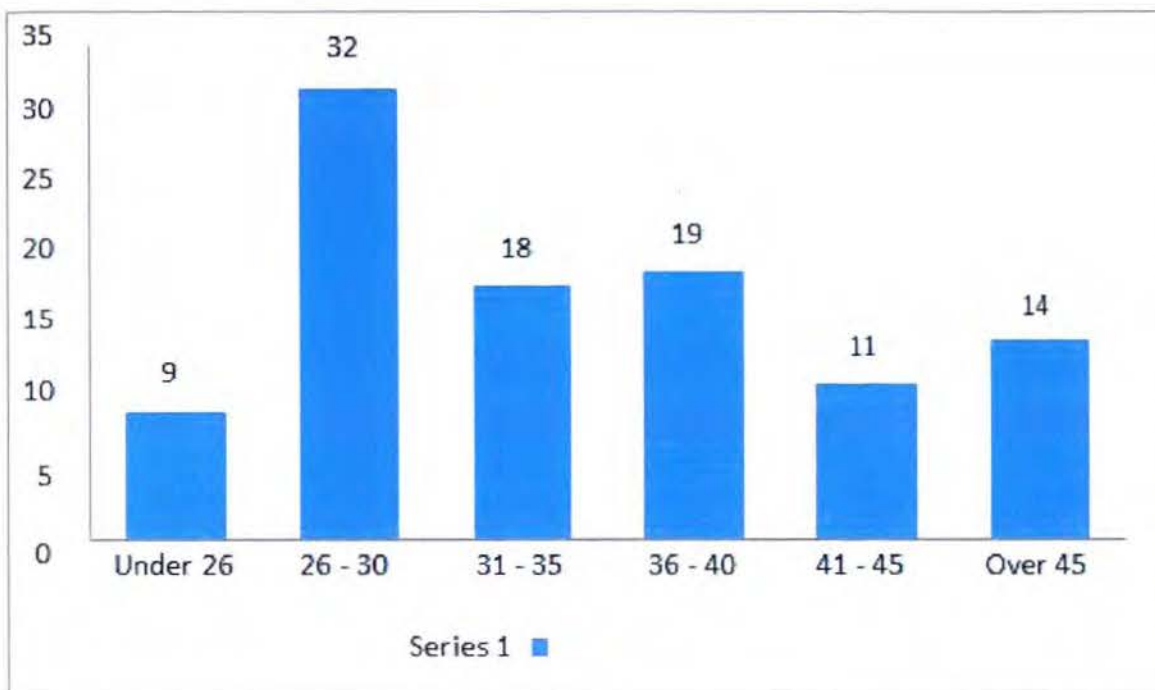


Figure 4.5 Age of the respondents

Results:

The graph above shows a high number of respondents in the middle and older age category. Respondents were randomly selected within the department. The intention was to target employees who were affected by the incentive scheme, such as subordinate workers and supervisors. Most of such employees fall within the age range shown by the results. The lower age range is made up mostly of employees who occupy management or senior positions. Mining companies provides good job security where most employees are willing to remain within the employment up until retirement. This is common most especially for non-technical skills. The situation may be a cause for concern because most of the senior positions have employees almost reaching retirement age.

Question 6: Citizenship

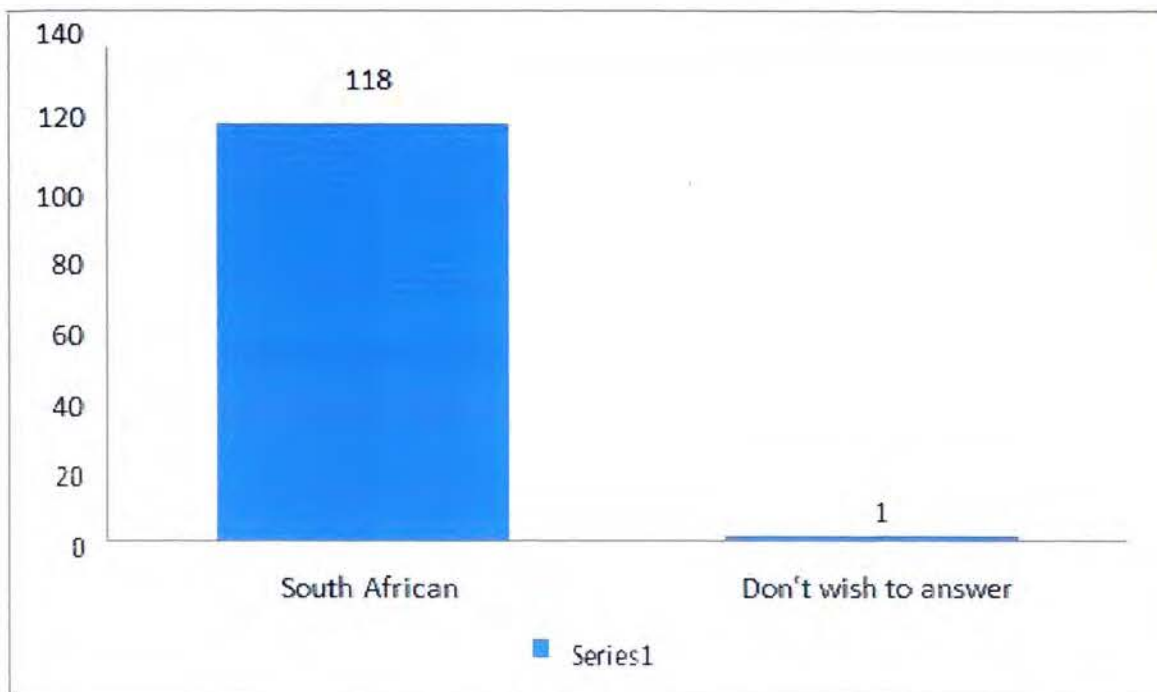


Figure 4.6 Citizenship of the respondents

Results:

The results in Figure 4.6 indicate that citizens occupy most 118 (99.16%) of the positions in the company. Employment regulations reserve most of the job opportunities for locals or citizens only. Foreigners are mostly allowed to occupy positions regarded as scarce skills. These include skills such as IT and engineering skills. The abroad category is bound to be made up mostly the scarce skills category. There was only 1(0.84%) of the respondents who chose not to indicate their citizenship. This may have been composed mostly of foreign employees who may hesitate for various reasons to reveal their origins.

Question 7: Home area

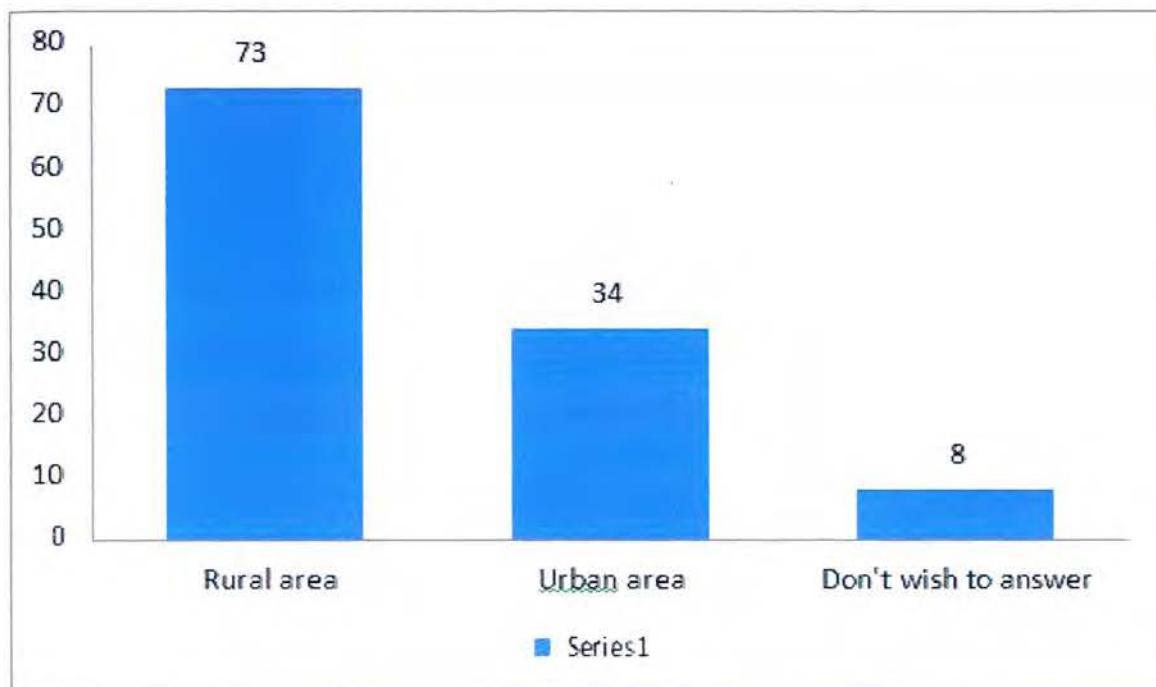


Figure 4.7 Area where respondents grew up

Results:

Figure 4.7 show 73(63.5%) grew up in the rural area, while 34(29.6%) of the respondents indicated that they grew up in urban areas. Respondents targeted in the study are made up of employees affected by incentive schemes. It is expected therefore that most of such employees were brought up in village settings, which are located in rural areas. South Africa is currently experiencing an increase of the middle class and a high level of urbanisation, which previously was not the case. It will therefore be expected that the new generation will be brought up in urban areas. The results show 8(7.0%) respondents chose not to review where they grew up.

Question 8: Period in Service

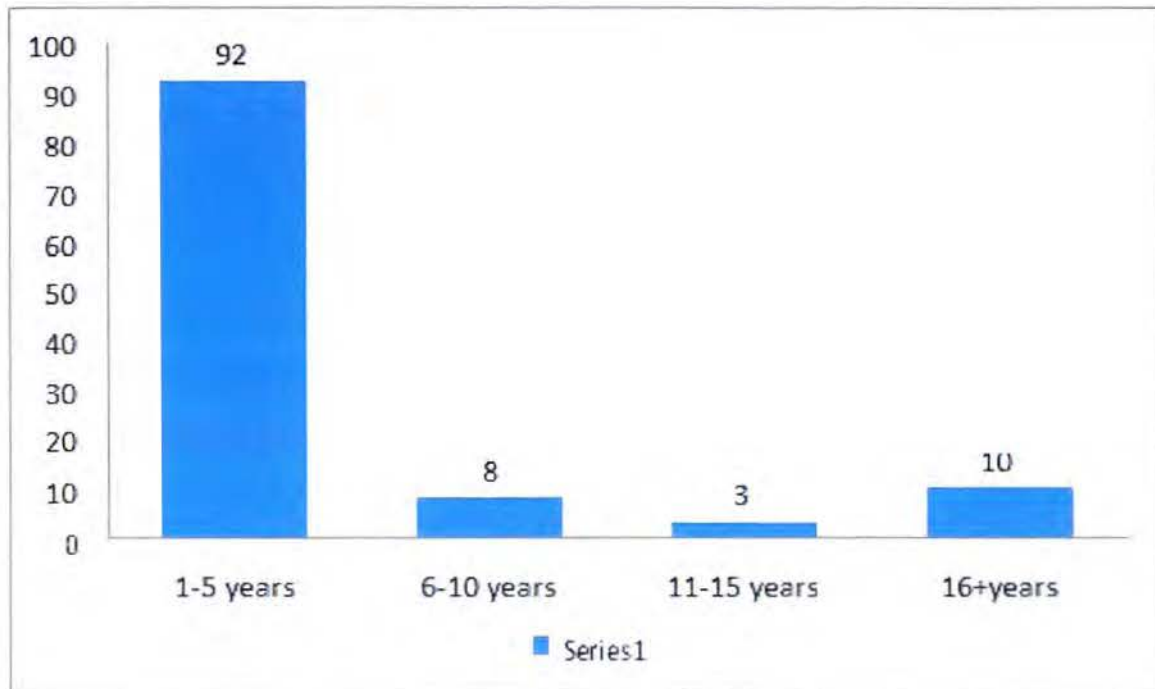


Figure 4.8 Employment period of the respondents

Results:

The results in Figure 4.8 indicate that most of the respondents, 92 (81.4%) have been in the service of the state for a period between 1-5 years. There were 10 (8.8%) respondents who indicated they had been employed for more than 16 years. Overall the results indicated that more of the respondents had actually been in the service for a shorter period than those who had. This is because of the targeted sample that was mainly of people who were in affected by the incentive scheme, comprising mainly subordinate workers. People tend to work long in the companies that offer job security as indicated in the Two-Factor Theory of Motivation; people are motivated to work because of their unsatisfied needs, which include job security. To satisfy their needs people look for employment and secure work according to their skills, knowledge and potential (Smit *et al*, 2011:392).

4.4 RESULTS OF THE INVESTIGATING QUESTIONS

The eight questions in section 4.3 of the questionnaire dealt with the demographics of the population who completed the questionnaire. The following eighteen questions are targeted at the problem being researched. Included in the section are frequencies on how schemes have

been implemented in the company and how the schemes have affected employees. This includes employee understanding of the incentive schemes and the process and procedures followed. Other results included Frequencies in Tables show whether the incentive scheme is a fair reward for employee effort; union involvement in negotiation for incentive scheme rewards. The results on the frequencies show the impact of incentive schemes on the productivity of the company.

To analyse the different variables the Chi-square goodness-of-fit test was done. Other analysis includes the Chi-square of independence. This was carried out in order to ascertain whether any response option was selected significantly more/less often than expected. Under the null hypothesis, we expect each response option to be selected equally.

The Chi-square test of independence was applied to cross-tabulations of two variables to see whether a significant relationship exists between the two variables. Under the null hypothesis, the variables are independent of each other; there is no relationship between the variables. Where the conditions of the test are not met, Fisher's exact test is applied.

To ascertain authenticity of the results, the p-values have also been discussed in the section. Pearson assumes that the two variables are measured on at least interval scales, and it determines the extent to which values of the two variables are "proportional" to each other.

Question 9 Friction

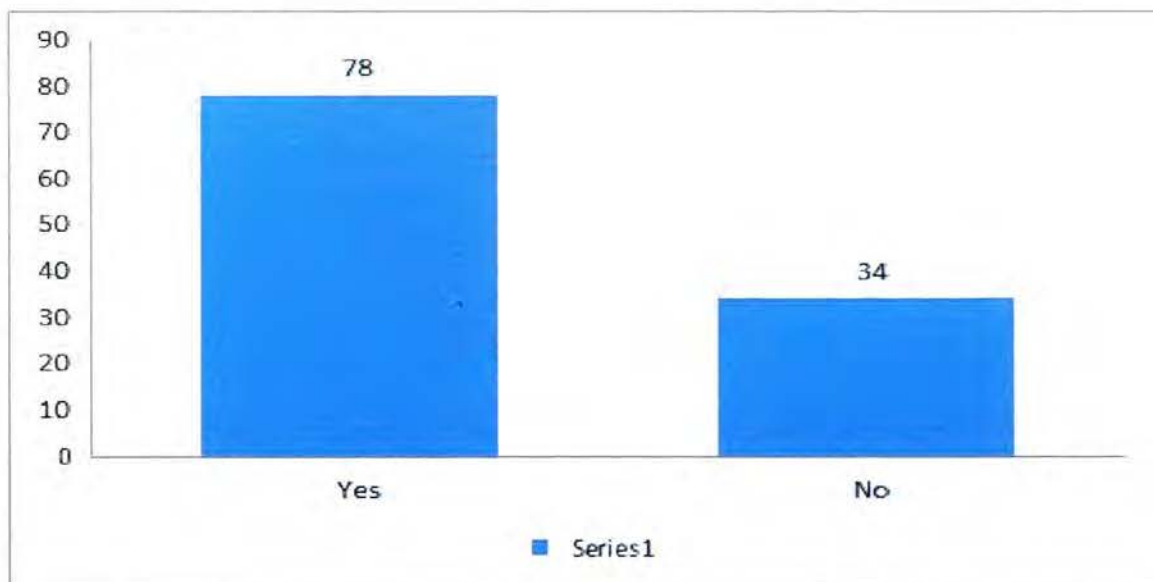


Figure 4.9 Friction being faced by employees as a result of the incentive scheme

Results:

Significantly more than expected selected 'YES'; chi-square value = 17.286, df = 1; p-value.0005. Out of the 119 respondents, the majority 78 (69.6%) indicated that there was friction being faced among employee as a result of the incentive scheme, while 34 (30.4%) indicated otherwise. There were 7 responses that were missing, and therefore they were not included in the analysis for that particular question.

The high number of respondents who responded affirmatively suggests most of the respondents feel incentives having an effect on employee relationship. This would have an effect on job satisfaction, and ultimately an effect on the productivity of the company also. It is frequently suggested that incentives provide motivation for individuals to alter their effort, and these changes in effort affect the performance of rewarded tasks (Chu *et al.*, 2006:236).

Question 10: Inapplicable jobs

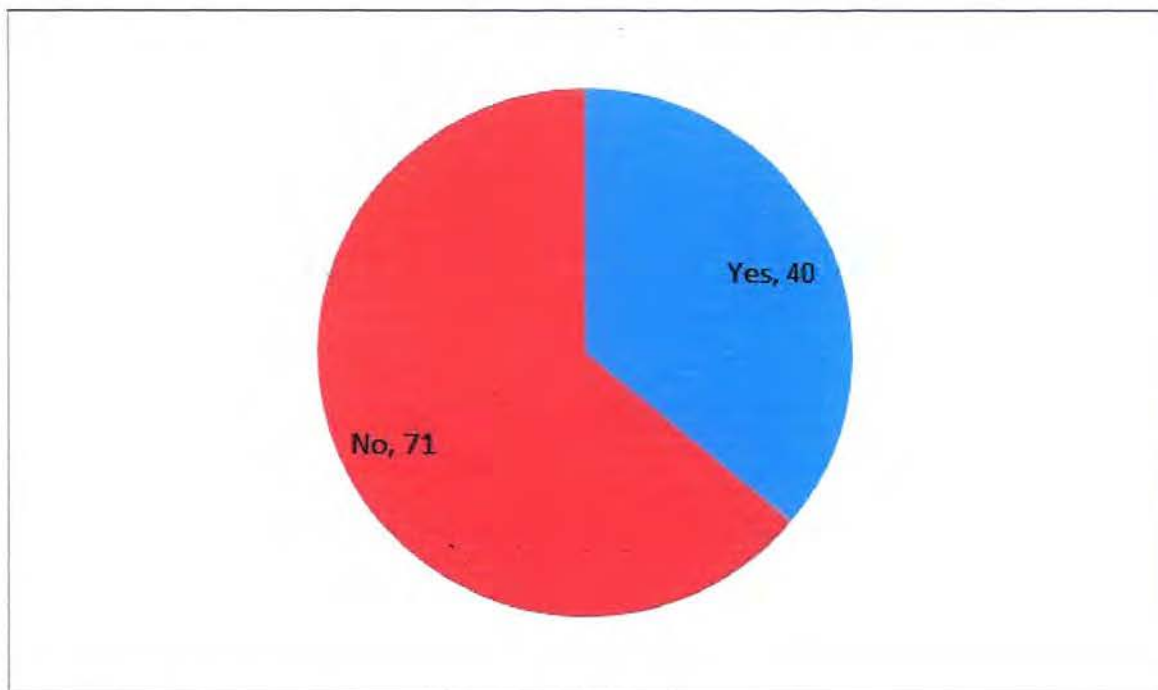


Figure 4.10 Incentives extended to inapplicable jobs

Results:

Significantly more than expected selected NO; chi-square value = 8.658, df = 1; p-value=0.003. There were 71 (64%) respondents who indicated that incentives did not extend to inapplicable jobs. There were 40 respondents who were of the opinion that incentives were extended to inapplicable jobs.

Suggestions have been made that haste should not be given to wage increases void of other working conditions. Warr (2007:2) regards job satisfaction as one important dimension of an individual's happiness at work. Job satisfaction is one component of the work-related well-being that should be included in diagnostic studies of people's well-being in organisations (Buitendach & Rothmann, 2009:1).

Question 11: Satisfaction

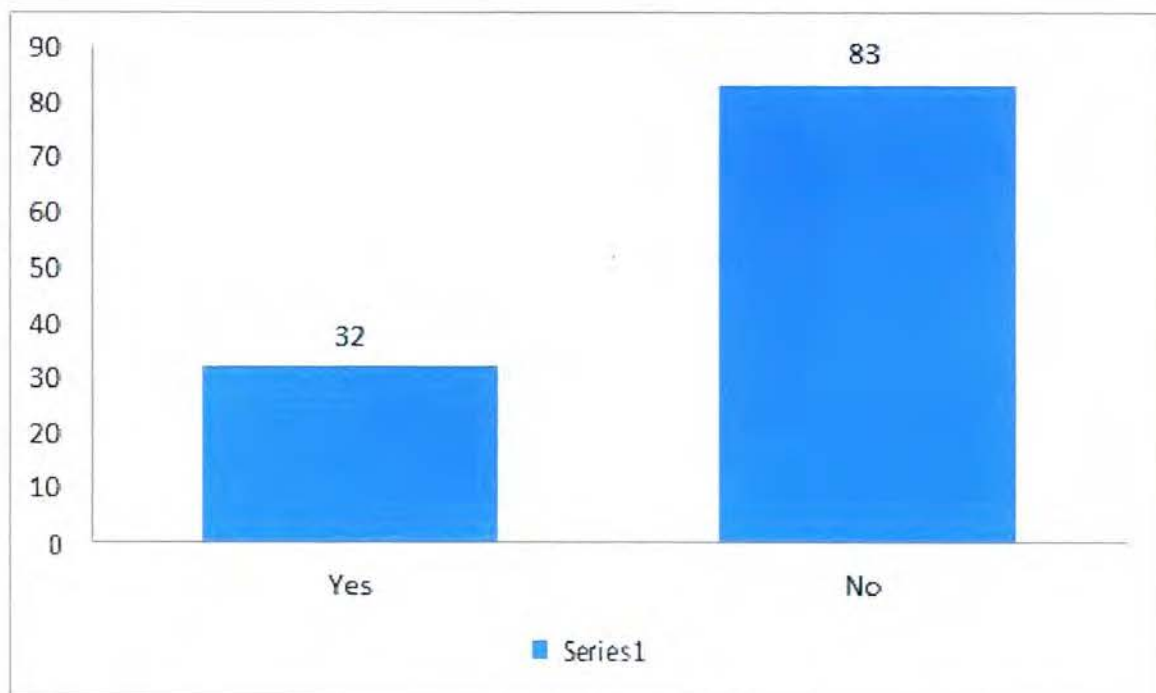


Figure 4.11 Satisfaction of employees with the incentive scheme offered by management

Results:

Significantly more than expected selected 'NO'; chi-square value = 22.617, df = 1; p-value<.0005. There were a high number of respondents 83 (72.2%) who indicated that employees were not happy with the incentive scheme offered by management to employees. There were 32 (27.8%) of the respondents who indicated that they were happy with incentive

schemes offered by management.

It can be expected that the negative response was generated from subordinate workers who were directly affected by the implementation of the incentive schemes by management. The affirmative response may have been generated from senior employees, who themselves were part and parcel of management. Employers argue that the regulation of employment needs to be more responsive to changing business needs, given increased competition and change (Arrowsmith *et al.*, 2008:11-12).

Question 12: Union involvement

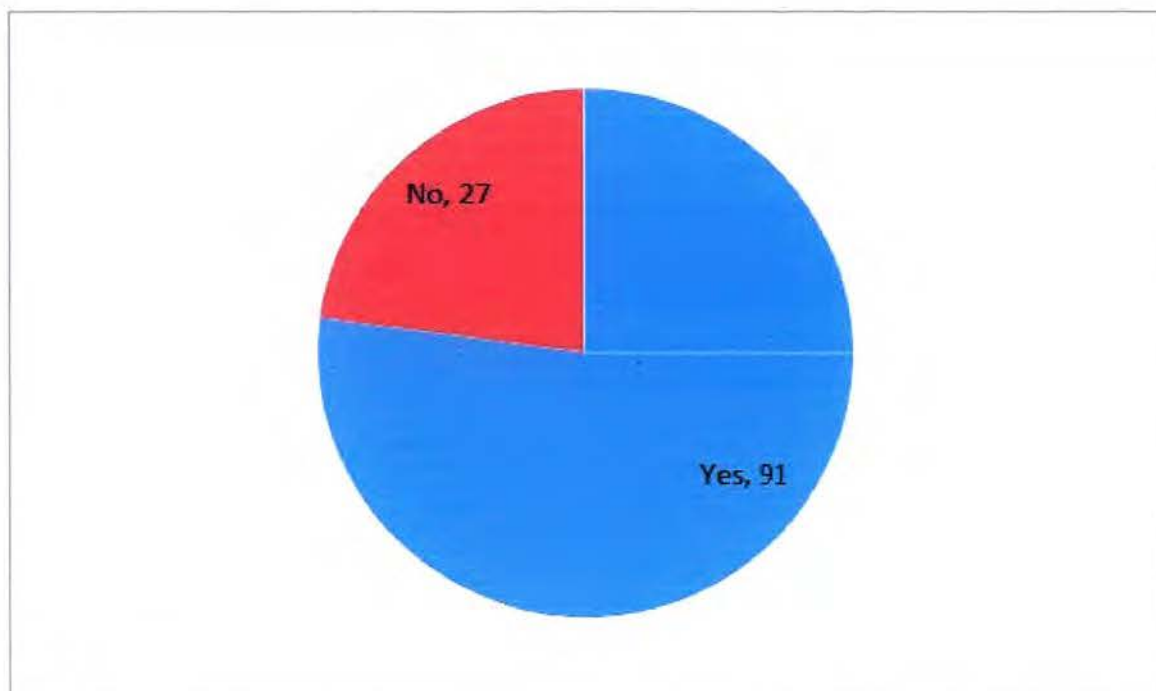


Figure 4.12 Should unions be involved in the negotiation of incentives given to employees by management?

Results:

Significantly more than expected selected 'YES'; chi-square value = 34.712, df = 1; p-value < .0005. The majority of the respondents 91 (77.10%) indicated that the union should be involved in the negotiation of incentives given to employees by management. There were 27 (22.90%) respondents who indicated that the union should not be involved in the negotiation

of incentives given to employees by management.

The lack of sound unions is responsible for undermining workers' welfare and benefits and therefore the entire operation of the industrial relations machinery (Imbun, 2006:136). The role of unions at place of work concerns employees with regard to negotiation for proper wages and conditions of working (Ndungu, 2008:9-10). Over and above union participation in wage negotiations, there are other pertinent worker issues that need not be relegated (Ndungu, 2008:9-10).

Question 13: Negotiation satisfaction

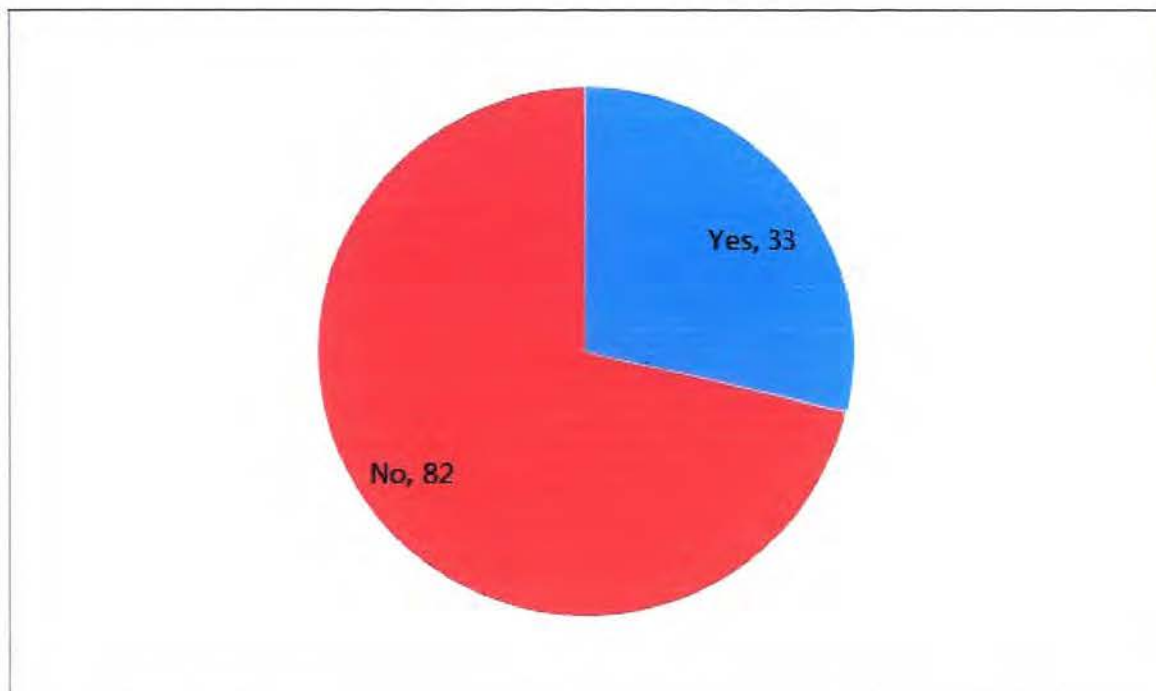


Figure 4.13 Union negotiations with management always satisfying to employees

Results:

Significantly more than expected selected 'NO'; chi-square value = 20.878, df = 1; p-value < .0005. The majority of the respondents 82 (71.3%) indicated that union negotiations with management did not always satisfying to employees. There were 33 (28.7%) respondents who indicated that union negotiations with management were always satisfying to employees. Union scepticism towards incentive schemes can be warranted to a lesser point. Despite

positive claims regarding incentive schemes, not all incentive system can be expected to improve the performance of rewarded tasks. Contingency theory suggests that both individual and organisational performance is affected by the fit between the incentive system, the individual and the organisational environment (Chu *et al.*, 2006:236).

Question 14: Mistrust

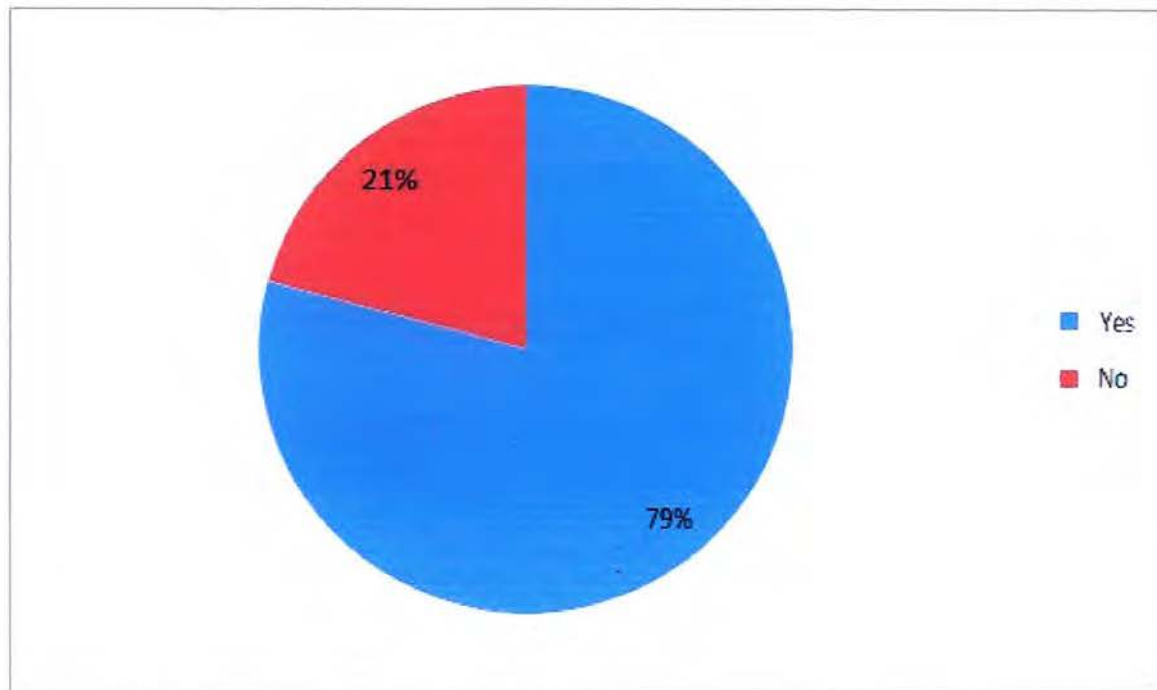


Figure 4.14 Mistrust between the employees and management

Results:

Significantly more than expected selected 'YES'; chi-square value = 39.035, df = 1; p-value < .0005. There were 91 (79.10%) respondents who were of the view that there was mistrust between the employees and management regarding incentive schemes of the company. There were 21 (20.90%) who were of the view that there was mistrust between employees and management. There were 4 missing results. A number of labour regulations have been seen as obstacles to investment. This is attested to by the Bakvis (2006:7).

It is important for policy makers at place of work to judge the adequacy of pay and incentives in order to assess to what extent it contributes to the bad distribution, poor retention, and low motivation of workers (McCoy *et al.*, 2008:677). The poor level of union development

undermines the industrial relations system's potential for dispute resolution and wage determination (Imbun, 2002:6).

Question 15: Fair reward

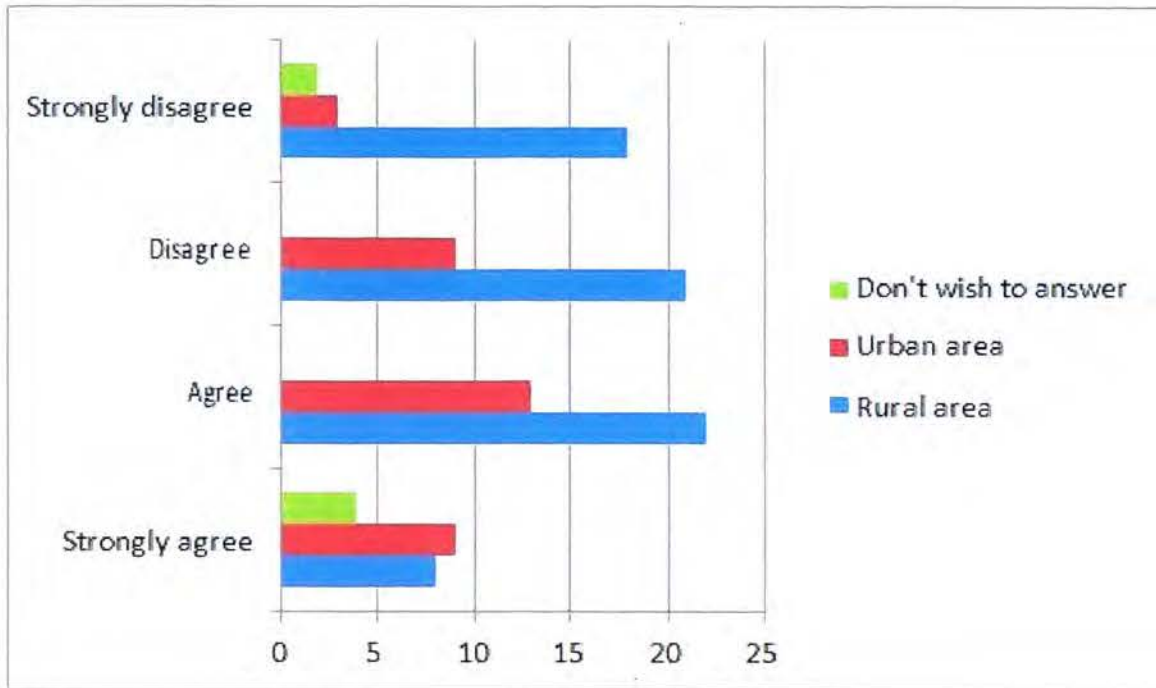


Figure 4.15 Incentive scheme is a fair reward for employee effort.

Results:

Of those who do wish to answer this question, it is clear that a significant relationship exists between the question and rural/urban contexts. Significantly more than expected of those who would not put where they were raised, strongly agree [Fisher's exact = 15.969, $p = 0.006$]. The majority of the respondents 39 (35.78%) represented respondents who grow up in the rural area stated that incentive scheme is not a fair reward for employee effort compared to 30 (27.52%) who were of the view incentive scheme was a fair reward for employee effort.

There were 20 (20.18%) urban-raised respondents who indicated that an incentive scheme is a fair reward for employee effort compared to 11 (10.10%) who indicated that incentive schemes are not a fair reward for employee effort. Figure 4.6 showed the majority 73 (63.50%) of the respondents are rural area raised, therefore it may be deduced that incentive scheme is not a fair reward for employee effort.

Question 16: Management

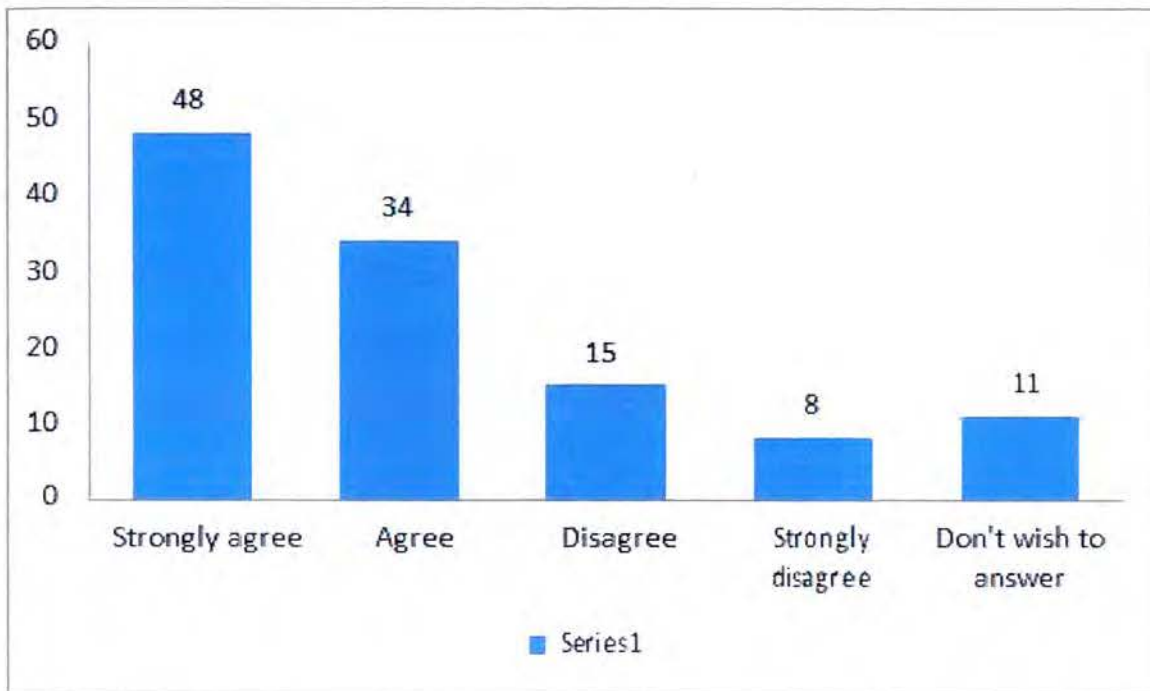


Figure 4.16 Management can afford to pay higher salaries because it can afford an incentive scheme

Results:

Significantly more than expected showed agreement; chi-square value = 50.810, df = 4; p-value < .0005. If we only look at those who were prepared to answer (i.e. ignore the 11 who didn't wish to answer), then significantly more strongly agree. There were 82 (70.70%) respondents who were of the view that management can afford to pay higher salaries because it can afford an incentive scheme. There were 15 (12.60%) respondents who disagreed, while there were 8 (6.90%) who strongly disagreed.

Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thereby increase levels of productivity (Bonner & Sprinkle, 2002:303).

Question 17: Strike-action

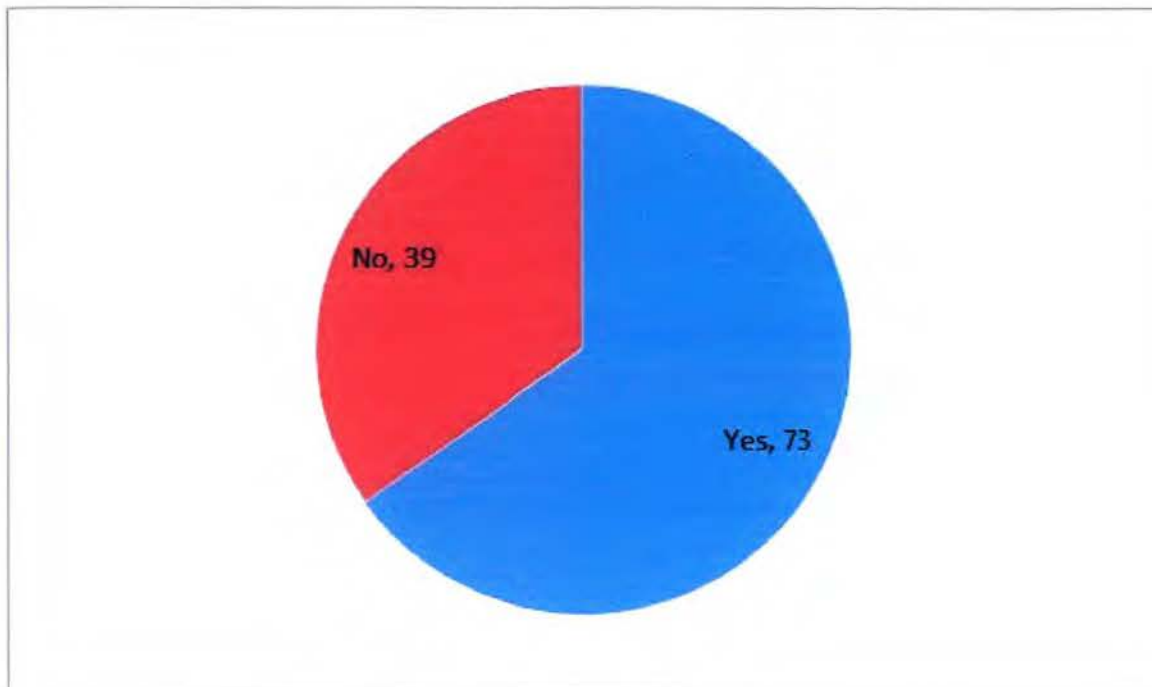


Figure 4.17 Strikes and go-slows as a result of the mistrust or misconception between the union and management

Results:

Significantly more than expected selected 'YES'; chi-square value = 10.321, df = 1; p-value=0.001. The majority of respondents 73 (65.2%) indicated that strikes and go-slows are the result of the mistrust or misconception between the union and management. There were 39 (34.8%) who indicated that strikes and go-slows are not the result of the mistrust or misconception between the union and management.

There has been union misconceptions over the use of incentive schemes, especially with regard to effort by workers (Bonner & Sprinkle, 2002:308) while objectives of management in mining companies have been to minimize costs, increase production and ensure profitability (Imbun, 2006:119). This has created mistrust between union and management. Strikes are largely the result of faulty negotiations (Crampton & Tracy, 2002:24).

Question 18: Unfair reward

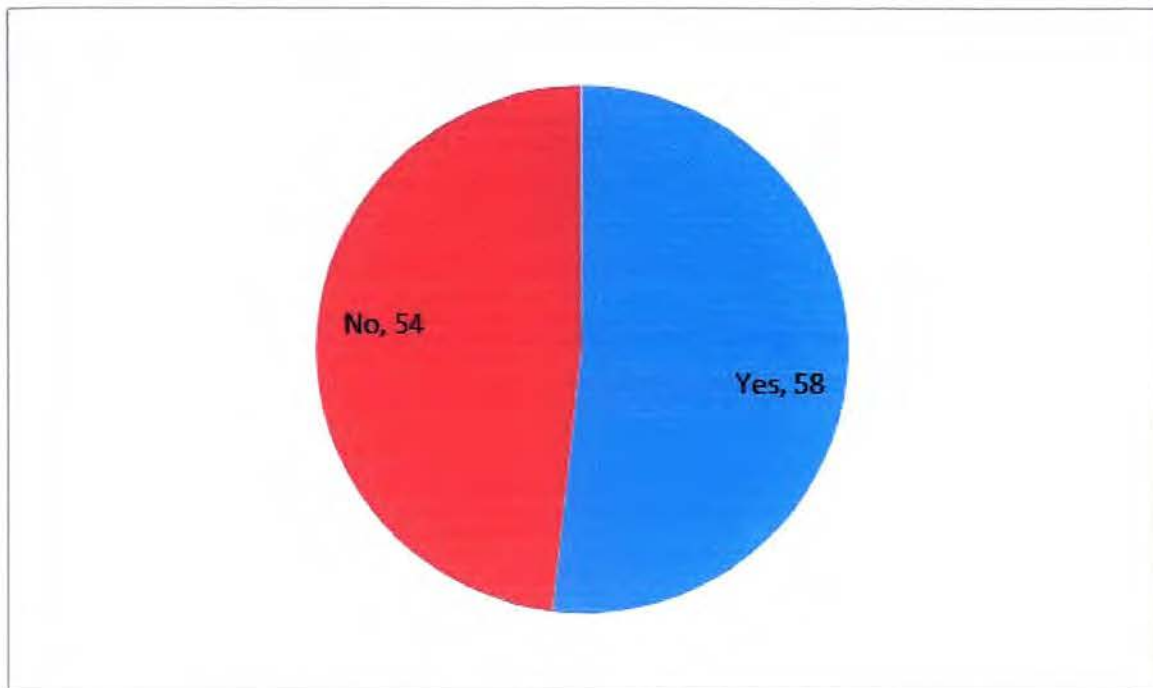


Figure 4.18 **Rewarded unfairly compared to other employees doing the same job**

Results:

There was no significant result for this question. The majority of the respondents 58 (51.80%) indicated that they were rewarded unfairly compared to other employees doing the same job. There were 54 (48.20%) respondents who indicated that they were not rewarded unfairly compared to other employees doing the same job.

Effort direction refers to the activity an individual decides to undertake, effort intensity refers to how hard an individual works on an activity and effort duration refers to the amount of time spent on an activity. Efforts directed toward current performance will lead to immediately improved performance. Incentives can motivate individuals to undertake the rewarded activity, and increase their intensity and duration in order to improve performance (Bonner & Sprinkle, 2002:307).

Question 19: Conditions of incentive scheme

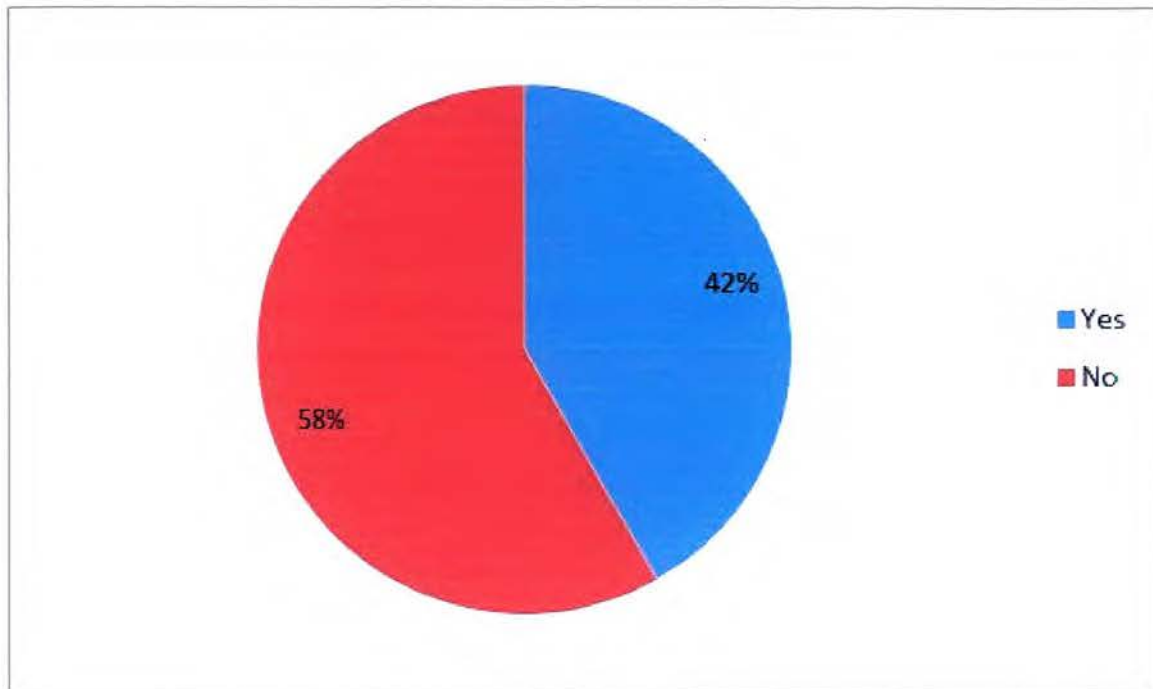


Figure 4.19 Understand the conditions of the incentive scheme currently offered by management

Results:

The majority of the respondents 67 (58.30%) indicated that they did not understand the conditions of the incentive scheme currently offered by management. There were 48 (40.30%) respondents who indicated that they understood the conditions of the incentive scheme currently offered by management. There were four responses that were missing. Invariably, it would be respondents within the segment containing subordinates who answer in the negative. It would be expected that respondents from this segment would have a good understanding of the conditions for the incentive schemes to be effectively implemented.

Question 20: Understanding

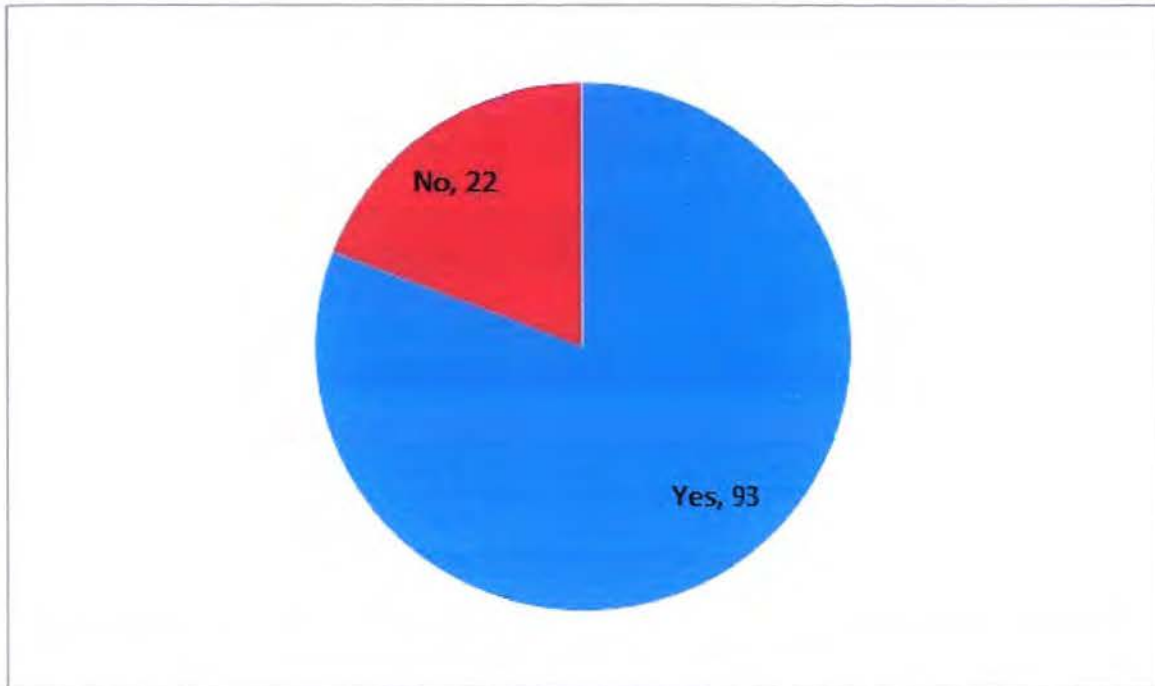


Figure 4.20 Lack of understanding of the incentive scheme lead to low productivity

Results:

Significantly more than expected selected _YES'; chi-square value = 43.835, df = 1; p-value<.0005. The majority of the respondents 93 (80.9%) indicated that they were of the opinion that lack of understanding of the incentive scheme lead to low productivity. There were 22 (19.10%) who indicated that lack of understanding of the incentive scheme would not lead to low productivity.

Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). In order to achieve its objectives, an organisation must motivate its employees towards achieving those objectives. This is referred to as goal congruence (Anthony & Govindarajan, 2004:45). Literature suggests that, for incentive schemes to be successful, affected individuals should be involved in the design of such incentives (Bonner & Sprinkle, 2002:316).

Question 21: Union failure

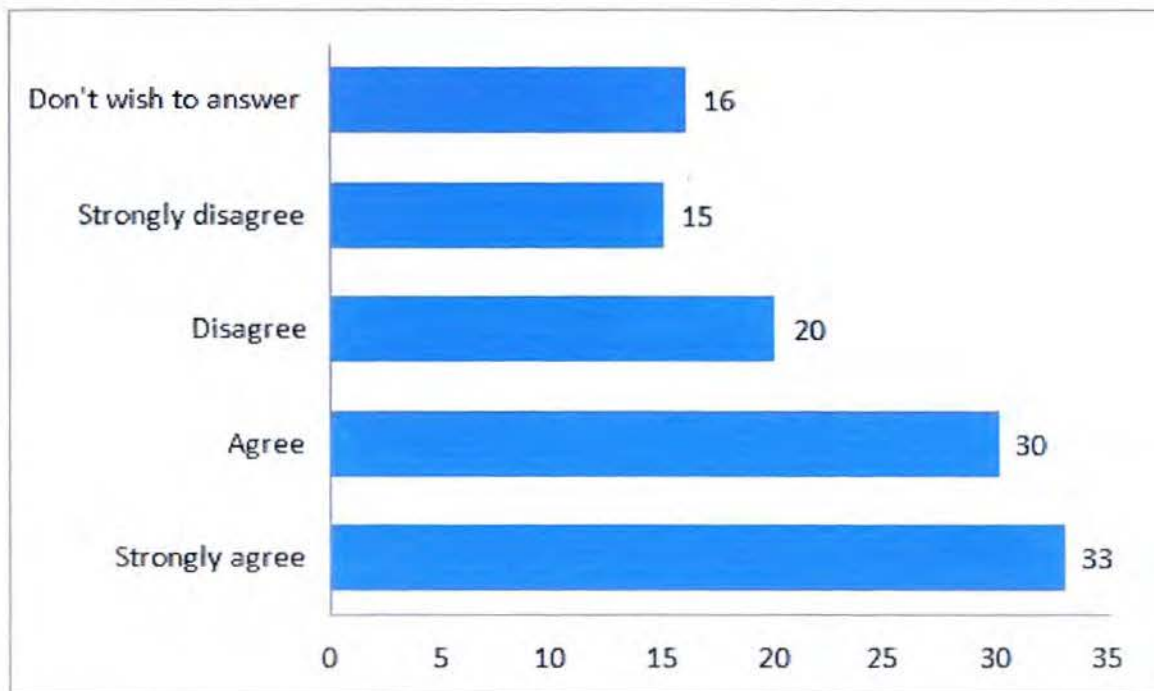


Figure 4.21 Union's failure to negotiate the incentives lead to low productivity

Results:

Of those who would answer the question: Significantly more than expected are in agreement; chi-square value = 8.694, df = 3; p-value = 0.034. There were 63 (53.26%) respondents who indicated union's failure to negotiate the incentives lead to low productivity, out of which 30 (26.32%) agreed and 33 (27.70%) strongly agreed. There were 35 (30.70%) respondents, who indicated union's failure to negotiate the incentives did not lead to low productivity, out of which 20 (17.54%) disagreed and 15 (13.16%) strongly disagreed.

Employees are motivated when provided with suitable remuneration and conditions of service (Knox *et al.*, 2004:63). Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thus increasing levels of productivity (Bonner & Sprinkle, 2002:303). The role of unions is vital for incentive schemes to operate effectively. Employees should have a say in the performance of the rewarded activity and should have the necessary decision making authority to make informed decisions (Bonner & Sprinkle, 2002:316).

Question 22 Can union collective bargaining increase levels of productivity?

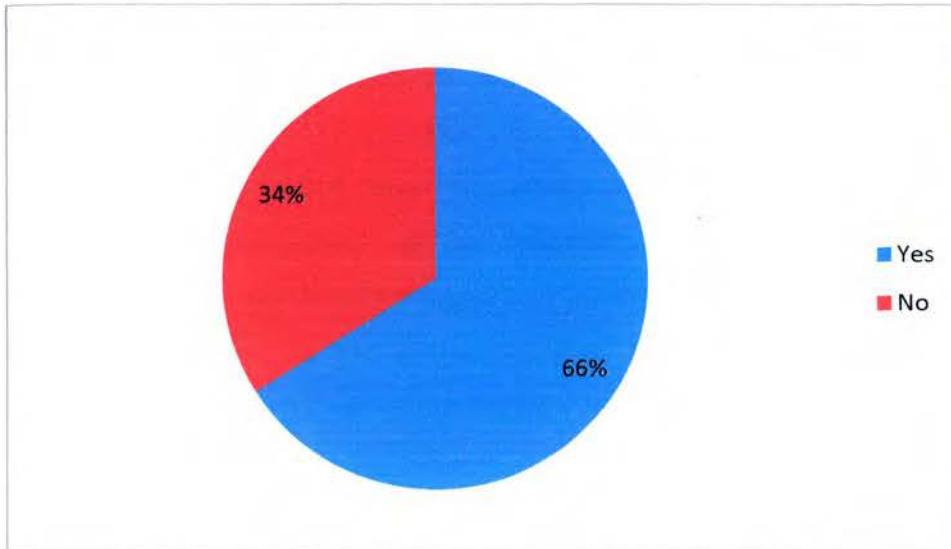


Figure 4.22 Can union collective bargaining increase levels of productivity?

Significantly more than expected selected “YES”; chi-square value=11.368, df=1; p-value=0.001. The majority of respondents numbering 75 (66%) said “YES” and 39 (34%) said “NO”.

Question 23: Collective bargaining

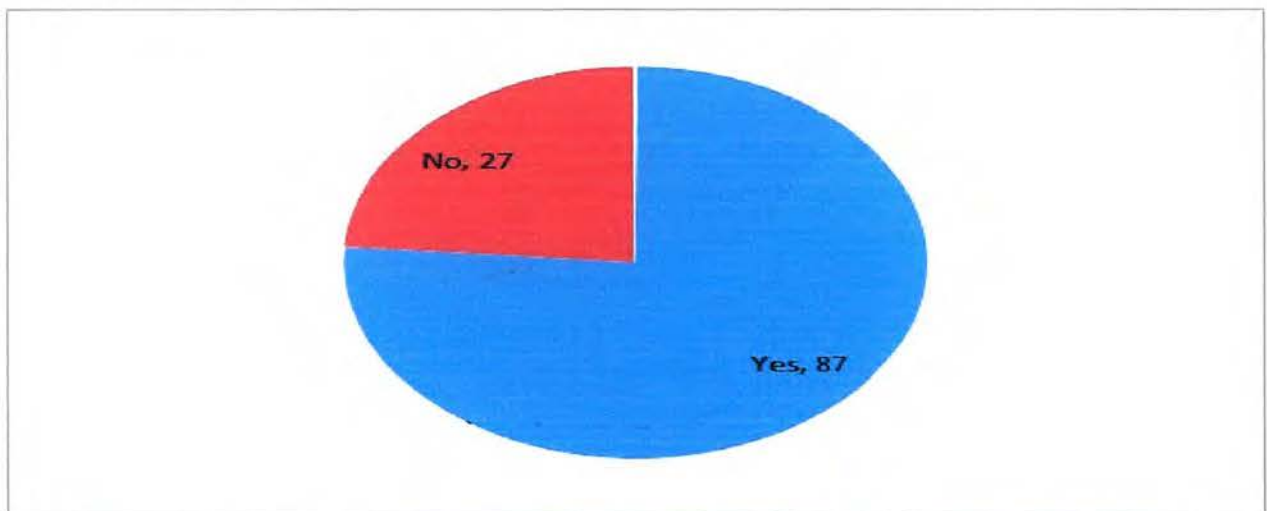


Figure 4.23 Lack of collective bargaining leads to employee demotivation

Results:

Significantly more than expected selected “YES”; chi-square value = 31.579, df = 1; p-

value<.0005. The majority of the respondents 87 (76.3%) indicated that lack of collective bargaining leads to employee demonization. There were 27 (23.7%) respondents who indicated lack of collective bargaining did not lead to employee demotivation. Incentives provide motivation for individuals to alter their effort, and this change in effort can affect the performance of rewarded tasks (Chu *et al.*, 2006:236). Without the ability and authority to influence the performance of the rewarded activity, individuals will lack motivation; consequently, incentives will not result in increased effort. If individuals are poorly informed their effort may be in the wrong direction; therefore, incentives will not result in goal congruence or improved performance (Colville *et al.*, 2006:3).

Question 24: Strikes

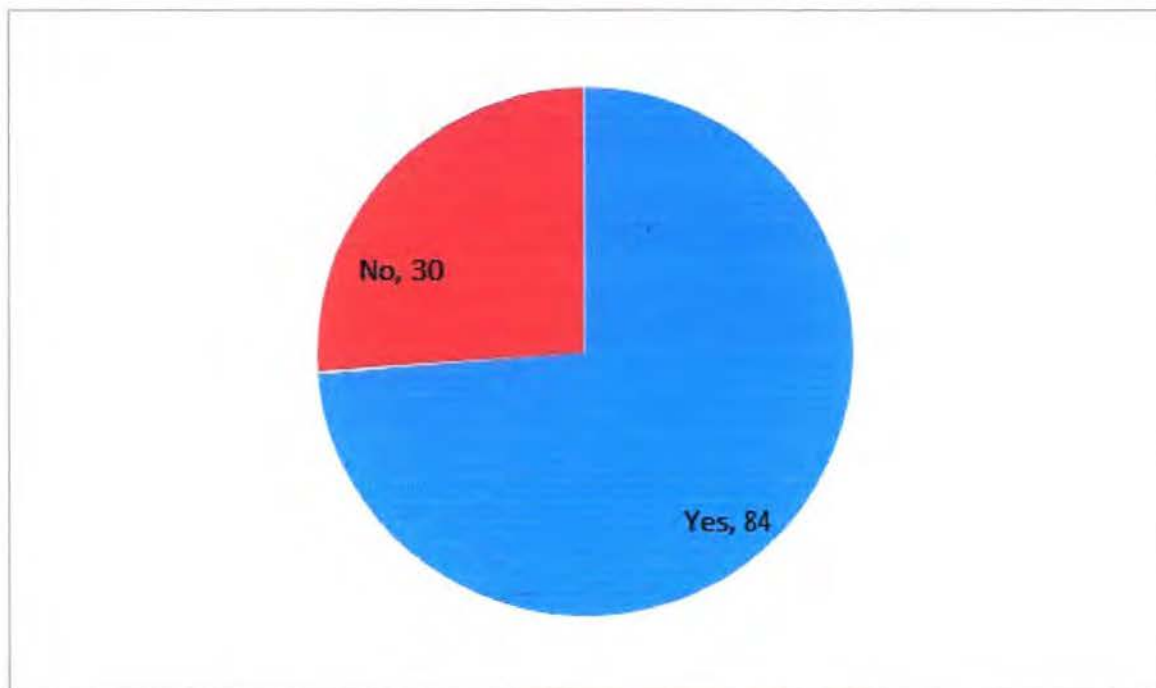


Figure 4.24 Failure of the union and management negotiations cause strikes and go-slows

Results:

Significantly more than expected selected 'YES'; chi-square value = 10.321, df = 1; p-value=0.001. The majority of respondents 73 (65.2%) indicated that strikes and go-slows are the result of the mistrust or misconception between the union and management. There were 39

(34.8%) who indicated that strikes and go-slows are not the result of the mistrust or misconception between the union and management. There has been union misconception over the use of incentive schemes, especially with regard to effort by workers (Bonner & Sprinkle, 2002:308) while objectives of management in mining companies have been to minimize costs, increase production and ensure profitability (Imbun, 2006:119). This has created mistrust between union and management. Strikes are largely the result of faulty negotiations (Crampton & Tracy, 2002:24).

Question 25: Absenteeism

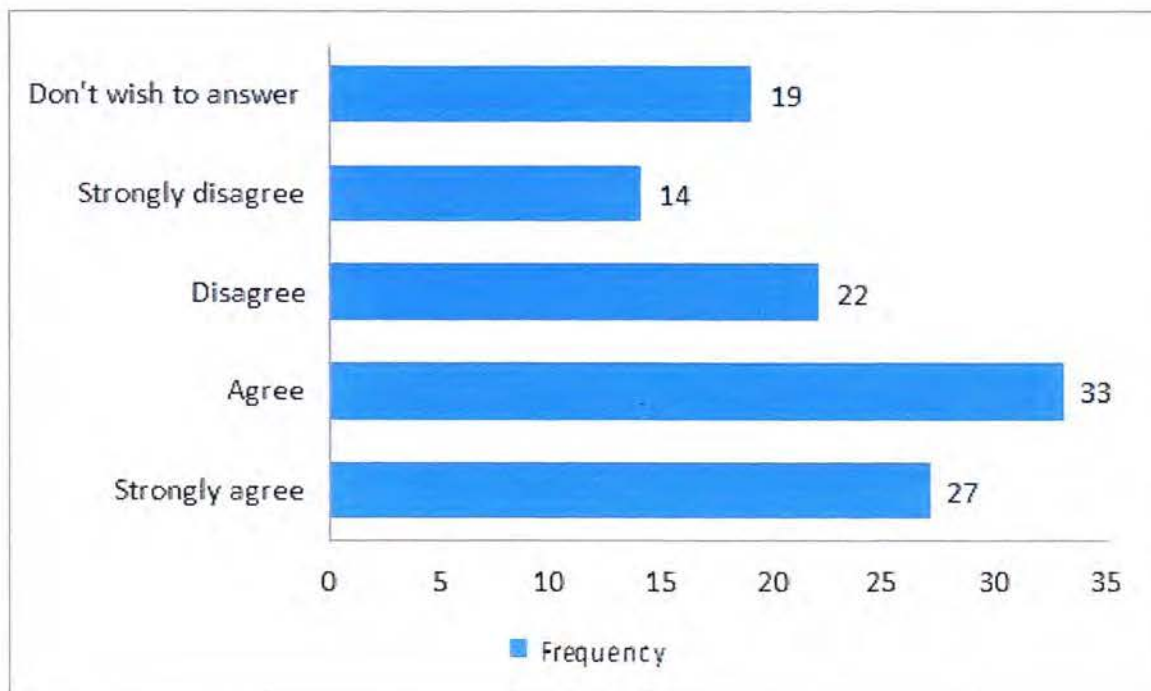


Figure 4.25 Strikes and go-slows contribute to employee absenteeism

Results:

Of those who would answer the question, significantly more than expected agree and sig fewer than expected strongly disagree; chi-square value = 8.083, df = 3; p-value = 0.044. There were 60 (52.17%) respondents who indicated strikes and go-slows contribute to employee absenteeism, out of which 33 (28.7%) agreed and 27 (23.50%) strongly agreed. There were 36 (31.30%) respondents, who indicated that strikes and go-slows did not contribute to employee absenteeism, out of which 22 (19.10%) disagreed and 14 (1.80%) strongly disagreed. Concerns over the incentive schemes have caused employee discontentment usually because they do not

understand what is happening. This has contributed to negative factors like employee demotivation, strike action, go-slows and increased absenteeism. The company has experienced low productivity as a result, which has affected profitability. Incentive schemes are meant to give suitable motivation for employees to improve output (Knox *et al.*, 2004:33).

4.5 CONCLUSION

The chapter provided results of the research using statistical methods. Figures, graphs and statistics have been used to give the results of the survey. The data has also been presented as part of the chapter.

From the data it can be seen that most of the respondents welcome incentive schemes. Furthermore, from the data it emerges that the majority of the respondents feel that if the unions are involved in the incentive schemes will also satisfy them. The majority of the respondents also do not understand the incentive scheme and traditionally in companies, unions have been used to communicate to employees who are members of the union. In this case, the involvement of the unions will enhance the understanding and communication of the scheme.

The following chapter looks at the recommendations arranged in the order of significance to different stakeholders. The aim has been to guarantee easy comprehension of the recommendations, and to add value to existing literature by identifying gaps where new and further research can be conducted.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

A study of the factors that are perceived to negatively affect employee satisfaction and productivity in the mining sector has not previously been conducted and therefore remains unknown.

The purpose of this study is to determine the challenges faced by the mining sector in respect to the implementation of incentive schemes and the extent to which this has affected employee satisfaction and productivity of the mining company.

This chapter consolidates the findings of the research, derived through analysis and interpretation of statistical data, which were discussed in the previous chapters. The research questions pertaining to the factors that are perceived to negatively affect employee satisfaction and productivity in the mining sector are also answered.

5.2 SUMMARY OF THE STUDY

Management of mining companies have always had a strong objective to minimize costs, increase production and ensure profitability. Such objectives have been the focal point of relations shared by management and employees (Imbun, 2006:119). Warr (2007:1) regards job satisfaction as one important dimension of an individual's happiness at work. Job satisfaction is one component of the work-related well-being that should be included in diagnostic studies of people's well-being in organisations (Buitendach & Rothmann, 2009:1). There has been an increase in the use of staff incentive schemes to motivate employees for higher productivity (McKim & Hughart, 2005:4).

The research was aimed at determining factors that are perceived to negatively affect employee satisfaction and productivity at Assmang Ltd., in respect of the implementation of incentive schemes and the extent to which this has affected employee satisfaction and productivity of the mining company.

The study revealed that most of the employees welcome incentive schemes. The involvement of

unions in the incentive schemes negotiations will also satisfy employees. The study, however, also revealed that the majority of the employees do not understand the incentive scheme traditionally implemented by management where unions have not been used to communicate to employees who are members of the union. In this case, the involvement of the unions will enhance the understanding and communication of the incentive scheme.

5.3 RESPONSE TO RESEARCH QUESTIONS

Is friction being faced among employees as a result of incentive schemes?

(Question 9)

The failure to negotiate incentive schemes with the union has resulted in friction and suspicion among employees. That is reflected in figure 4.9 (*Friction being faced among employees as a result of incentive schemes*) in terms of the responses to the questionnaire. Interestingly, the response also shows that management has a different view in terms of the same result and tends to disagree with the subordinates based on the responses in figure 4.10.

Are the incentives extended to inapplicable jobs?

(Question 10)

The result in terms of figure 4.10 (*Are the incentives extended to inapplicable jobs?*) the respondents do not think that the incentives are extended to inapplicable jobs. It is frequently suggested that incentives provide motivation for individuals to alter their effort, and these changes in effort affect the performance of rewarded tasks (Chu *et al.*, 2006:236).

Are employees happy with the incentive scheme offered by management to employees?

(Question 11)

Figure 4.11 (*Are employees happy with the incentive scheme offered by management to employees?*) shows that the majority of employees were not happy with the incentive scheme offered by management to employees. Employee satisfaction of incentive scheme offered by management to employees can be achieved by understanding the value placed on incentives by employee. Literature suggests that, for incentive schemes to be successful, affected individuals should be involved in the design of such incentives (Bonner & Sprinkle, 2002:316).

It is important for policy makers at place of work to judge the adequacy of pay and incentives in order to assess to what extent it contributes to the bad distribution, poor retention, and low motivation of workers (McCoy *et al.*, 2008:677). The poor level of union development undermines the industrial relations system's potential for dispute resolution and wage fixing (Imbun, 2002:6). Looking at Figure 4.13 *Are employees happy with the incentive scheme offered by management to employees: Position Cross-tabulation?*, The results prove that subordinates are the majority of those who responded that they were not happy with incentive scheme offered by management.

Should the union be involved in the negotiations of incentives given to employees and management?

(Question 12)

Figure 4.12 (*Should the union be involved in the negotiations of incentives given to employees and management?*) Indicated that the majority of employees are of the opinion that management can afford to pay higher salaries because it can afford an incentive scheme. Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thereby increase levels of productivity (Bonner & Sprinkle, 2002:303).

Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thereby increase levels of productivity (Bonner & Sprinkle, 2002:303).

Failure to understand conditions of incentives can contribute to frictions and low productivity. In order to achieve its objectives, an organisation must motivate its employees towards achieving those objectives. This is referred to as goal congruence (Anthony & Govindarajan, 2004:45). Literature suggests that, for incentive schemes to be successful, affected individuals should be involved in the design of such incentives (Bonner & Sprinkle, 2002:316).

Outcome of union negotiations with management always satisfying to employees?

(Question 13)

In terms of Figure 4.13(*Outcome of union negotiations with management always satisfying to employees*), the majority of respondents responded by saying “No”. From the results, it clearly shows that the respondents are not happy with what the union negotiates for them with management because of the above inflation pay-outs of incentive schemes which are higher than salary increases. Contingency theory suggests that both individual and organisational performance is affected by the fit between the incentive system, the individual and the organisational environment (Chu *et al.*, 2006:236).

Mistrust between the employee and management.

(Question 14)

The majority of respondents indicated in their responses that there was mistrust between the employee and management according to Figure 4.14 (*Mistrust between the employee and management*). It is important for policy makers at place of work to judge the adequacy of pay and incentives in order to assess to what extent it contributes to the bad distribution, poor retention, and low motivation of workers (McCoy *et al.*, 2008:677). The poor level of union development undermines the industrial relations system’s potential for dispute resolution and wage fixing (Imbun, 2002:6).

Incentive scheme a fair reward for employee effort?

(Question 15)

According to Figure 4.15(*Incentive scheme a fair reward for employee effort*), there was a balanced response to this question and there was no response which stood out. There was a conception that incentive schemes offer a fair reward for employee effort and more employees felt incentives schemes were a fair reward for employee effort. Traditionally, companies have offered their employers fixed salary contracts with small non-monetary incentives for good performance such as periodic awards, training opportunities, and public recognition. However,

there seems to have been a noticeable shift towards adopting formal staff incentive schemes to motivate employees (McKim & Hughart, 2005:12).

Management can afford to pay higher salaries because it can afford an incentive scheme.

(Question 16)

According to figure 4.16 the majority of respondents agreed that management could afford higher salaries. Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thereby increase levels of productivity (Bonner & Sprinkle, 2002:303).

Strikes and go-slows are the result of the mistrust or misconception between the union and management.

(Question 17)

There has been union misconception over the use of incentive schemes, especially with regard to effort by workers (Bonner & Sprinkle, 2002:308) while objectives of management in mining companies have been to minimize costs, increase production and ensure profitability (Imbun, 2006:119).

This has created mistrust between union and management. Strikes are largely the result of faulty negotiations (Crampton & Tracy, 2002:24). The results in Figure 4.17 show that a majority of employees feel that strikes and go-slows are the result of the mistrust or misconceptions between unions and management.

Concerns over the incentive schemes have caused employee discontentment usually because they do not understand what is happening. This has contributed to negative factors like employee demotivation, strike action, go-slows and increased absenteeism. The company has experienced low productivity as a result, which has affected profitability. Incentive schemes are meant to give suitable motivation for employees to improve output (Knox *et al.*, 2004:33).

Are you rewarded unfairly compared to the employees doing the same job?

(Question 18)

Figure 4.18 shows that without the ability and authority to influence the performance of the rewarded activity, individuals will lack motivation; consequently, incentives will not result in increased effort. If individuals are poorly informed their effort may be in the wrong direction; therefore, incentives will not result in goal congruence or improved performance (Colville *et al.*, 2006:3).

Do you understand the conditions of the incentive scheme currently offered by management?

(Question 19)

According to the responses in Figure 4.19(*Do you understand the conditions of the incentive scheme currently offered by management?*), shows that the majority of the respondents, indicated that they did not understand the conditions of the incentive scheme currently offered by management. Invariably, it would be respondents within the segment containing subordinates who would answer in the negative. It would be expected that respondents from this segment would have a good understanding of the conditions for the incentive schemes to be effectively implemented.

Can lack of understanding the incentive scheme lead to low productivity?

(Question 20)

According to responses in Figure 20, the majority of the respondents indicated that they were of the opinion that a lack of understanding of the incentive scheme led to low productivity. Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). In order to achieve its objectives, an organisation must motivate its employees towards achieving those objectives. This is referred to as goal congruence (Anthony & Govindarajan, 2004:45). Literature suggests that, for incentive schemes to be successful, affected individuals should be involved in the design of such incentives (Bonner & Sprinkle, 2002:316).

Does union's failure to negotiate the incentives lead to low productivity?

(Question 21)

Most of the respondents agree with the question in terms of Figure 4.21 (*Does union's failure to negotiate the incentives lead to low productivity*). It clearly shows that management should look at ways to accommodate the unions in the process of designing the incentive schemes. Employees are motivated when provided with suitable remuneration and conditions of service (Knox *et al.*, 2004:63). Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). To maintain this balance, management has opted to use incentive schemes. Incentives have the ability to drive effort, thereby increase levels of productivity (Bonner & Sprinkle, 2002:303). The role of unions is vital for incentive schemes to operate effectively. Employees should have a say in the performance of the rewarded activity and should have the necessary decision making authority to make informed decisions (Bonner & Sprinkle, 2002:316).

Can union collective bargaining increase levels of productivity?

(Question 22)

According to Figure 22, significantly more than expected selected "YES". Management teams in mining companies, like in any other business, aim to minimize costs, increase production and ensure profitability (Imbun, 2006:119). In order to achieve its objectives, an organisation must motivate its employees towards achieving those objectives. This is referred to as goal congruence (Anthony & Govindarajan, 2004:45). Literature suggests that, for incentive schemes to be successful, affected individuals should be involved in the design of such incentives (Bonner & Sprinkle, 2002:316).

Does lack of collective bargaining lead to employee de-motivation :

(Question 23)

According to Figure 4.23(*Does lack of collective bargaining lead to employee de-motivation?*), the lack of sound union involvement is responsible for undermining workers' welfare and benefits and therefore the entire operation of the industrial relations machinery (Imbun, 2006:136). The role of unions at place of work concerns employees with regard to negotiation for proper wages and conditions of working (Ndungu, 2008:9-10). Over and above union

participation in wage negotiations, there are other pertinent worker issues that need not be relegated (Ndungu, 2008:10). The majority of the respondents indicated that lack of collective bargaining leads to employee demotivation. Incentives provide motivation for individuals to alter their effort, and this change in effort can affect the performance of rewarded tasks (Chu *et al.*, 2006:236). Without the ability and authority to influence the performance of the rewarded activity, individuals will lack motivation; consequently, incentives will not result in increased effort. If individuals are poorly informed their effort may be in the wrong direction; therefore, incentives will not result in goal congruence or improved performance (Colville *et al.*, 2006:11).

Does failure of the union and management negotiations cause strikes and go-slows?
(Question 24)

According to Figure 24(*Does failure of the union and management negotiations cause strikes and go-slows*) the majority of the respondents stated that failure of the union and management negotiations cause strikes and go-slows.

Do strikes and go-slows contribute to employee absenteeism?

(Question 25)

According to Figure 4.25(*Do strikes and go-slows contribute to employee absenteeism?*)

The majority of respondents agree that strikes and go-slows contribute to employee absenteeism. Concerns over the incentive schemes have caused employee discontentment usually because they do not understand what is happening. This has contributed to negative factors like employee demotivation, strike action, go-slows and increased absenteeism. The company has experienced low productivity as a result, which has affected profitability. Incentive schemes are meant to give suitable motivation for employees to improve output (Knox *et al.*, 2004:33).

5.4 LIMITATIONS

The issue of the challenges in respect to the implementation of incentive schemes and the extent to which this has affected employee satisfaction and productivity has been limited to challenges faced by Assmang Ltd. This study has therefore only focused on Kathu, Northern Cape Province and the implementation of the incentive scheme in the mining company.

5.5 FUTURE RESEARCH

The researcher recommends further research in the following areas:

- Employee share ownership schemes (ESSOPS) are also becoming very popular in the mining industry. Research has to be conducted in that area to determine whether these schemes have an effect on productivity and employee satisfaction aimed at promoting employee retention.

5.6 CONCLUSION

The chapter discussed the purpose of the study. Each research question was discussed and highlighted followed by a discussion of the findings relating to the questions. The chapter discussed the limitations, ending with recommendations for future research.

The research has also shown that there exists a correlation between employee productivity and incentive schemes. Furthermore, it proved that trade union communication is very important as they have a sizeable membership which depends on communication from the trade unions. Therefore, it is quite important to involve the unions in designing and communication these schemes. Companies will have to decide whether such involvement will be consultation or negotiations with these trade unions.

The South African collective bargaining systems are based on majoritarianism and the trade unions are in the forefront of such a system. Trade unions bargain for wages and conditions of employment and these sometimes lead to big strikes when the parties deadlock. On the other hand, employers give above-inflation incentive payments after just having gone through big strikes led by unions for wage increases which are far lower than the incentive payments. It would be advisable for employers to involve unions in developing incentive schemes to mitigate the salary increases that the parties deadlock over with sometimes disastrous production and wage losses to employees when the employees embark on protected strikes over wage increases.

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ANNEXURE A

Performance Incentive Policy

 ASSMANG IRON ORE KHUMANI MINE	ASSMANG LIMITED	Revision No.: 3.0
	<i>Performance Management Incentive Scheme (PMIS) for All Employees Graded A to C Band)</i>	Next Revision Date: 2013/07/20
	Document No: PRO-Fin-G-BI-G-831	Effective Date: 2012/08/20

Performance Management Incentive Scheme (PMIS) for All Employees Graded A to C Band)

 ASSMANG IRON ORE KHUMANI MINE	ASSMANG LIMITED Performance Management Incentive Scheme (PMIS) for All Employees Graded A to C Band) Document No: PRO-Fin-G-BI-G-831	Revision No.: 3.0 Next Revision Date: 2013/07/20 Effective Date: 2012/08/20
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1. Purpose

The purpose of this procedure is to:

- Focus individual employees on improving their performance in those areas where they, as individuals and as members of a team, have the most positive impact on the company's results and to financially reward them commensurate with their and the company's performance.

Performance Management:

- Is a powerful driver of change, as reward and recognition are two of the most basic needs of people
- Is a reflection of the belief system and priorities of the leaders
- Rapidly impacts and converts into culture and becomes part of the "difficult to change" unspoken beliefs and practices of an organisation
- Must be used to reward positive / constructive behaviour and performance and to penalise negative behaviour and performance

2. Related Documents and Forms

2.1. Individual / Team Performance Contract

3. General

3.1. None

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4. Description of Procedure

4.1 The Scheme

The scheme will consist of two components mutually inclusive of each other:

4.1.1. Component 1 – Operation Performance Bonus.

This element is designed to reward employees should the operation achieve or exceed its stated performance targets for the financial year 01 July 2011 to 30 June 2012. Component 1 will count for 60% of the total bonus.

4.1.2. Component 2 – Individual / Team Performance Bonus.

This element is designed to reward individuals for their performance in the achievement of their personal objectives as agreed between themselves and their supervisors in terms of the scheme for the financial year 01 July 2011 to 30 June 2012. Component 2 will count for 40% of the total bonus.

4.2 Performance Management Administration System (PMAS)

4.2.1 Objective of the PMAS

To provide a mathematically based and transparent system that does not contain any hidden factors and allows indisputable results to be read directly off the incentive bonus charts.

4.2.2 Calculation Basis

Level	Operation performance – 60%			
	Cost per ton	+46 Mn Production)	Development meters	LTIFR
A to C Band	40%	20%	10%	30%

Level	Individual performance – 40%
A to C Band	Individual Modifiers

Cost per ton:

Definition: Cost per ton will include all operational / working costs including on target performance bonuses.

+46 Mn Production:

Definition: +46% Manganese production for the period 1 July 2011 to 30 June 2012

Development meters:

Definition: quantity of meters Developed for the period 1 July 2011 to 30 June 2012

LTIFR

Definition: Lost time injury frequency rate per 200 000 shifts

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4.2.3 Targets for – 2011/12

Bonus Parameters	Measure	A - C Band	Target for 2011/12
Cost per ton	R/Ton	40%	R 268.96
+46Mn production	Tonnes	20%	13 878 meters
Development meters	Meters	10%	1 753 192 t
LTIFR	Rate	30%	0.40
TOTAL		100%	



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4.2.4 Performance Scales 2011/12 Scheme

Incentive Bonus Scale for Assmang Operations.

Target =20% Cost per Ton			Target =20% Production			Target= 20% Development			Target=20% Individual & LTIFR		
Achieved			Achieved			Achieved			Achieved		
% Target	Tar get	Salary	% Target	Tar get	Salary	% Target	Tar get	Salary	% Target	Tar get	Salary
100.00%		20.00%	95.00%		0.00%	95.00%		0.00%	80.00%		5.00%
99.75%		20.33%	95.50%		2.00%	95.50%		2.00%	82.00%		6.50%
99.50%		20.67%	96.00%		4.00%	96.00%		4.00%	84.00%		8.00%
99.25%		21.00%	96.50%		6.00%	96.50%		6.00%	86.00%		9.50%
99.00%		21.33%	97.00%		8.00%	97.00%		8.00%	88.00%		11.00%
98.75%		21.67%	97.50%		10.00%	97.50%		10.00%	90.00%		12.50%
98.50%		22.00%	98.00%		12.00%	98.00%		12.00%	92.00%		14.00%
98.25%		22.33%	98.50%		14.00%	98.50%		14.00%	94.00%		15.50%
98.00%		22.67%	99.00%		16.00%	99.00%		16.00%	96.00%		17.00%
97.75%		23.00%	99.50%		18.00%	99.50%		18.00%	98.00%		18.50%
97.50%		23.33%	100.00%	Tar get	20.00%	100.00%	Tar get	20.00%	100.00%	Tar get	20.00%
97.25%		23.67%	100.08%		20.33%	100.08%		20.33%	101.00%		20.50%
97.00%		24.00%	100.17%		20.67%	100.17%		20.67%	102.00%		21.00%
96.75%		24.33%	100.25%		21.00%	100.25%		21.00%	103.00%		21.50%
96.50%		24.67%	100.33%		21.33%	100.33%		21.33%	104.00%		22.00%
96.25%		25.00%	100.42%		21.67%	100.42%		21.67%	105.00%		22.50%
96.00%		25.33%	100.50%		22.00%	100.50%		22.00%	106.00%		23.00%



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0%		%	50%		50%		00%	
95.7	25.67	100		100		107		
5%	%	58%	22.33%	58%	22.33%	00%	23.50%	
95.5	26.00	100		100		108		
0%	%	67%	22.67%	67%	22.67%	00%	24.00%	
95.2	26.33	100		100		109		
5%	%	75%	23.00%	75%	23.00%	00%	24.50%	
95.0	26.67	100		100		110		
0%	%	83%	23.33%	83%	23.33%	00%	25.00%	
94.7	27.00	100		100		111		
5%	%	92%	23.67%	92%	23.67%	00%	25.50%	
94.5	27.33	101		101		112		
0%	%	00%	24.00%	00%	24.00%	00%	26.00%	
94.2	27.67	101		101		113		
5%	%	08%	24.33%	08%	24.33%	00%	26.50%	
94.0	28.00	101		101		114		
0%	%	17%	24.67%	17%	24.67%	00%	27.00%	
93.7	28.33	101		101		115		
5%	%	25%	25.00%	25%	25.00%	00%	27.50%	
93.5	28.67	101		101		116		
0%	%	33%	25.33%	33%	25.33%	00%	28.00%	
93.2	29.00	101		101		117		
5%	%	42%	25.67%	42%	25.67%	00%	28.50%	
93.0	29.33	101		101		118		
0%	%	50%	26.00%	50%	26.00%	00%	29.00%	
92.7	29.67	101		101		119		
5%	%	58%	26.33%	58%	26.33%	00%	29.50%	
92.5	30.00	101		101		120		
0%	%	67%	26.67%	67%	26.67%	00%	30.00%	
92.2	30.33	101		101		121		
5%	%	75%	27.00%	75%	27.00%	00%	30.50%	
92.0	30.67	101		101		122		
0%	%	83%	27.33%	83%	27.33%	00%	31.00%	
91.7	31.00	101		101		123		
5%	%	92%	27.67%	92%	27.67%	00%	31.50%	
91.5	31.33	102		102		124		
0%	%	00%	28.00%	00%	28.00%	00%	32.00%	
91.2	31.67	102		102		125		
5%	%	08%	28.33%	08%	28.33%	00%	32.50%	
91.0	32.00	102		102		126		
0%	%	17%	28.67%	17%	28.67%	00%	33.00%	
90.7	32.33	102		102		127		
5%	%	25%	29.00%	25%	29.00%	00%	33.50%	
90.5	32.67	102		102		128		
0%	%	33%	29.33%	33%	29.33%	00%	34.00%	
90.2	33.00	102		102		129		
5%	%	42%	29.67%	42%	29.67%	00%	34.50%	



ASSMANG LIMITED

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90.0	33.33	102	30.00%	102	30.00%	130	35.00%
0%	%	50%		50%		00%	
89.7	33.67	102	30.33%	102	30.33%	131	35.50%
5%	%	58%		58%		00%	
89.5	34.00	102	30.67%	102	30.67%	132	36.00%
0%	%	67%		67%		00%	
89.2	34.33	102	31.00%	102	31.00%	133	36.50%
5%	%	75%		75%		00%	
89.0	34.67	102	31.33%	102	31.33%	134	37.00%
0%	%	83%		83%		00%	
88.7	35.00	102	31.67%	102	31.67%	135	37.50%
5%	%	92%		92%		00%	
88.5	35.33	103	32.00%	103	32.00%	136	38.00%
0%	%	00%		00%		00%	
88.2	35.67	103	32.33%	103	32.33%	137	38.50%
5%	%	08%		08%		00%	
88.0	36.00	103	32.67%	103	32.67%	138	39.00%
0%	%	17%		17%		00%	
87.7	36.33	103	33.00%	103	33.00%	139	39.50%
5%	%	25%		25%		00%	
87.5	36.67	103	33.33%	103	33.33%	140	40.00%
0%	%	33%		33%		00%	
87.2	37.00	103	33.67%	103	33.67%		
5%	%	42%		42%			
87.0	37.33	103	34.00%	103	34.00%		
0%	%	50%		50%			
86.7	37.67	103	34.33%	103	34.33%		
5%	%	58%		58%			
86.5	38.00	103	34.67%	103	34.67%		
0%	%	67%		67%			
86.2	38.33	103	35.00%	103	35.00%		
5%	%	75%		75%			
86.0	38.67	103	35.33%	103	35.33%		
0%	%	83%		83%			
85.7	39.00	103	35.67%	103	35.67%		
5%	%	92%		92%			
85.5	39.33	104	35.00%	104	36.00%		
0%	%	00%		00%			
85.2	39.67	104	35.33%	104	36.33%		
5%	%	08%		08%			
85.0	40.00	104	35.67%	104	36.67%		
0%	%	17%		17%			
84.7	40.33	104	37.00%	104	37.00%		
5%	%	25%		25%			
84.5	40.67	104	37.33%	104	37.33%		
0%	%	33%		33%			
84.2	41.00	104	37.67%	104	37.67%		

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5%		%	42%			42%		
84.0		41 33	104			104		
0%		%	50%		38 00%	50%		38 00%
83.7		41 67	104			104		
5%		%	58%		38 33%	58%		38 33%
83.5		42 00	104			104		
0%		%	67%		38 67%	67%		38 67%
83.2		42 33	104			104		
5%		%	75%		39 00%	75%		39 00%
83.0		42 67	104			104		
0%		%	83%		39 33%	83%		39 33%
82.7		43 00	104			104		
5%		%	92%		39 67%	92%		39 67%
82.5		43 33	105			105		
0%		%	00%		40 00%	00%		40 00%

4.2.5 Individual /Team Performance

The individual/team performance will be approved between the employee and the reporting manager in the form of a signed performance contract for that financial year.

All employees graded at the C4/C5 level must have an individual performance contract. The relevant HOD may however use their discretion and develop individual performance contracts for any other employee to further align the individual's goals with that of the company.

Each and every employee (A to C3) at Black Rock, Nchwaning II, Nchwaning III and Gloria will however have a team performance contract per department e.g. Engineering Fitter Team Surface, Mining Tramming Team, Stores Receiving Team, Stores Team, Plant U/G Engineering Team etc.

It is the responsibility of every HOD to ensure that each employee within his/her functional area have been allocated an individual/team performance contract.

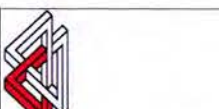
4.2.5.1 Methodology

4.2.5.1.1 Principle

Individual/team performance will be measured against selected objectives that are important to the individual's / team's contribution to the long term growth, competitiveness and sustainability of the company and does not necessarily reflect his / her normal duties.

Each objective must have:

- definition
- performance measure(s)
- weight allocation

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- target
- performance scale

The only exception and common modifier will be safety. This modifier will carry a minimum weight of 30% of the total weight of 100% that make up the individual modifiers.

Objectives and their weights will be reviewed annually at the start of the new financial year or as necessary.

4.2.5.1.2 Measurement Dimensions

- Each objective can have more than one measurement dimension, however it is recommended that no more than four measurement dimensions be used per objective
- These measurement dimensions are given a weight. Regardless of the number of measurement dimensions employed, the sum of the weights must be total 100. The weight reflects the importance of the measured dimension
- The weights may vary from job to job and person to person, as importance of each dimension will vary. **FOR EXAMPLE**, the following Dimensions and Weights could be applied:

<u>Dimension</u>	<u>Weight</u>
Quality of Output	40
Quantity of Output	20
Timeliness	40
	100

From the above it is clear that Quality and Timeliness are of paramount importance to this job. Resourcefulness, customer impact, added capabilities, work habits and team contribution are other examples of dimensions that can be used to measure performance.

- Each measurement must ideally be given a target and a performance scale to enable reliable scoring of the dimension. Some dimensions might be **subjective**; however these should be kept to a minimum.

4.2.5.1.3 Assessment

The individual's/team's output will be assessed by supervisor/self and a performance score will be agreed upon. Should there be a disagreement, this will be referred to the Human Resources Department.

The Performance Scores will be subject to review by the appropriate Manager and Human Resources Department. The major purpose of this review is to ensure that ratings across the Company are equitable.

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Assessment Period

Each individual will be assessed once every 6 months i.e. January and July each year. Also refer to note 4.6.

Assessment Score

Each dimension is scored according to the following scale:

1	2	3	4	5	6
Unacceptable Performance	Acceptable Performance	Achieved Targets	Marginally Exceeded Targets	Fundamentally Exceeded Targets	Outstanding

Individual / Team performance will be assessed against a 6-point scale where:

- 1 equals "unacceptable performance" and scores 60% performance
- 2 equals "acceptable performance" and scores 80% performance
- 3 equals "achieved targets" and scores 100% performance
- 4 equals "marginally exceeded targets" and scores 110% performance
- 5 equals "fundamentally exceeded targets" and scores 120% performance
- 6 equals "outstanding" and scores 140% performance

The assessment score is multiplied by the weight assigned to the specific objective / key performance area and the weight of the dimension to produce an overall score.

4.2.6 Frequency of Payment

4.2.6.1 Payment will be made annually in the month following the receipt of the audited annual results achieved by the company (September).

4.2.6.2 An employee that qualifies for an incentive bonus and that was in the employ of the company at the end (30 June) of that financial year will still receive his / her bonus even if that employee leaves the service of the company prior to bonus payment month (September).

4.2.6.3 The bonus to be paid must be approved by the Operations Committee.

4.2.6.4 The Operations Committee must approve, in writing, all payments of bonuses for CU (C4/5) Band employees after internal audit have audited the calculations.

4.2.6.5 Other payments to lower level employees must be approved by the Senior General Manager after internal audit of the calculations.

4.2.7 Penalties / Disqualifiers

Employees are reminded of the following rules that will result in them forfeiting all or part of their bonuses if transgressed:

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- 4.2.7.1 Employees who took part in any **strike** (protected or unprotected) would forfeit 100% of their bonus.
- 4.2.7.2 Employees who had one day **AWOP** for the year would forfeit 40% of their bonus, two days would forfeit 60% of their bonus and more than two days AWOP would result in a 100% penalty.
- 4.2.7.3 In the unfortunate event of a **fatal accident** the applicable team, business unit, department as determined by the Senior General Manager, will automatically be penalized by 10% of their final calculated bonus in respect of annual incentive scheme participants. In addition, the fatality penalty may at the discretion of the Senior General Manager be applied to all employees across the board. This penalty is calculated on the total final bonus and will include the applicable team's management structure including the Senior General Manager and his/her direct reports. Note that the safety modifier must be evaluated based on targets excluding considerations of fatal accidents and then, if there was a fatal accident the abovementioned is applied.
- 4.2.7.4 Employees that took **thirteen** to twenty days **sick leave** (including mine accidents) for the year would forfeit 15% of their bonus. This sick leave penalty would be subject to the discretion of the Senior General Manager based on merit and may even result in a 100% penalty. Any employee found guilty of abusing their sick leave could forfeit 100% of their bonus.
- 4.2.7.5 In addition to the above penalty, employees that have taken more than 20 days sick leave (including mine accidents) for the year will only qualify for a pro rata payment of their bonus. This additional sick leave penalty will be calculated as follows:
- 4.2.7.5.1 Number of days sick leave (>20 days) up to a maximum of 72 days (36 days for employees with less than one year service) divided by **72** days expressed as a percentage and
- 4.2.7.5.2 more than 72 days (36 days for employees with less than one year service) could forfeit 100% of incentive bonus
- 4.2.7.6 Employees that proceed on **maternity leave** during the year will still qualify for a pro rata payment of their incentive bonus. The maternity leave penalty will be calculated as follows:
- 4.2.7.6.1 Number of days on maternity leave up to a maximum of 88 days divided by 264 days (22 shifts x 12) expressed as a percentage and
- 4.2.7.6.2 more than 88 days would forfeit 100% of incentive bonus
- 4.2.7.7 Employees that took six to ten days **unpaid leave** for the year would forfeit 25% of their bonus, more than 10 days unpaid leave would forfeit 50% of their bonus. This would be subject to the discretion of the Senior General Manager based on merit and may even result in a 100% penalty.
- 4.2.7.8 A deduction, as determined by the Senior General Manager, will be made against the bonus of any employee (or team/work section) involved in **property damage** due to negligence and or not complying with company procedures.

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Management reserves the right to reconsider the payment of a bonus to any employee (or team/work section) involved in property damage **amounting to more than R20 000 due to negligence and or not complying with company procedures.**

It is not the intention of the property damage incentive penalty to recover the cost of property damage incurred, but to influence desired **behaviour** and to foster ownership.

The following guideline would be considered for the application of the property damage incentive penalty for employees (or team/work section) involved in **property damage** due to negligence and or not complying with company procedures:

1. First offence 5% of the employees (or team/work section) gross incentive bonus (before applying the normal sick leave, AWOP etc. penalties) up to a maximum of 50% of the actual incurred estimate of property damage.
2. Second offence 30% of the employees (or team/work section) gross incentive bonus (before applying the normal sick leave, AWOP etc. penalties) up to a maximum of 50% of the actual incurred estimate of property damage.
3. Third offence 100% of the employees (or team/work section) gross incentive bonus.

4.2.7.9

4.2.7.10 Any employee found guilty through an official enquiry of contravening any of Black Rock Mine's policies, procedures and/or instructions, or any applicable national, provincial or municipal legislation may be liable to a fine of maximum R2 000 per transgression, which will be deducted from the bonus of such an employee. This would be subject to the discretion of and annual review by the Senior General Manager.

The incentive scheme **is not a condition of employment** and was initiated by management. The scheme is **a non-guaranteed scheme** and management will review its existence annually during the business planning process.

4.2.8 Example of Calculation

An employee will be rewarded as follows against the Operation having achieved an on target cost score of 100 (on target) and the individual/team performance of 100.

Cost: 100% performance (on target) = **40% of 60% bonus**
20% of **40% of 60% of Package**

+46 Mn Production 100% performance (on target) = **20% of 60% bonus**
20% of **20% of 60% of Package**

Development meters: 100% performance (on target) = **10% of 60% bonus**
20% of **10% of 60% of Package**

LTIFR: 100% performance (on target) = **30% of 60% bonus**
20% of **30% of 60% of Package**

Individual Performance: 100% performance = **40% bonus**
20% of **40% of Package**



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Assuming an annual package of R100 000, the total bonus earned =

- i) 20% (40% of 60% of R100 000) = R4 800 Cost performance
 - ii) 20% (20% of 60% of R100 000) = R 2 400 Production performance
 - iii) 20% (10% of 60% of R100 000) = R 1 200 Development performance
 - iv) 20% (30% of 60% of R100 000) = R 3 600 LTIFR performance
 - v)
 - vi) 20% (40% of R100 000) = R 8 000 Individual performance
- TOTAL R20 000

4.2.9 Rules governing the Scheme

4.2.9.1 Payment of the Incentive Bonus

Payment will be made annually in the month following the receipt of the audited annual results achieved by the company.

4.2.9.2 The bonus to be paid must be approved by the Operations Committee or its nominee(s).

4.2.9.3 The scheme is only valid for the period as stated in the scheme.

4.2.9.4 The rater's supervisor must approve individual performance ratings.

4.2.9.5 The Human Resources Manager has a role to play in ensuring internal equity with regard to individual ratings.

4.2.9.6 Individual performance will be assessed bi-annually in January and July of the financial year. **The performance score of the final assessment in July will be regarded as the individual performance score for the year, unless it is practical to calculate an average score based on the bi-annual assessment.**

4.2.9.7 Employees new to the company must have **a minimum of 3 months service** in order to participate in the scheme. The bonus earned will be pro-rated according to the number of months worked during the assessment period.

4.2.9.8 If employment is terminated, except for death, retirement, transfer or retrenchment, the employee will not receive any bonus payments. In the case of death, retirement, transfer or retrenchment, a pro-rata bonus will be applied if such termination happened after three months of the new financial year.

4.2.9.9 The scheme is at the discretion of the company and may be altered or withdrawn at the end of the assessment period i.e. 01 July to 30 June of the financial year.

4.2.9.10 The individual performance/team review process will identify strengths and weaknesses and will serve to inform what development is required for individuals and possibly teams. The development and training programmes will thus be linked to this review.

4.2.9.11 An employee scoring less than 81% on individual/team performance does not qualify for a bonus regardless of company performance.

4.2.9.12 An employee scoring 81% or above on individual/team performance qualifies for a bonus regardless of company performance.

4.2.9.13 The final assessment score of the individual must first be agreed with the rater's superior before disclosure/discussion with the employee concerned.

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4.2.9.14 Should internal and/or external factors beyond the direct control of the individual impact negatively on the employee's ability to achieve his/her objectives, his/her supervisor, in agreement with the supervisor's superior, may sanction the payment of a bonus in respect of the remaining objectives which were not negatively affected by the internal/external factors.

4.2.9.15 When calculating the total bonus payment the employees' remuneration package as at 30 June of that financial year will be used in the calculation, except in the instance where the employee receive a promotion from one job grade to another. In the latter instance the bonus calculation will be done pro-rata.

ANNEXURE B

Questionnaire

VOLUNTARY QUESTIONNAIRE FOR MINING INDUSTRY EMPLOYEES
Factors perceived to affect employee satisfaction and productivity at a mine in the Northern Cape"

Graduate School Of Business and Government Leadership
North
Mafikeng Campus of the North-West University

Researcher: Anthony Maki
Supervisor: Prof Van Schalkwyk

Note to the respondent

- We need your help to understand the impact the incentive scheme in the mining industry.
- Although we would like you to help us, you do not have to take part in this survey.
- If you do not want to take part, just hand in the blank questionnaire at the end of the survey session.
- What you say in this questionnaire will remain private and confidential. No one will be able to trace your opinions back to you as a person.

The questionnaire has two parts:

Part 1 asks general personal particulars like your age, gender and home language.

Part 2 asks about specific questions related to the impact the incentive scheme at Assmang Limited.

How to complete the questionnaire

1. Please answer the questions as truthfully as you can. Please be sure to read and follow the directions for each part. If you do not follow the directions, it will make it harder for us to do our project.
2. We are only asking you about things that you feel comfortable telling us about. If you don't feel comfortable answering a question, you can indicate that you do not want to answer it. For those questions that you do answer, your responses will be kept confidential.
3. You can mark each response by making a tick or a cross, or encircling each appropriate response with a PEN (not a pencil), or by filling in the required words or numbers.

Thank you very much for filling in this questionnaire.

No.	PART 1: GENERAL PERSONAL PARTICULARS <i>Please tell us a little about yourself</i> Please mark only ONE option per question below.	PART 2: INCENTIVE SCHEME AT ASSMANG LIMITED
1.	I am: ☐ African ☐ Coloured ☐ Indian ☐ White ☐ a member of another ethnic group: ☐ I do not want to answer this question	9. Are there frictions being faced among employee a result of the incentive scheme? ☐ Yes ☐ No
2.	I am: ☐ Director ☐ Manager ☐ Supervisor ☐ Subordinate ☐ I do not want to answer this question	10. Are there incentives extended to inapplicable jobs? ☐ Yes ☐ No
3.	I have: ☐ a post graduate degree ☐ a degree ☐ diploma ☐ Matric ☐ I do not want to answer this question	11. Are the employees happy with the incentive scheme offered by management to employees? ☐ Yes ☐ No
4.	I am a: ☐ Female ☐ Male ☐ I do not want to answer this question	12. Should the union be involved in the negotiation of incentives given to employees by management? ☐ Yes ☐ No
5.	I am _____ years old. ☐ I do not want to answer this question	13. Is the outcome of union negotiations with management always satisfying to employees? ☐ Yes ☐ No
6.	I grew up: ☐ in South Africa ☐ Abroad ☐ I do not want to answer this question	14. Is there mistrust between the employees and management? ☐ Yes ☐ No
7.	I grew up in: ☐ a rural area ☐ an urban area ☐ I do not want to answer this question	15. Do you think the incentive scheme is a fair reward for employee effort? ☐ I strongly agree ☐ I agree ☐ I disagree ☐ I strongly disagree ☐ I do not want to answer this question
8.	How many years of service do you have in the company? ☐ 1-5 years ☐ 6-10 years ☐ 11-15 years ☐ More than 16 years	16. Do you feel that management can afford to pay higher salaries because it can afford an incentive scheme? ☐ I strongly agree ☐ I agree ☐ I disagree ☐ I strongly disagree ☐ I do not want to answer this question

17.	Are strikes and go-slows the result of the mistrust or misconception between the union and management? ☐ Yes ☐ No	22.	Can union collective bargaining increase levels of productivity? ☐ Yes ☐ No
18.	Do you think you are rewarded unfairly compared to other employees doing the same job? ☐ Yes ☐ No	23.	Does the lack of collective bargaining lead to employee demotivation? ☐ Yes ☐ No
19.	Do you understand the conditions of the incentive scheme currently offered by management? ☐ Yes ☐ No	24.	Does the failure of the union and management negotiations cause strikes and go-slows? ☐ Yes ☐ No
20.	Can lack of understanding of the incentive scheme lead to low productivity? ☐ Yes ☐ No	25.	Do strikes and go-slows contribute to employee absenteeism? ☐ I strongly agree ☐ I agree ☐ I disagree ☐ I strongly disagree ☐ I do not want to answer this question
21.	Does the union's failure to negotiate the incentives lead to low productivity? ☐ I strongly agree ☐ I agree ☐ I disagree ☐ I strongly disagree ☐ I do not want to answer this question		

ANNEXURE C

Minutes of the NUM and Management Meeting

**ASSMANG****IRON ORE****KHUMANI MINE**

ASSMANG LIMITED
REG.NO 1935/007343/06
A division of Assmang Limited

NUM Meeting:

Date: 10 January 2012 Venue: BRM Baord Room

POSTAL ADDRESS:
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KATHU
8446
SOUTH AFRICA

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FAX:
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COMPANY SECRETARY:
African Rainbow Minerals Ltd

	ITEM
A	Opening and Welcoming by Theunis van Schalkwyk
B	Discussion: Letter Dated 10 November, Request for Meeting
	Members present: T van Schalkwyk A Maki T Morakwi NG Gulekane IM Leawe JI Ngcobo M Paulsen D R Mahutsana DM Springbok
1	Apologies: E Monokentsi T Walters H van Zyl
2	Calendars: Calendars will be given out to all HOD and all Supervisors to know when releases is necessary. NUM can't provide us with dates for their year planning yet as they Head Office is still close, they will provide us with date as soon as the head office is open they also suggest we continue with the Calendar so that they wound slow down the process.
3	Fulltime Health and Safety Rep: The Union what's to know where the health and safety job title falls does it fall under Management or Union, where does this person report to, they also want to understand the position of the full time Health and Safety structure Mr Mahutsana stated that the issue was raised before and that they still waiting on Mr Monoketsi to get back to them on that matter. Mr. A Maki suggested that the matter be put on the agenda for the next meeting taking place between the three (3) operations
4	Pregnancy issues and NUM Women Structure to be fully recognised as per our contitution/Regognition Agreement: Mr. van Schalkwyk request that we split the two issues and discuss the NUM Women Structure to be fully recognized as per our constitution/Recognition Agreement on the 21th June Meeting. The Union raised their concern around the pregnant issues. Mrs. I leacwe raised her concern on why is it that only the Mine Doctor opinion is

	taken and not from a person own Doctor or Gynecologist? She also argues that it's not the Doctors driving on big Trucks but the pregnant women. Mr. Maki explain that the Pregnancy policy has been review by Head office and HOD on Khumani and that its state clearly that when the doctor say the Patient is fit to work than the employee must work. Mr. A Maki provides the Union with the Policy as requested. He then also explains that we gone implement a program for pregnant women to be move to a safer environment or computer classes and lighter duties. The Union requested an old and new copies be given to T Montoedi
5	Transformation: The union raised their concern around the Transformation on the Mine they want to know what the aspect is around Transformation, what the company mean with transformation; Mr. Mahutsana explains that what they trying to say is that transformation should not be in line with the current position but also in different skills. The Union also raised their concern around the Component A, they want's the Company to show how it works. Mr. A Maki explains that the Company has made a decision that each and every Person in Mining will have competent A and will be trained by the company.
6	Clarity on Bonus Penalties and calculation of (Percentages) Calculation of the Bonuses and how the incentive work: Mr. Maki explain that there a 20% on target bonus. The union complain that they have discussed the issue with the GM and he's response was he can't say how much it is and then sent a mail out Mine wide saying that we reach a 20%, How was that calculated? Mr. Maki explains how the Bonus target work. Union explains that they have to know the calculation of bonus targets cause of Member concern, so they can explain to their members is asked. Mr. Maki promise to speak to Finance Manager to Communicate with employee on how bonus calculation is done before bonuses are paid out.
7	Mining grading and we request grading policy Union what to know how the grading system work, Mr. Maki Explain there are different type of grading, and we using a Paterson Grading system B1 to Paterson Grading E. He also explains that a job can be upgraded or downgraded. Mr. Maki provides the Union with the Grading Policy as requested by them. The Union feels that only the C,E, D is the only ones who gets grading
8	I.R with regard to cases and other issues (NUM been undermined The Union raised their concern on the Rules and responsibility of the IR in the Company, MR. T van Schalkwyk refers them to the Standard Procedures of the IR in this Company. Mr. Maki explain, the procedures for IR: to give a service to the mine and its workers - To give advice regarding Hearings - Chairing Hearings - Advise Management in IR issues The Union complains that the IR's always chairing a Hearing and that there's not given enough time to prepare for cases. Mr. Schalkwyk explain that an IR can only chair a case if he/she does not have inside info on the case and that an IR officer is not allowed to discussed the case with someone else. The Union raised their concern on the fact that only an IR officer is always chairing a meeting. Mr. Maki explain that reason why only an IR officer is allow to chair a meeting is to avoid risk such as favors amongst workers, the union then suggested that we uses a supervisors from another department to chair the cases, supervisors that's not in the Department where the hearing is. Mr. Maki explain that

	if a hearing is at Grace than a Grace IR must chair it and if a hearing is at parson than a parsons IR must chair it, but he's gone get advice on that and get back to them. Union propose that than there should be an Extra Observer in the cases
9	Recruitment – Verification of school quifications Mr. Maki explain that there has been found, that there is people with false school qualification and that the company is busy investigating the matter and requesting from everyone who have provided the company with false qualification to come forward and rectify it, if found out there is people with false qualifications and did not come forward and identify themself, disciplinary procedures will be taken. The matter will be discussed at the next HOD meeting and if agreed, we will be sending out letter and Mass meeting mine wide to all employee to inform them about the issue. Mr. Mahutsana surprise that the Company does not have faith in its employee but also think it is very considerate of the Company to urge employees to do the right thing and come forward about false Qualifications given to the company coz will not be nice to see employee to get dismissed. All employees that come forward will be treated with confidentiality. Union suggest that they hold Mass meetings and Roadshow for the message to come more clearer to employee
10	Releases for Meetings: Mr. Maki raised his concern on the Releases for meetings, it's been note that employees left their work places early or leaves directly from home for meetings and go home strait after meetings. IR is only responsible for accommodating releases, unless your supervisor give you permission on a release you can go but if he/she did not then you not allow leaving work. The Union stated that it's gone be a problem for them because they can't have their members not attending meetings cause of problems with the supervisors. Mr. T van Schalkwyk suggest that when a supervisor don't approve a release a worker for some reason he/she must report it to IR, supervisor got authority but it must not be unreasonable withheld, the Union request that they must not make things difficult cause its gone cause problems cause they need their members to attend especially Management meetings. The Union also stated that they need their members early before the meeting so they can caucus before meetings with Management and also stated that they have certain days for releases and when a meeting is whit Management it's not deducted from given days for release. Mr. Maki explain that only 5 people was supposed to attend the meeting and the people who attend current meeting was not supposed to be here, Mr Mahutsa explain that their have ask Mr. Boniface to arrange for releases with Mr. Maki. Mr. Maki explain that was no written releases handed to him and that they will be consider as AWOP, Mr Mahutsana suggest if his follow member is AWOP then he must also be consider as AWOP. Mr Mahutsana explains that according to Mr. Boniface there was releases issue for today's meeting with Mr. Maki. Mr. Maki that stated he never approve any verbal or writing releases with Mr. Boniface and that all releases will be consider only in black and white Mr Maki than suggested they put everything on black and white and explain what happen with todays releases.
	Closing

*Closing of Meeting