

Effects on employment of non-compliance with labour legislation by business in the Fezile Dabi district

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Preface and Acknowledgement

To God for his amazing grace.

To my wife, Lelani: Without your support, motivation, understanding and hours of help with my Free State English, this journey would have been impossible. Thank you for your love each day. I love you very much.

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ABSTRACT

Small businesses are seen as the driving force behind most countries' economies, as 95% of the world's businesses may be categorised as small or medium enterprises. In South Africa's troubled economy, small business plays a vital role in job creation. It is thus important to understand the mechanisms involved in influencing small business with relation to job creation. In the past, much has been said about labour legislation and its effect on business and how stressful it can be for business to comply with labour legislation. The question needs to be asked if companies that comply with labour legislation employ more people, and whether there is an effect on their annual turnover emanating from this compliance or non-compliance. In this study this issue was addressed by the following research questions:

1. What is the current rate of employment of the businesses in the study population?
2. To what extent do businesses comply with labour legislation?
3. Is there a correlation between the constructs of compliance with labour legislation and the number of employees and annual turnover of the business?
4. Is there a difference between businesses with fewer employees and businesses with more employees regarding the constructs of labour legislation?
5. Is there a difference between the groups of businesses with a low annual turnover and the one with a high annual turnover regarding the constructs of labour legislation?

In the early chapters, a literary review was conducted in respect of the main topics in order to explain the theories more fully. The population for the study mainly comprised businesses that made use of business advice from SEDA in the Fezile Dabi district. A specific geographical area, namely the Fezile Dabi municipal district, was chosen. These businesses were invited to participate in a study by means of questionnaires which had been compiled with the aid of the literature review in this study, assistance of experts in the field, the researcher's own intuition and a statistician from the Statistical Consultation Services of the North-West University. The aim was to determine the rate of employment as well as the compliance rate of these businesses in respect of labour legislation. Since annual turnover plays a pivotal role in determining the size of the business, annual turnover was also considered. The data was collected with the assistance of an independent contractor acting as field worker and it was analysed with the help of a statistician.

The results of the study shows a strong positive relationship between the rate of employment and compliance with basic labour regulations as well as between the rate of employment and the annual turnover of the business. It was found that the smaller the business, the less compliance with labour legislation there are to be. It may be concluded that micro business and very small businesses are culprits when it comes to non-compliance with labour legislation. This has a definite effect on the rate of employment. Labour legislation is deemed to represent a barrier to employment.

Limitations of the study were acknowledged and examined. Financial constraints and the parameters of the mini-dissertation, reduced the study to questionnaires, although interviews could possibly have led to a better perception and understanding of the research questions. Labour legislation needs to become less constrictive and business managements need to comprehend all that is entailed so that they may be enabled to comply. Reasons for non-compliance with labour legislation need to be researched in greater detail. Labour laws need to be properly scrutinised and an effort needs to be made to determine whether they are still relevant in a post-apartheid South Africa. South Africa needs and deserves new jobs, not new laws.

The following keywords were applied: Non-compliance, micro business, labour legislation, Fezile Dabi, rate of employment, basic conditions of employment, labour relations act, registration, department of labour, maximum hours of work, minimum wages, rate of employment, turnover

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LIST OF ABBREVIATIONS

BCE	Basic conditions of employment act
DTI	Department of trade and industry
EXUR	Expanded unemployment rate
ILO	International Labour Organisation
LRA	Labour relations act
NDP	National Development plan
NEET	Not in employment, education or training
OFUR	Official unemployment rate
OHS	Occupational health and safety act
QLFS	Quarterly Labour Force Survey
R&D	Research and Development
SARS	South African Revenue Services
SEDA	Small enterprise development agency
STATSA	Statistics South Africa
UIF	Unemployment insurance fund

CHAPTER 1 NATURE AND SCOPE OF STUDY

1.1 INTRODUCTION

This study is aimed at assessing the current situation of the rate of compliance by businesses with labour legislation in South Africa. This rate of compliance will be measured against the rate of employment, in order to better understand the dynamics between the rate of compliance and the number of people employed by the specific businesses.

The study will determine whether there may be a difference in the rate of employment and if there is a difference in compliance with labour legislation. The current rate of employment needs to be determined as well as the degree to which businesses comply with labour legislation. The study will further examine whether there is an effect on the employment rate and annual turnover which can be linked to non-compliance with labour legislation in a given geographical area.

In this chapter, a contextual backdrop to the study will be presented, leading to a problem statement. The chapter represents an endeavours to clarify the research objectives and research methodology in order to find answers to the problems. The study is not without restrictions and these limitations will be highlighted in this chapter, which will culminate in a summary of the structure of the study with a brief description of the contents of each ensuing chapter.

1.2 BACKGROUND

At present, the South African economy is not performing as well as it should be and the economy is currently in a technical recession (van Zyl, 2018). Statistics South Africa (Stats SA, 2018) publishes a quarterly labour survey to collect data on the current trends in labour markets in South Africa from individuals between the ages of fifteen and 54 years of age. This is called the Quarterly Labour Force Survey (QLFS). According to Statistics South Africa, the rate of unemployment hovers around the 27% mark. Consequently, the rate of unemployment is unacceptably high.

It is a given that the economy requires job creation to grow. The one area where job creation can be driven is that of the small enterprise (Bureau for Economic Research [BER], 2016). For small businesses to create jobs, they do not need to be hampered by excessive red tape. It is with this background in mind that this researcher proposes to examine one of the possible hurdles of job creation in South Africa, namely labour regulations, and ask the question whether such labour legislation has any effect on job creation at all. Annual turnover is an integral part of small business and the researcher will also investigate the correlation between size of annual turnover of small business, and compliance with labour legislation.

1.3 PROBLEM STATEMENT

Compliance with labour legislation in South Africa is a contentious issue, and it is well known that in many firms labour legislation is deemed to be a barrier to the rate of employment. Although it might seem to be a logical procedure simply to comply with labour legislation, the reality is more complex. For some reason, firms do not appear to comply with all of the labour legislation prescribed, and are sometimes very selective in what they decide to comply with and what not to comply with (Pagura, 2012:45).

In a comprehensive study ascertaining the reasons for unemployment in a post-apartheid South Africa in the years 1995 to 2003 published in the Journal for African Economics in 2007, the role of strict labour market policies was identified as one of the driving forces behind the sharp rise in unemployment (Kingdon & Knight, 2007:813). Studies keep on confirming that harsh labour legislation has brought us to the position where we face alarmingly high unemployment in South Africa in (Avery, 2008:235). Available literature throughout the years substantiated this position and this observation was further reflected in a 2013 study (Bischoff, 2013:494) and again in 2016 by Seekings and Nattrass (2015). In his book 'South Africa can work', Fanus Rautenbach (2014) goes so far as to say that labour law causes unemployment.

There are many other reasons for non-compliance with labour legislation; one being policy uncertainty (Seekings & Nattrass, 2015) while another constitutes financial constraints (Rautenbach 2017). The purpose of this does not include research regarding various reasons for non-compliance, although this may present a topic for further research. The present paper represents an endeavour to measure the effects of non-compliance on a larger scale. The effect will be measured less on the businesses themselves more on the broader rate of employment in the geographical area of Fezile Dabi.

Small- and micro-businesses, also referred to as small business, play a critical role in an economy. These entities can be key drivers of economic growth, and eventual job creation (BER, 2016). It is therefore of paramount importance that these businesses receive the labour legislation framework necessary in order to support job creation. The question is whether this will make a difference to businesses' compliance rate with current labour regulations and whether this will affect the larger economy as a whole. Government recognised the importance of this segment of business activity and in 2014 a new Ministry of small business development was established.

The first issue addressed within this paper is the provision of a short definition on requirements for compliance. These are rules and regulations delineated in the Basic Conditions of Employment Act (75 of 1997) and the Labour relations Act (66 of 1995), as well as the sectorial determination and Occupational Health and Safety Act (85 of 1993). This legislation includes –

but is not limited to – registration with the department of labour for unemployment insurance and workmen's compensation, maximum number of hours of work, leave periods and minimum wages.

Currently minimum wages comprise the focal point. The current trend among government and labour organisations is that all sectors of society have to pay any worker a pre-determined minimum wage, irrespective of the scope or sector of the business within which it is operated. This minimum wage currently stands at R3 500 per month. Some exclusions for certain sectors such as domestic workers do exist. Labour legislation does not begin and end with minimum wages, however. Maximum hours of work, and the existence of a written service contract may also prove problematic (Bhorat, Kanbur & Mayet, 2013).

The impact of non-compliance with labour legislation in South Africa is a topic that is currently undergoing comprehensive research in this country. However, the research is largely centralised around certain sectors and among larger businesses with heavy emphasis on the agricultural sector (Bhorat, 2014:1407) and domestic workers (Yamada, 2012:42-44). These sectors have been targeted for research due to the fact that they employ large numbers of unskilled labour. Unskilled labour comprises some of the most vulnerable groups of people, since supply of unskilled labour outweighs demand. Ironically, it is these unprotected groups which require the most legal protection in order to obtain employment opportunities, which in the final analysis receive the lowest number of opportunities on account of this harsh legislation. Labour law in its current form, therefore, seems counter-productive and places the very people it sets out to protect at a disadvantage.

From the studies cited above, it is evident that a large percentage of businesses fails to comply with any form of labour legislation. The papers mentioned, moreover, reveal the negative effect of non-compliance on the rate of employment by each particular business (Bhorat, 2014:1407; Yamada, 2012:42-44). Impact of compliance with labour legislation by small-enterprises requires further research. This paper is intended to address certain questions in this field.

The studies mentioned above were conducted in the major centres of South Africa such as Johannesburg and Pretoria in Gauteng, while few studies exist which are focused on smaller towns such as those within the Fezile Dabi district. The Quarterly Labour Force Survey conducted in respect of the second quarter of 2018 by Stats SA reveals that the towns in the geographical area of the Free State experienced a negative employment rate. This may affect the overall findings.

Despite the threat of penalties, the perception prevails that small and micro–enterprises fail to adhere to certain current labour legislation and that the imposition of a national minimum wage will therefore not be effective, since these businesses may simply refrain from adhering to minimum wage determination. Currently, there is non-compliance with some less stringent legislation (Triana, García & Colella, 2010:817).

The question arises as to the kind of an impact non–compliance with labour legislation will have on employment rates and annual turnover, particularly among small and micro–businesses, and what the effect compliance or non–compliance is expected to have on the broader Fezile Dabi district.

To answer the question as to the possible effect, compliance with labour legislation needs to be measured first. From this, the answer will be derived concerning the effect of the employment rate in the case of non-compliance. The question is four–fold:

- Do businesses which comply, employ more staff than those which fail to comply?
- Are businesses reluctant to employ people on account of the fact that they have to comply with labour legislation?
- Will it make a significant difference in the employment rate of businesses whether or not business owners comply with labour legislation?
- What influence will compliance have upon the annual turnover of the business?

Answering these questions may not only prove to be of paramount importance to labour markets in this district but also be helpful to various organisations as well as local and national government in strategizing for the future.

This dissertation does not represent an attempt to examine the merits of any labour matters such as minimum wage, as this may lead to a vast number of questions and issues beyond the scope of this study. The socio–economic, political and historical discriminatory aspects of labour concerns in South Africa may lead to various research topics and do not form the purpose of this dissertation. Some recommendations for future studies based on its findings will be made in this paper as part of an investigation into a better understanding of the subject. These recommendations may include an exploration of the merits of certain labour legislation and practices.

A further question which immediately arises from the problem statement is: If businesses do not comply, what are their reasons? This may lead to new research topics, which also fall outside the scope of this paper.

If the hypotheses are correct and businesses that fail to comply yield a lower rate of employment, government may need to enquire into the reasons why businesses do not wish to comply with current legislation. The answers may in turn lead to better job creation. In an economy which lacks significant growth, this may become a driver for sustainable economic growth.

1.4 EXPECTED CONTRIBUTION OF THE STUDY

1.4.1 The Small Business

Internationally, the importance of the small enterprises in the formal as well as informal sector is acknowledged. Small and medium enterprises are responsible for 95% of the world's employment (Tshilidzi & Nenzhelele, 2015). Defining these small enterprises is a challenging task. Every country has its own definition. To complicate matters even further, every organisation dealing with small enterprises, such as banks and developing agencies, arrives at its own definitions of small businesses. There is no single, uniformly accepted, definition of a small or micro or medium firm (Zaridis, 2014).

The definition of small enterprise in South Africa is generally accepted as a business with fewer than fifty employees and an annual turnover of below ten million rand per annum (Abir & Quartey, 2010). For the purposes of this study, the definition will further include businesses in both formal and informal economic sectors of a specific geographical area. Both formal and informal sectors of the Fezile Dabi geographical district will be targeted in this study.

As stated, small business drives the economy and job creation in South Africa (BER, 2016). The decision whether or not to comply with labour legislation may influence the number of staff a business unit will employ. This resolution can be extremely valuable during the course of advance planning and in the formulation of balanced business decisions based on all the data provided. The decision to expand the business may be made depending on the ability of the owner to employ more staff.

1.4.2 Fezile Dabi district

The findings of this paper are intended to assist the authorities in creating sustainable legislation which may lead to job creation inside a given geographical area. This geographical area is the Fezile Dabi district. Without any understanding of the rationale of small business owners, government cannot introduce effective legislation with the ability to influence business sector decisions.

1.4.3 Literature

In this paper, not every single vagary of this topic will be covered. The study comprises too vast a field to cover in its entirety without abundant research. Due to the fact that this field is so broad, the paper may, however, prove to be of assistance in broadening the scope of future research.

1.5 RESEARCH OBJECTIVES

The research objectives are divided into:

- primary objectives,
- secondary objectives.

1.5.1 PRIMARY OBJECTIVES

The primary objective of this research is to determine whether there is an effect on the employment rate and annual turnover which may be linked to non-compliance with labour legislation in a given geographical area.

1.5.2 SECONDARY OBJECTIVES

The secondary objectives of this research are:

- Determining the current rate of employment,
- Determining to what degree the businesses comply with labour legislation,

1.6 RESEARCH QUESTIONS

In the light of 1.5.1 and 1.5.2, the following research questions will be answered:

1. What is the current rate of employment of the study population?
2. To which degree do businesses comply with labour legislation?
3. Is there a correlation (i.e. linear relationship) between the constructs of complying with labour legislation and the number of employees and annual turnover of the business?
4. Is there a difference between businesses with fewer than or equal to, ten employees and businesses with more than ten employees regarding the constructs of labour legislation?
5. Is there a difference in the group of businesses with a low annual turnover and those with a high annual turnover regarding the constructs of labour legislation?

1.7 RESEARCH DESIGN

1.7.1 Research approach

This paper will represent a quantitative research one because a comprehensive number of people will be asked in a structured way through the medium of questionnaires, hard facts that can be structured into reliable statistical results. There will be deductive, empirical testing of the theory (Bryman, 2012:78-79).

The study population will comprise small- and micro-businesses inside the confines of the Fezile Dabi district in the Northern Free State. The study will be specifically focused on small- and micro-business in a specific district, namely the district of Fezile Dabi. The following towns are found within the confines of the Fezile Dabi district: Cornelia, Deneysville, Edenville, Frankfort, Heilbron, Kragbron, Koppies, Kroonstad, Oranjeville, Parys, Renovaal, Sasolburg, Steynsrus, Tweeling, Viljoenskroon, Vierfontein, Villiers, and Vredefort. The main economic sectors of this region are listed in Table 1.1 (below).

1.8 RESEARCH METHOD

1.8.1 Literature review

In phase 1, a complete review in respect of the current rate of employment will be conducted. The sources to be consulted include:

- Journals;
- Internet;
- Books;
- Statistics SA;
- Department of Labour;
- Small business enterprise development agencies data base.

The following key words were applied through a Boolean search strategy: non-compliance, micro-business, labour legislation, Fezile Dabi, rate of employment, basic conditions of employment, labour relations act, registration, department of labour, maximum hours of work, minimum wages, occupational health and safety act, SEDA.

1.8.2 Research participants

This study will be conducted with the assistance of the Small Enterprise Development Agency (SEDA) in the Fezile Dabi district. The data bases of SEDA in their Kroonstad and Sasolburg offices will be used. These business units are responsible for business development in the Fezile

Dabi district municipality and are well equipped to work with, and understand, small- and micro-businesses. Businesses that have made use of SEDA for business advice over the last two years and form part of SEDA's current data base will be targeted. The questionnaires will be completed with the help of SEDA business advisors. Businesses outside of the SEDA network but still operating within the Fezile Dabi municipal district, may also be focused on in order to complete the questionnaires. These businesses will be targeted in an effort to understand to what extent they comply with relevant legislation.

1.8.3 Research procedure

Data for this study will be collected with the use of a self-compiled questionnaire. The data will be captured and analysed by the subject group statistics, statistical consultation services of the North-West University, using Statistical Analysis System (SAS) (SAS Institute, 2005). The data base of SEDA for the Kroonstad as well as Sasolburg branches will be utilised with the permission of the branch manager. Participants will be selected from businesses that made use of SEDA in Kroonstad and Sasolburg for business advice over the past two years. The participants will be telephonically contacted by SEDA in order to be informed about the survey and for their consent to be obtained to participate in the study. A second telephone call will be made and the questionnaires will be completed with the assistance of a contracted service provider who will have been trained by the researcher regarding the process of questionnaire completion.

1.8.4 Statistical analysis

This study will make use of the services of a consultant to analyse the data. To guarantee that the samples are satisfactory, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy will be used. The Kaiser-Meyer-Olkin specifies a table of the amount of variance among the variables that might constitute a common variance (Darlington, 2005:58).

Exploratory factor analysis will be employed and only factor loadings of 0.4 and higher will be used to confirm findings (Field, 2007:668). Cronbach alpha will be utilised to analyse the reliability of each of the influences in the model. The reliability is considered to be acceptable when the alpha coefficient is equal to, or exceeds 0.70 (Field, 2007:668). Multiple regression analysis may be used in order to determine to what extent adherence (or lack thereof) to labour law predicts the rate of employment or unemployment.

1.8.5 Ethical considerations

It needs to be mentioned that due to non-compliance with legislation, some of these small businesses may be liable for prosecution in respect of certain aspects. For this reason the following considerations are important:

- Written consent will be obtained from all the participants in the research before the study by means of a detailed consent form.
- Confidentiality of all the research data is guaranteed through anonymous questionnaires. Participants will not enter either their name or that of their business on the questionnaire, thus rendering the tracing of data back to a specific participant impossible.
- All communication will be conducted with sincerity and transparency.
- Scrupulous avoidance of misleading information or biased findings will be ensured.
- Appropriate non-offensive and non-discriminating language will be used.
- Only voluntary participants will be used.
- Acknowledgment of authors' works will be made by means of the Harvard referencing method.
- Objectivity will be maintained at all times.
- Contracted service provider will be well trained by the researcher regarding their dealings with the participants.

1.9 LIMITATIONS

This dissertation is not without limitations. The possibility exists that respondents may be self-biased. They might experience subjectivity or suspicion during completion of a questionnaire. The respondents might fear guilt of offence and this might affect their answers. They might experience anxiety lest questionnaire completion may focus negative official attention on their business with the risk of prosecution or penalties.

It may be posited that interviews as measuring instrument could have yielded better results. However, interviews are not possible due to both resource restrictions and the purpose of the study. Limitations may be overcome by:

- correct formulation of the questions;
- correct understanding of the consent;
- understanding of the purpose of the study:
 - Participants need to understand that the purpose of the study is to gather data from numerous businesses in a large geographical area, as opposed to specific focus on an individual person or business.

The risk also exists that not enough participants may consent to participate in the study and thus render the study worthless. Care needs to be taken during the process of accurate data collection to collect data from the greatest possible number of participants.

1.10 CHAPTER DIVISION

The chapters in this dissertation will be presented as follows:

CHAPTER 1: NATURE AND SCOPE OF THE STUDY

As already discussed, this chapter provides an introduction and a pathway through the research. It outlines the research methodology. The research question is asked and the appropriate research design is selected. Furthermore, ethical considerations and limitations of the research are dealt with in this chapter.

CHAPTER 2: LITERATURE REVIEW

A literature review is conducted in order to arrange for a critical and analytical synthesis of the currently available literature on non-compliance with labour legislation and rules and the effect on the rate of employment this non-compliance will have.

CHAPTER 3: EMPIRICAL STUDY

In this chapter, the objectives of the study are addressed and the actual research done is detailed. The ultimate step will be to provide a valuation of the current position on non-compliance with labour legislation and the effect on employment figures and annual turnover.

CHAPTER 4: CONCLUSIONS AND RECOMMENDATIONS

This chapter contains the conclusion of the research. It is divided into two main portions; the evaluation part of the study in which the findings will be evaluated, and the latter portion of the chapter which represents an endeavour to make certain recommendations which will – it is hoped – prove of assistance in the understanding of non-compliance with legislation and the effect thereof on employment.

BIBLIOGRAPHY

ANNEXURES

1.11 CHAPTER SUMMARY

In chapter one of this paper, the reader is provided with a problem statement derived from the literature study. Background is provided on the problem, which was divided into primary and

secondary objectives, as well as into research questions. These questions and objectives lead to the determination of a research methodology.

The methodology is divided into an empirical review and a study in respect of the results. The empirical study comprises the research design which includes the participants as well as the measuring instruments and statistical analysis. The research procedure to be followed is laid out. The ethical considerations are dealt with in-depth before the chapter is concluded with an account of limitations in the research as well as the chapter divisions.

CHAPTER 2 LITERATURE REVIEW

2.1 INTRODUCTION

The structure of labour market policy and legislation is frequently focused on achieving a balance between preventing employer exploitation by guaranteeing basic rights and avoiding loss of productivity or employment through excessive regulation (Nataraj, Perez-Arce, Srinivasan & Kumar, 2012:6). Achieving this balance may seem problematic, with unionised employees versus profit-orientated employers, both with differing visions. Striking a balance is indicated. With this in mind, it is clear that although labour policy and legislation are important, they need not hamper employment opportunities or halt economic growth. It is necessary to find the tipping point where labour policy and legislation are hampering employment.

This chapter will conduct an enquiry into the current labour legislation landscape in South Africa. It needs to be established as to which legislation businesses need to adhere as well as the consciousness of non-compliance with this legislation. The non-compliance with minimum wage is well researched and this factor will be examined more broadly in order to provide a better understanding of the approach of small- and micro–enterprises to labour legislation.

There have been a vast number of papers written in which the impacts of labour regulation on employment in developing countries are examined. In a paper written by Boeri, Helppie and Macis (2008), the effects of minimum wages, mandated benefits, dismissal costs, and unemployment insurance were measured against the rate of employment. It was found that the indication whether there is an impact on employment tends to be questionable. Minimum wage as a stand-alone factor stands out as a barrier in the specifically poorer employment prospects for certain groups of people (Strauss, Isaacs & Capaldo, 2017).

2.2 THE SMALL BUSINESS

The small business is the engine room of the South African economy (BER, 2016). In 2015 South Africa boasted 2 260 096 small and medium businesses (Stats SA, 2016). This is significant when it is taken into consideration that only 3.1% of businesses in South Africa can be classified as large businesses (QLFS). Small businesses include formally registered family enterprises that employ a vast number of people as well as informal micro-enterprises in which self-employed people from the poorest of societies are included. These businesses can include street vending or backyard manufacturing as well as formal business in upmarket shopping centres (BER, 2016).

As seen in the table below, Gauteng province accounts for the majority of small- and medium-businesses in South Africa. The province under scrutiny in this dissertation, the Free State, has the second-lowest number of small businesses in South Africa. It is thus of paramount importance that the small businesses in the Free State receive the necessary legal framework to survive.

Table 2.1 Number of small and medium enterprises per province (BER, 2016)

Province	Number of SMMEs
Western Cape	200 448
Eastern Cape	261 435
Northern Cape	18 823
Free State	132 167
Kwa Zulu Natal	394 599
Northern West	155 698
Gauteng	676 831
Mpumalanga	155 732
Limpopo	264 363
Total	2 260 096

2.2.1 Definition of a small business

As seen in chapter one of this study, it is problematic to define the small business. The definition for small enterprises in South Africa is generally accepted as a business with fewer than fifty employees and with a turnover of below ten million rand per annum (BER, 2016). Formal definitions for small businesses also exist and it is worth mentioning these definitions. The National Small Business Act (102 of 1996) has an extensive list of different definitions based on the specific industry in which the business operates, the number of paid employees, the total turnover and the total gross asset value. The act breaks businesses into classifications of medium, small, very small and micro. Section 1 of the act defines a small business as follows:

"small business" means a separate and distinct business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or sub-sector of the economy mentioned in column 1 of the schedule and which can be classified as a micro-, a very small, a small or a medium enterprise by satisfying the criteria mentioned in columns 3, 4 and 5 of the schedule opposite the smallest relevant size or class as mentioned in column 2 of the schedule;

Table 2.2 Schedule of the small business act (National Small Business Act [102 of 1996])

Sector or sub-sectors in accordance with the Standard Industrial classification	Size or class	Total full time equivalent of paid employees	Total annual turnover	Total gross asset value (fixed property excluded)
		<i>Less than</i>	<i>Less than</i>	<i>Less than</i>
Column 1	Column 2	Column 3	Column 4	Column 5
Agriculture	Medium	100	R5.00m	R5.00m
	Small	50	R3.00m	R3.00m
	Very Small	10	5.00m	R0.50m
	Micro	5	R0.20m	R0.10m
Mining and quarrying	Medium	200	R39.00m	R23.00m
	Small	50	R10.00m	R6.00m
	Very Small	10	R4.00m	R2.00m
	Micro	5	R0.20m	R0.10m
Manufacturing	Medium	200	R51.00m	R19.00m
	Small	50	R13.00m	R5.00m
	Very Small	10	R5.00m	R2.00m
	Micro	5	R0.20m	R0.10m
Electricity gas and water	Medium	200	R51.00m	R19.00m
	Small	50	R13.00m	R5.00m
	Very Small	10	R5.00m	R1.90m
	Micro	5	R0.20m	R0.10m
Construction	Medium	200	R26.00m	R5.00m
	Small	50	R6.00m	R1.00m
	Very Small	10	R3.00m	R0.50m
	Micro	5	R0.20m	R0.10m
Retail motor trade and repair	Medium	100	R39.00m	R6.00m
	Small	50	R19.00m	R3.00m
	Very Small	10	R4.00m	R0.60m
	Micro	5	R0.20m	R0.10m
Wholesale trade	Medium	100	R64.00m	R10.00m
	Small	50	R32.00m	R5.00m
	Very Small	10	R6.00m	R0.60m
	Micro	5	R0.20m	R0.10m
Catering, accommodation and other trade	Medium	200	R13.00m	R3.00m
	Small	50	R6.00m	R1.00m
	Very Small	10	R5.00m	R0.60m
	Micro	5	R0.20m	R0.10m

Transport, storage and communication	Medium	200	R26.00m	R6.00m
	Small	50	R13.00m	R3.00m
	Very Small	10	R3.00m	R0.60m
	Micro	5	R0.20m	R0.10m
Finance and business services	Medium	200	R26.00m	R5.00m
	Small	50	R13.00m	R3.00m
	Very Small	10	R3.00m	R0.50m
	Micro	5	R0.20m	R0.10m
Community, social and personal services	Medium	200	R13.00m	R6.00m
	Small	50	R6.00m	R3.00m
	Very Small	10	R1.00m	R0.60m
	Micro	5	R0.20m	R0.10m

Although it falls outside the purpose and scope of this study, it is worth mentioning that the South African Revenue Services have their own definition when dealing with a small business. SARS regards a small business as one with an annual turnover of less than R5 million. SARS is interested only in the annual turnover since it is this turnover which is used in the determination of tax payments and no other factors are taken into account in this regard (Income Tax Act 58 of 1962).

Section 12(E) (4) (a) (i) of the Income Tax Act (58 of 1962) states as follows:

“For the purposes of this section- (a) small business corporation’ means any close corporation or any company registered as a private company in terms of the Companies Act, 1973 (Act 61 of 1973), the entire shareholding of which is at all times during the year of assessment held by shareholders or members that are natural persons, where- (i) the gross income for the year of assessment does not exceed R5 million”.

For purposes of this study it will be accepted that a small business includes a micro- and very small business. The study will not examine medium or large businesses. The definition in this study will further include businesses in both formal and informal economic sectors of a specific geographical area. Both formal and informal sectors of the Fezile Dabi geographical district will be targeted in this study. Going forward in the study, it will be accepted that a small business is a business with 50 or fewer employees and with an annual turnover of less than R10 million.

2.2.2 Challenges to small business

In a comprehensive study conducted by the Bureau for Economic Research at the University of Stellenbosch on behalf of SEDA in respect of small-and medium-enterprises it is clear that small business in South Africa is facing many challenges (BER, 2016). Although these challenges are not the same for every business it was found that the challenges include;

- **Access to finance:** The average lifespan of small business in South Africa is three and half years. Access to better finance and capital opportunities can help prolong the lifespan of the business.
- **Poor infrastructure:** Infrastructure includes communication, roads, land, space and utilities. These are commodities that may come at too high a price for small business in South Africa.
- **Low levels of research and development (R&D):** Research and development are important to transform ideas into business opportunities. A lack of RD may hamper business growth.
- **Onerous labour laws:** The study indicated that the fact that it is difficult to terminate the services of an unwanted employee constitutes the single biggest obstacle for small businesses.
- **An inadequately educated work force:** This is a factor that is being singled out by the national development plan (NDP) as problematic. The lack of skilled workers can seriously hamper growth in any business.
- **Inefficient government bureaucracy:** Government needs to provide the platform from where business can trade. High levels of inefficient government bureaucracy reflect negatively on competitiveness.
- **High levels of crime:** This affects formal and informal business. Security spending has a negative impact on the trading cost of trading.
- **A lack of access to markets:** It is of fundamental importance for a business to have access to funding. Rural businesses are more affected than their urban counterparts.

It is apparent from the above that operating a business in South Africa, is not an easy task. Onerous labour laws should not be included in the challenges in conducting one's affairs. In theory this is a problem that can be fixed by the stroke of a pen. With the existence of different ideological ideas in a complex political landscape and with a historical downside of labour and racial exploitation, the answer in practice is less simple. A deeper understanding of labour laws and policies and the effect that these may have on the rate of employment specifically as well as on the growth of the economy generally, is necessary.

2.3 ANNUAL TURNOVER

Annual turnover is an important measuring instrument to classify business. Based on turnover, businesses are sometimes classified in survivalist-, micro-, very small-, small- and medium size enterprises (Abir & Quartey, 2010). Due to the various factors that can influence turnover, an in-depth study on annual turnover falls outside the scope of this research. This study will only examine the correlation between annual turnover and the rate of employment by business.

Declining turnover can result in less economic activity by businesses, which in turn may hamper economic growth. This can result in fewer people being employed by businesses (Oberle, 2014). The productivity of businesses can be influenced by annual turnover as companies with less turnover tend to be less productive (Apostolos, 2014).

2.4 FEZILE DABI DISTRICT MUNICIPALITY

The population for this study came from the Fezile Dabi District Municipality. This municipality was formerly known as the Northern Free State District Municipality. It is situated in the northern parts of the Free State. It is bordered by three different provinces (North West, Gauteng and Mpumalanga Provinces). It is a rural province. The neighbouring district municipalities are Thabo Mofutsanyane district to the south and Lejweleputswa district to the west. Fezile Dabi district municipality is the smallest district municipality in the Free State province, covering only 6% of the Free State's geographical area or 20 668km². It includes four local municipalities:

- Mafube;
- Moqhaka;
- Ngwathe;
- Metsimaholo

As indicated on the map of Fezile Dabi in figure 2.1 below, the following towns are found within the boundaries of Fezile Dabi: Cornelia, Deneysville, Edenville, Frankfort, Heilbron, Kragbron, Koppies, Kroonstad, Oranjeville, Parys, Renovaal, Sasolburg, Steynsrus, Tweeling, Viljoenskroon, Vierfontein, Villiers, and Vredefort.



Figure 2.1 Map of Fezile Dabi (Municipalities of South Africa, 2018)

Table 2.3 presents a breakdown of the economy of the Fezile Dabi district.

Table 2.3 Main economic sectors (Municipalities of South Africa, 2018)

Industry	%
Trade	22%
Community services	20%
Manufacturing	13%
Households	13%
Agriculture	12%
Finance	7%
Construction	6%
Transport	5%

2.5 LABOUR LEGISLATION

Labour legislation in South Africa is extensive and, due to the country's troublesome past, very protectively inclined towards a vulnerable work force and against exploitation (Conradie, 2016). A very large part of our work force comprises unskilled workers who are susceptible to exploitation. This is the reason cited by a number of economists for slow growth in South Africa (Mashaba, 2014).

In a study published in the *South African Journal of Economic and Management Sciences* (2010), it is clearly emphasised that legislation does not generate employment. It was found, moreover, that the more regulated the labour market, the higher its unemployment rate tends to be. It was further highlighted in the paper that a minimum requirement for economic growth tends to be more flexible labour regulations (Mahadea & Simson, 2010:391)

In this dissertation, the current labour legislation will now be examined.

2.5.1 Labour Relations Act (66 of 1996)

The labour relations act covers all employees in South Africa and employer and employees alike need to adhere to the labour relations act (66 of 1996). This piece of legislation comprises an introduction to the relationship between employer and employee. The above act has altered the common law position and made it more difficult for employers simply to 'hire and fire'. It prescribes the process needing to be followed in all types of relationships formed in the workplace.

The Labour relations act will further be referred to as the LRA. The LRA does not cover any independent contractor. This is a contentious topic and relevant to this script since it is a ploy used by employers to evade labour legislation in South Africa. In the past, the South African labour court has dealt extensively with this issue in the hope of closing the loophole that enables employers to eliminate the compliance issue with respect to the labour legislations act (Building Industry Bargaining Council [Southern and Eastern Cape] v Commission for Conciliation Mediation and Arbitration, 2011).

An independent contractor could typically be someone who sold her/his services to the public. This individual would not fall under the control of the person to whom the services are sold. The best example is the calling of an electrician or plumber to effect repairs at a private house. When the relationship is believed to be that of an independent contractor and not of an employer–employee, the employer can avoid paying a contribution to the unemployment insurance fund (UIF) or the workmen's compensation fund. These employers do not need to comply with occupational health and safety legislation.

The LRA is clear on determination between the two relationships. This is an important factor in establishing whether the business is complying with the major part of most labour legislation. If the following elements are present, the relationship will be deemed that of employer–employee:

Whether or not a person:

- falls under the control or direction of the employer;
- works hours which are subject to the control of another person;
- forms part of an organisation;
- has worked for another person for an average of at least forty hours per month during the cause of the past three months;
- is economically dependent on the employer;
- is provided with tools of trade or equipment;
- The employee only works for one employer.

The onus will rest on the employer to prove that the relationship is indeed that of an independent contractor if he believes this to be the case. It is plain to see why this tactic might be used to avoid compliance with labour regulations by businesses under review in this study (Barrientos, 2013:235).

2.5.2 Basic Conditions of Employment Act (75 of 1997)

In a certain way, the basic conditions of employment act represents the most important piece of legislation for the day-to-day working within the employer–employee relationship. The act

governs the practical side between these two parties. In the introduction of the act, the purpose is set out as follows:

The purpose of the Basic Conditions of Employment Act is to give effect to the right to fair labour practices, as referred to in Section 23 (1) of the Constitution, by establishing and providing for the regulation of basic conditions of employment; and thereby to comply with the obligations of the Republic as a member state of the international Labour Organisation; and to provide for matters connected therewith (Basic Conditions of Employment Act [75 of 1997]).

In section three of this act, it is made clear that the basic conditions of employment act is not a voluntary act which an employer is free to choose to ignore, but that it represents a compulsory piece of legislation to which every employer needs to adhere. It serves as a safety net for employees and employers in all kind of industries (Basic Conditions of Employment Act [75 of 1997]).

Not adhering to the basic conditions of employment act is a serious offence which may lead to punitive measures and, in certain circumstances, even to incarceration. Section 93 of this act stipulates the penalties for failing to comply with the act (Basic Conditions of Employment Act [75 of 1997]). Government feels so strongly about non-adherence to this legislation that during its latest amendment it was decided to triple the fines for violating the basic conditions of employment act.

The Basic conditions of employment act will typically deal with issues such as working hours, leave, particulars of employment and remuneration. The basis for the employment contract arises out of the basic conditions of employment act. These represent some of the burning issues in the employer–employee relationship. It will form part of the focus of this study to determine whether employees are complying with labour regulations.

2.5.2.1 Minimum wages

A large debate currently rages in South Africa regarding minimum wage. This constitute one of the most discussed issues when it comes to basic conditions of employment and represents a contentious issue (Bussin, 2011). The current minimum wage stands at R3 500 per person per month with exemption for certain sectors such as domestic workers, farm workers and workers under the expanded public works programme (EPWP). This exemption will be in force for the first two years after implementation (Dean, 2017).

In a study conducted in 2012 on the non-compliance rate with minimum wage, it was found that the non–compliance rate in South Africa in respect of minimum wage is as low as 40% in the agricultural sector and as low as 30% in the domestic worker sector (Yamada, 2012:41). This study has found, that the determination of a minimum wage will most severely affect the poor and

less skilled workers. Non-compliance with this particular legislation will have a definite effect on the employment rate of the relevant business (Yamada, 2012:41).

The trend of lower employment under forced minimum wage is an international phenomenon and not unique to South Africa. In international studies regarding the effect of minimum wage on employment, it has been found that a higher minimum wage is linked to lower employment by businesses. Unskilled workers are the group which is affected most in this study (Nataraj *et al.*, 2012:39).

In the study conducted by Nataraj *et al.* (2012:39), the results of multiple studies conducted in several countries were compared. These countries included Kenya, Zimbabwe, Indonesia Bangladesh, Honduras, Canada, the Caribbean Islands and countries in the Americas as well as different countries in Europe. The paper represented a comprehensive study on the effect of minimum wage on labour trends. It is clear from this work that every country is affected differently but with the common denominator that the countries' rate of employment was affected negatively by the implementation of strict labour policies such as minimum wages.

This study further found that a decline in the rate of formal employment may have an effect on the informal sector. Workers who have been displaced from the formal sectors sometimes transfer to the informal sector or become self-employed. This will have the effect that the supply of this particular sector will increase dramatically and have a negative effect on the overall employment rate (Nataraj *et al.*, 2012:39).

2.5.3 Sectoral determination

Sectoral determination can be a minefield as there are a huge number of sectors, each with different regulations that determine whether or not a business is complying with the necessary regulations. To dwell on these different regulations falls outside the scope of this paper. For purposes of this paper it is important to know that these regulations exist and that they impose rules that need to be complied with by business.

These rules are much the same as those found in the basic conditions of employment act but they are slightly different for each sector. For example: the number of annual leave days are not exactly the same in every sector, but it is a given that all sectors must have leave days as stipulated by the basic conditions of employment act.

2.5.4 Occupational Health and Safety Act (Act No. 85 of 1993)

The Occupational Health and Safety act is aimed at delivering health and safety to employers and employees at work, particularly in the use of plant and machinery. The act is also aimed at

protecting people from any hazardous environments arising from any situation where people are at work (The South African Labour Guide, 2018).

In a recent study conducted in the construction industry, it was found that the compliance rate with the OHS act is relatively low and that this could have a severe effect on a number of factors, including death and injury (Othman, 2012:181).

The non-compliance with this part of the labour regulation can be problematic. The non-compliance with the OHS act is a result of the high cost involved in dealing with this piece of legislation. Employers fail to comply due to an attitude of simply hoping for the best (Othman, 2012:181). This laissez-faire attitude by employers has an effect on the workplace. The question that needs to be asked is whether this will also have an effect on the rate of employment.

The finding that a low compliance rate is found in various sectors of the South African workplace is supported by many studies and has been well researched. It has been found that government, through the department of labour, does not appear to be sufficiently pro-active in promoting and enforcing this piece of legislation (Geminiani, Smallwood & Fee, 2013:186). Would such non-compliance hamper a business that wishes to employ more staff?

Although companies are well aware of the fact that there are workplace regulations, studies show that for various reasons compliance with these regulations is low (Ferreira & Strydom, 2015:4). These reasons include the high cost associated with compliance, a lack of knowledge as well as a personal reluctance to comply. The literature abounds with studies revealing low compliance with labour regulation and, more specifically, OHS regulation. The scope of these studies tends to be confined to the economic effect on the employer and the effect on down time and health risk.

The question needs to be asked whether this non-compliance will have an effect on the rate of employment. A perception exists that health and safety issues apply only to the larger companies and that small- or micro-companies do not invariably have to comply with all of these challenging regulations. It is the cost factor of compliance which is generally named as the culprit for non-compliance (Windapo, 2012).

2.5.5 Compensation for Occupational Injuries and Diseases Act (130 of 1993)

The introduction to the Compensation for Occupational Injuries and Diseases Act (130 of 1993) is clear on the purpose of this piece of legislation:

“To provide for compensation for disablement caused by occupational injuries or diseases sustained or contracted by employees in the course of their employment, or for death resulting from such injuries or diseases; and to provide for matters connected therewith.”

As with the other legislation that has been dealt with in this paper, this is not a voluntary piece of legislation, but a compulsory regulation to which employers are bound to adhere. The Compensation fund is a type of insurance that will carry the cost when an employee is injured under work-related conditions. All employers who employ a worker have to register and pay an annual levy towards this fund. This includes employers who only make use of casual workers. The only exclusions to this act are:

- workers who are totally or partially disabled for fewer than three days;
- domestic workers;
- anyone receiving military training;
- members of the:
 - the South African National Defence Force;
 - the South African Police Service;
- any workers guilty of wilful misconduct, unless they are seriously disabled or killed;
- anyone employed outside the RSA for twelve or more consecutive months;
- workers working mainly outside the RSA and only temporarily employed in the RSA.

Employers have to register and pay the annual levy. The research will reveal whether there is any compliance with this legislation and, if so, what the impact of such compliance will be on the rate of employment. To obtain a clear picture of the problem of non-compliance, it is important to understand the penalties involved in terms of failure to comply with labour legislation, since this represents an integral part of any discussion concerning labour problems. This dissertation will now examine the penalties businesses can bring upon themselves by failing to comply.

2.6 PENALTIES

Although this dissertation is not intended to focus on penalties of non-compliance with any of the above legislation, it is important to understand that this legislation is not merely a toothless dragon. The risk of punishment under this labour legislation is far-reaching and harsh penalties may be imposed upon the employer who chooses to ignore it. Government in particular is serious about transgressors and will prosecute in cases of non-adherence to this legislation. The Basic conditions of employment act (75 of 1997) makes provision for fines ranging between R300 and R1 500 per employee. In serious circumstances non-adherence may even lead to imprisonment from one year up to six years. The latest amendments to the Basic conditions of employment act have seen fines and penalties tripled.

The department of labour plays the watchdog role in any of the labour-related matters and employs inspectors who are empowered to enforce the law. These will issue fines and initiate criminal proceedings when these are considered necessary. The fines may include paying the worker twice the amount that is owed for non-payment of minimum wages. The above legislation carries extensive penalties and the possibility of imprisonment is not excluded. It is therefore important to state that this should constitute sufficient motivation for employees to adhere to this legislation since they run the risk of losing their businesses or even face imprisonment for failing.

In section 332 of the Criminal Procedure Act (51 of 1977), provision is made for different people working for firms to be criminally charged for transgressions under the labour law. These individuals include the CEO's, directors, managers, supervisors or any other responsible employees. It is important to be aware therefore, that employers will be afforded no excuse for non-compliance. Whether or not the employer agrees with the merits of the legislation, he or she may be prosecuted when choosing to ignore it. Following the examination of various labour legislation aspects required by small business, the focus of this study will now be shifted to the numbers of people employed in the labour market and to a discussion on the employment rate.

2.7 RATE OF EMPLOYMENT

The employment rate in South Africa is way below par, while the unemployment rate in South Africa is one of the highest in the world (Wilkinson, 2014). At the same time, South Africa is one of the least competitive countries in the world. According to the International Labour Organisation's (ILO) World Competitive Centre, South Africa is ranked 53rd out of 63 countries for competitiveness (ILO, 2018). Although competitiveness is not a subject treated in this study and represents a field for further research, it is hard to ignore the fact that an extensive list of labour laws might play a part in making the workforce less productive.

The quarterly labour force survey (QLFS), which was conducted by Stats SA (2018) during the second quarter of 2018, provides interesting information. For this survey, data is collected from 30 000 private households and worker hostels around South Africa. Stats SA (2018) breaks the data down to accompany different, age, gender, industry, province, as well as economic sectors. It covers both the formal and informal sectors.

The data is weighted in an effort to be representative of the population of South Africa. The size of the working population is examined and all people in the age group between 15 and 64 years are included. All those who form part of the labour component, both those who are employed and

those who are not, are incorporated, as are discouraged jobseekers. The latter are people who are economically inactive (QLFS)

This QLFS showed that South Africa had a 27.2% unemployment rate for the second quarter of 2018. The largest increase in the unemployment rate was recorded in the Free State, the geographical area under discussion in this paper, where unemployment rose by 1,5 percentage points during the period under review (Stats SA, 2018).

This marked a time when stricter labour regulations in the form of minimum wages were introduced in the labour market. The current minimum wage stands at R3 500. Although minimum wage is not focused on in this study, it begs the question as to what extent labour regulations tend to hamper the rate of employment. Do small businesses comply with these regulations or not, and what is the effect on their rate of employment?

As demonstrated in table 2.4 below, during the first two quarters of 2018 the number of employed persons in most of the provinces declined. The Free State experienced the second-largest decrease in employment and was topped only by the Western Cape, which experienced a staggering 3.2% decrease for the second quarter of 2018. The situation compares slightly more favourably when viewed from a year-to-year perspective, while it needs to be borne in mind that seasonal factors play a role when quarterly data is analysed in isolation. Certain sectors, such as agriculture and retail, make use of large numbers of seasonal workers, which fact might distort quarterly results.

Table 2.4 Employment by province (Stats SA, 2018)

	April- Jun 2017	Jan- Mar 2018	April - Jun 2018	Qtr. to qtr. change	Year on year change	Qtr. to qtr. change	Year on year change
	/ 1000	/ 1000	/1000	/1000	/1000	%	%
South Africa	16100	16378	16288	-90	188	-0.5	1.2
Province							
Western Cape	2403	2530	2480	-50	77	-2	3.2
Eastern Cape	1416	1397	1402	5	-16	0.4	-0.9
Northern Cape	292	321	317	-4	26	-1.1	8.9
Free State	777	814	788	-26	11	-3.2	1.5
KwaZulu-Natal	2583	2617	2620	3	36	0.1	1.4
North West	978	992	977	-15	-1	-1.5	-0.1
Gauteng	5050	5069	5055	-14	5	-0.3	0.1
Mpumalanga	1212	1197	1212	15	0	1.2	0
Limpopo	1390	1441	1436	-4	47	-0.3	3.4

2.7.1 Official versus expanded unemployment rates

Stats SA employs two different ways of measuring unemployment, providing an official unemployment rate as well as an expanded unemployment rate used by them since 1998. For unemployed persons to be counted among these statistics these must have taken active steps to search for employment or to start some form of self-employment (Stats SA, 2018). The official rate of unemployment will exclude all persons who report that while they wish to find work, they have taken no action to look for work during the previous month. This will be the group of people that are discouraged from seeking employment.

Table 2.5 below reflects the official unemployment rate in the different provinces. Here again the Free State does not fare well.

Table 2.5 Official unemployment rate by province (Stats SA, 2018)

	April- Jun 2017	Jan- Mar 2018	April - Jun 2018	Qtr. to qtr. change	Year on year change
	%	%	%	% point	% point
South Africa	27.7	26.7	27.2	0.5	-0.5
<i>Province</i>					
Western Cape	20.7	19.7	20.7	1	0
Eastern Cape	34.4	35.6	34.2	-1.3	-0.2
Northern Cape	30.5	29.5	28.9	-0.6	-1.6
Free State	34.4	32.8	34.4	1.6	0
Kwa Zulu Natal	24	22.3	21.8	-0.5	-2.2
North West	27.2	25.8	26.1	0.3	-1.1
Gauteng	29.9	28.6	29.7	1.1	-0.2
Mpumalanga	32.3	32.4	33.2	0.8	0.9
Limpopo	20.8	19.9	19.3	-0.6	-1.5

Table 2.6 below reflects the expanded unemployment rate by province. This is the rate that includes all people who report that they wish to work, but have taken no action to look for work during the preceding month.

Table 2.6 Expanded unemployment rate by province (Stats SA, 2018)

	April- Jun 2017	Jan- Mar 2018	April - Jun 2018	Qtr. to qtr. change	Year on year change
	%	%	%	% point	% point
South Africa	36.6	36.7	37.2	0.5	0.5
<i>Province</i>					
Western Cape	24.6	22.5	23.2	0.7	-1.4
Eastern Cape	44.3	46	45.8	-0.3	1.3
Northern Cape	45.3	41	42.4	1.4	-2.9
Free State	40.5	38.4	40.1	1.7	-0.4
KwaZulu-Natal	40.4	40.6	40.9	0.3	0.5
North West	42	41.8	43.4	1.6	1.4
Gauteng	32.9	33.6	34.4	0.8	1.5
Mpumalanga	41.4	42.5	41.7	-0.8	0.3
Limpopo	37.1	37.6	37.4	-0.2	0.3

Irrespective of whether one examines the official unemployment rate or the expanded rate of unemployment, the picture for jobseekers in South Africa looks bleak.

2.7.2 Global scale

Measuring South Africa against other countries falls outside the scope of this study. However, it is necessary to measure the data against other countries in order to comprehend the situation fully and bring perspective into our own situation. To rank South Africa's unemployment rate on a global scale is problematic as different countries use different definitions and different timeframes to measure unemployment. (ILO). However, it is true to say that South Africa has one of the highest unemployment rates in the world (ILO). The employment figures in Africa and Southern Africa are likewise low. The unemployment rates of some of our neighbours are presented below:

Table 2.7 Unemployment rate of South Africa's neighbouring countries (Trading economics, 2018)

Country	Percentage unemployment
Namibia	34%
Lesotho	27.25%
Zimbabwe	95.16%
Mozambique	25.04%
Swaziland	28%
Zambia	15%
Kenya	11.5%
Nigeria	18.8%
Botswana	18.10

From this table it become clear that the rate of unemployment in Africa looks bleak and it is therefore understandable that jobseekers tend to become discouraged. Sub-Saharan Africa, and South Africa in particular, has some of the worst unemployment rates in the world. If the statistics are further analysed, the picture become even gloomier. Currently 70% of the population of Africa is aged below 25. This makes Africa the youngest continent in the world with a youth population of 200 million, who will become jobseekers in the foreseeable future (Ackah-Baidoo, 2016:249). This could be seen as a potential for economic growth (Fox, Senbet & Simbanegavi, 2016:i3). On the other hand, unless the governments on the continent speedily address the problem, it will culminate in a catastrophe.

2.8 CONCLUSION

From the research reflected above, it is evident that South Africa does not have a shortage of labour legislation and regulations to which to adhere. It needs to be confirmed that the legislation appears to be good legislation, but that it tends to favour the employee above the employer. There is a clear imbalance (Mashaba, 2014). How will this hamper the rate of employment in the small business environment in the Fezile Dabi district? From the statistics provided, it is evident that serious consideration needs to be given in order to provide a higher number of better quality jobs for our work force.

2.9 CHAPTER SUMMARY

Compliance with labour regulations is not as straightforward as it appears to be. Although it appears as if all businesses are in compliance to a certain extent, full compliance on the part of

all the businesses is not a given. Moreover, the effect of the non-compliance also varies from industry to industry. Minimum wage and its effects have been well researched and the non-compliance with minimum wage not only appears to be an economical issue but also has an effect on employment.

The list of labour legislation rules and regulations with which a company in South Africa needs to comply is an extremely lengthy one. This extensive list is not helpful in the compliance rate of businesses, as the burden of compliance continues to grow with new rules and regulations. The current employment data in South Africa sketches a bleak picture and the economy is struggling to grow. The question needs to be asked whether a more streamlined labour legislation might not be helpful in this respect.

CHAPTER 3 EMPIRICAL STUDY

3.1 INTRODUCTION

A literary review on the topic of the research was fully discussed in chapter 2 of this study. The compliance with basic labour legislation as well as the rate of employment under small businesses and the annual turnover was considered with specific relation to the Fezile Dabi district municipality.

This chapter will take the study forward into the empirical research that was conducted with specific reference to the research design, data collection, the statistical analysis and the ethical consideration in a process that will meet the objectives and research question as found in chapter one.

3.2 RESEARCH APPROACH

A quantitative research approach was followed in the empirical study. Objective measurement instruments were used and the data was statistically and mathematically assessed. The data was collected by means of a questionnaire (Bryman, 2012:31).

3.3 DATA COLLECTION

3.3.1 Target Population

The population researched may be described as the total of the available respondents in a specific group (Kumar, 2011:58). The target population came from the Fezile Dabi District municipality. This municipality was formerly known as the Northern Free State District Municipality. It is situated in the northern parts of the Free State. See **Figure 2.1** for a map of the municipality. The following towns are found within the boundaries of Fezile Dabi: Cornelia, Deneyville, Edenville, Frankfort, Heilbron, Kragbron, Koppies, Kroonstad, Oranjeville, Parys, Renovaal, Sasolburg, Steynsrus, Tweeling, Viljoenskroon, Vierfontein, Villiers, and Vredefort.

3.3.2 Research procedure

The following procedure was followed in collecting the data:

- The data base of SEDA for the Kroonstad as well as Sasolburg branches was utilised with the permission of the branch manager. Participants were selected from businesses that made use of SEDA in Kroonstad and Sasolburg for business advice during the past two years.

- The participants were telephonically contacted by SEDA and informed about the survey and their consent to participate in the study was obtained.
- A second telephone call was made and the questionnaires were completed telephonically with the help of a contracted service provider who had been trained by the researcher on the way to complete the questionnaire.
- The participants were informed about the confidentiality of the information and their right to withdraw at any stage.
- Please note that all participants who completed the questionnaire form the study population.

3.3.3 Study Population

The study population consists of the participants who completed the questionnaire. Please note that no random sampling was done in this study.

3.3.4 Measuring instruments

Data for this study was collected with the use of a self-compiled questionnaire (see attached, Appendix 1, for the questionnaire). This questionnaire was compiled with the aid of the literature review in this study, assistance of experts in the field and the researcher's own intuition and a statistician from the Statistical Consultation Services of the North-West University, using the software packages, SAS (SAS Institute Inc., 2005).

The questionnaire was designed to determine the compliance with labour legislation by small businesses as well as the rate of employment by these small businesses in a specific geographical area. This questionnaire consisted of three sections with 25 questions in total:

- **Section A**

This section dealt with the demographics of the participants and contained 11 questions. The section further dealt with the entity, place of business and the industry of the participants. The participating businesses also had to give an indication of annual turnover as this is particularly relevant to the research question. They were also asked for details of the highest paid salary as well as hours of work and employee leave days.

- **Section B**

This section contained ten questions that had been formulated in a four point Likert scale. The questions dealt with the compliance of the participating business with basic labour legislation. The Likert scale was coded from one to four where one is

almost never and four is almost always. The participants were asked to indicate to what extent they agreed with the statement.

- **Section C**

This section consisted of four questions and dealt with the participants' understanding of bargaining council rules as well as their compliance with health and safety regulations.

3.3.5 Data Analysis

Data was captured and analysed by the Subject group statistics, statistical consultation services of the North-West University, using SAS (SAS Institute Inc., 2005).

3.3.6 Validity and Reliability

3.3.6.1 Validity

The validity of a test will be determined if a test measures what is supposed to be measured (Anastasi & Urbina, 1997:113). A test will be deemed reliable if the test is consistent and dependable. If a person is faced with the same test at a different place in time, will the re-examining yield the same scores, or differ under other variable examination conditions? (Anastasi & Urbina, 1997:84).

3.3.6.2 Factor Analyses

Factor analyses were done in this study as data reduction method and to assure construct validity. Kaiser's measure of sample adequacy (MSA) was used to determine how appropriate the data is in terms of factor analysis. The MSA gives an indication of the inter-correlation among variables. The guidelines as described by Hair, Andersen, Tatham and Black (1998) were used to confirm that the MSAs were suitable.

3.3.6.3 Reliability

The consistency of a test is measured by the reliability of scores attained by the same persons when they repeat the same test on separate occasions, or with different groups of equivalent items, or under other variable researching conditions (Anastasi & Urbina, 1997:84). According to Field, a construct is reliable if the Cronbach alpha value is greater than, or equal to, 0.6 (Field, 2014). Cronbach alpha reliability coefficients were computed to assure reliability of construction. (Nunally & Bernstein, 1994).

3.3.7 Effect sizes

The effect size will measure the relationship strength on a numeric scale by two variables. Due to the fact that no random sampling was done in this study (see 3.3.3 above), effect sizes will indicate practical significance. An effect size will be significant when the difference of the effect size is large enough to have a practical effect (Steyn, 2009). One of the advantages of using a random sample is that it helped the researcher to study the population within the available resources of time and money (Ellis & Steyn, 2003). Although several different effect sizes exist only the following were used in this study:

:

3.3.7.1 Cohen's effect sizes d

Cohen's effect sizes d were used for interpretation of comparisons between group means (Cohen, 1988). Because no random sampling was used, effect sizes indicate practical significance. This indicates that the difference is large enough to have an effect in practice (Steyn, 2009). The guidelines that were used for d-values regarding differences between means are as follows:

- small effect: $d = |0.2|$;
- medium effect (noticeable with the naked eye): $d = |0.5|$;
- large effect and practically significant: $d \geq |0.8|$.

3.3.8 Correlations

To determine if linear relationships existed, Pearson correlation coefficients were computed. Guidelines for practical interpretation of the strength of correlation coefficients, r, according to Cohen (1988),

- $r = |0.1|$ (small effect);
- $r = |0.3|$ (medium effect, noticeable with the naked eye) and
- $r \geq |0.5|$ (large effect and practically significant).

3.3.9 Ethical considerations

By means of non-compliance with legislation, some of these small businesses already find themselves on the wrong side of the law and may be liable to prosecution in respect of certain aspects. Absolute care must be taken to protect the participant (Polit & Hungler, 1999:132). That is why the following considerations are important:

- Written consent will be obtained from all the participants in the research before the study by means of a detailed consent form.
- Confidentiality of all the research data is guaranteed through the fact that the participants will not enter their name or the name of their business on the questionnaire, making it impossible to trace any of the data back to a specific participant.
- The safeguarding of the privacy of all the information has to be ensured through anonymous questionnaires.
- Anonymity will be guaranteed as respondents do not complete neither their names nor those of any other persons or the business that they represent.
- All communication will be conducted with sincerity and transparency.
- Extra care will be taken to avoid any misleading information or biased findings.
- Care will be taken to use appropriate language that is neither offensive nor discriminatory in any way.
- Only voluntary participants will be used.
- Acknowledgement of work done by any other authors will be made through the Harvard referencing method.
- Objectivity will be maintained at all times.

The research proposal was submitted to the North-West University's ethics committee to guarantee that all ethical concerns had been adhered to and ethical clearance was obtained from the committee before the commencement of the study.

3.4 RESULTS

The results of the study will now be further scrutinised.

3.4.1 Profile of the study Population

Section A of the study contained the demographical data collected. The major findings in respect of this section were as follows:

3.4.1.1 Study population

3.4.1.1.1 Town in which business operate

The study population comprised 46% of participants from Kroonstad, followed by 24% from Sasolburg, 12% of the participants were from Viljoenskroon and Parys respectively, with only 2% from Edenville and Koppies. All of these towns fall within the Fezile Dabi district municipality. This is the geographical area that was targeted in this study.

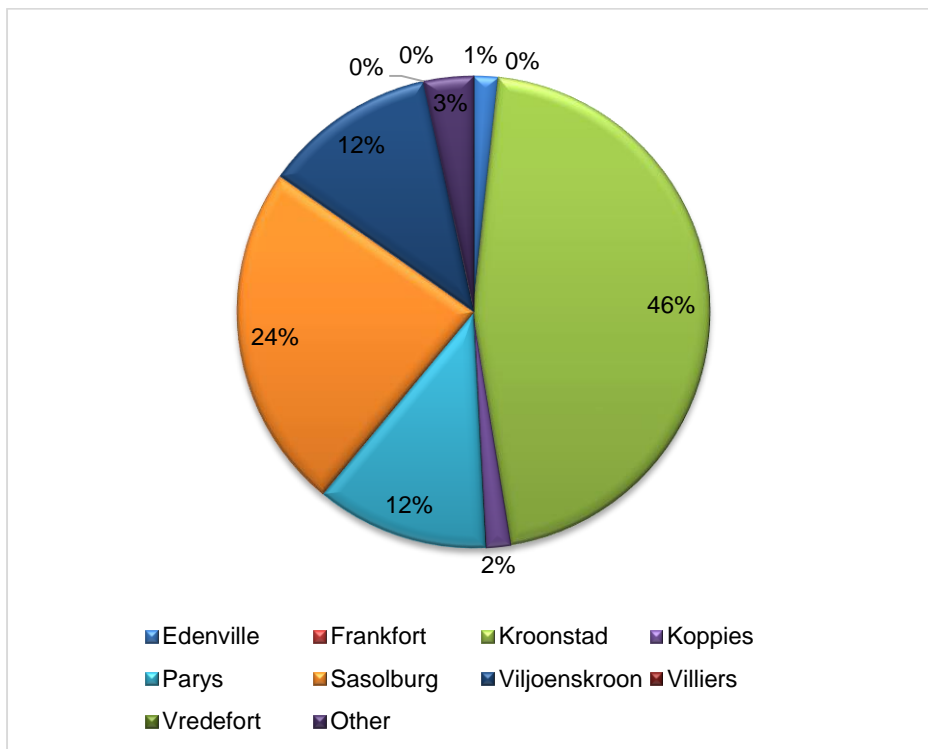


Figure 3.1 Town in which business operates

3.4.1.1.2 Industry in which business operates

Most of the participants are trading within the manufacturing sector and the services industry at 36% respectively. The retail sector with 15% of the participants came third, 9% of participants were in wholesale and 5% in computer technology.

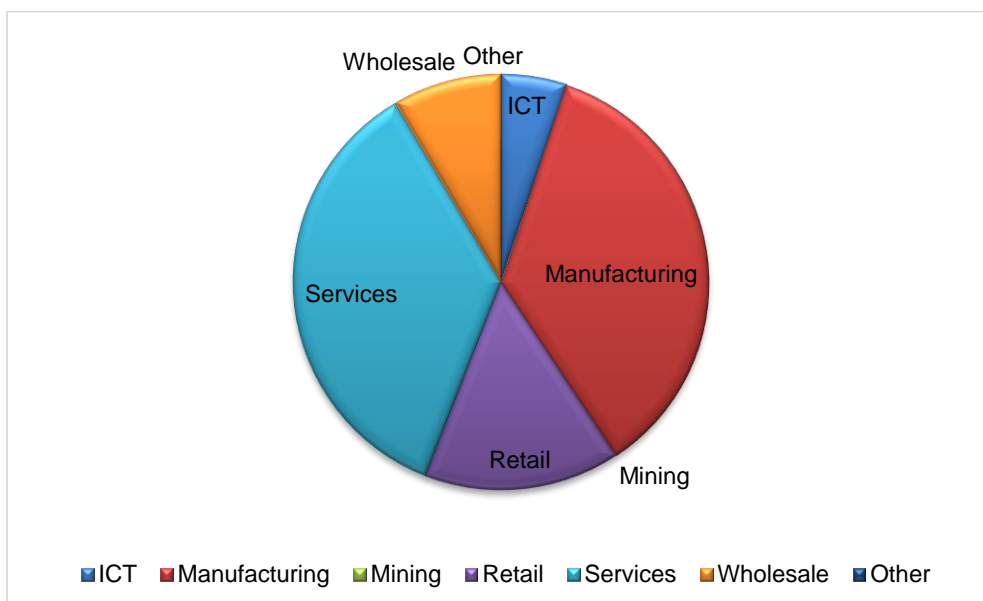


Figure 3.2 Industry in which business operates

3.4.1.1.3 Types of business ownership

By far the greatest number of the participants are doing business as closed corporations at 56% of the total while companies account for 24% of the participants. 17% of the participants are trading in their own name. Only one participant did business in a partnership while two companies did their business as a co-operative. These findings need to be researched further in order to understand their significance more fully.

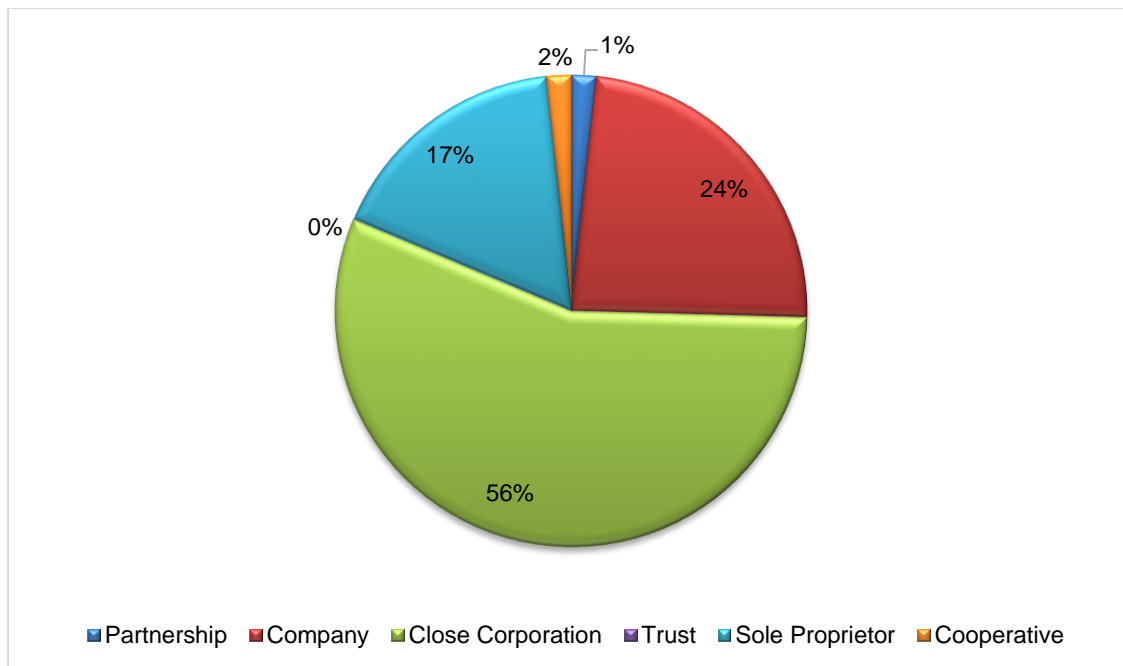


Figure 3.3 Types of business ownership

3.4.1.1.4 Annual turnover

The study is conducted from among small- and micro-enterprises. It is thus important to know that the study population's turnover falls below that of a small business as described in chapter 2 of this study.

From the study it emerges that six of the contributors fell under an annual turnover of R36 000 per month. This accounts for 10% of the total results. The category with a turnover of R36 000 to R100 000 made up 19% of the results. In the fourth place with 17% was the category with a turnover of between R100 000 and R250 000. 15% of the participants fell under the category with a turnover of between R250 000 and R500 000. Seven of the participants have an annual turnover of R500 001 to R2 000 000. The largest group of participants fell under the category of R2 000 001 to R10 000 000. This group amounted to 25% of the participants. Only one participant had an annual turnover of more than R10 000 000.

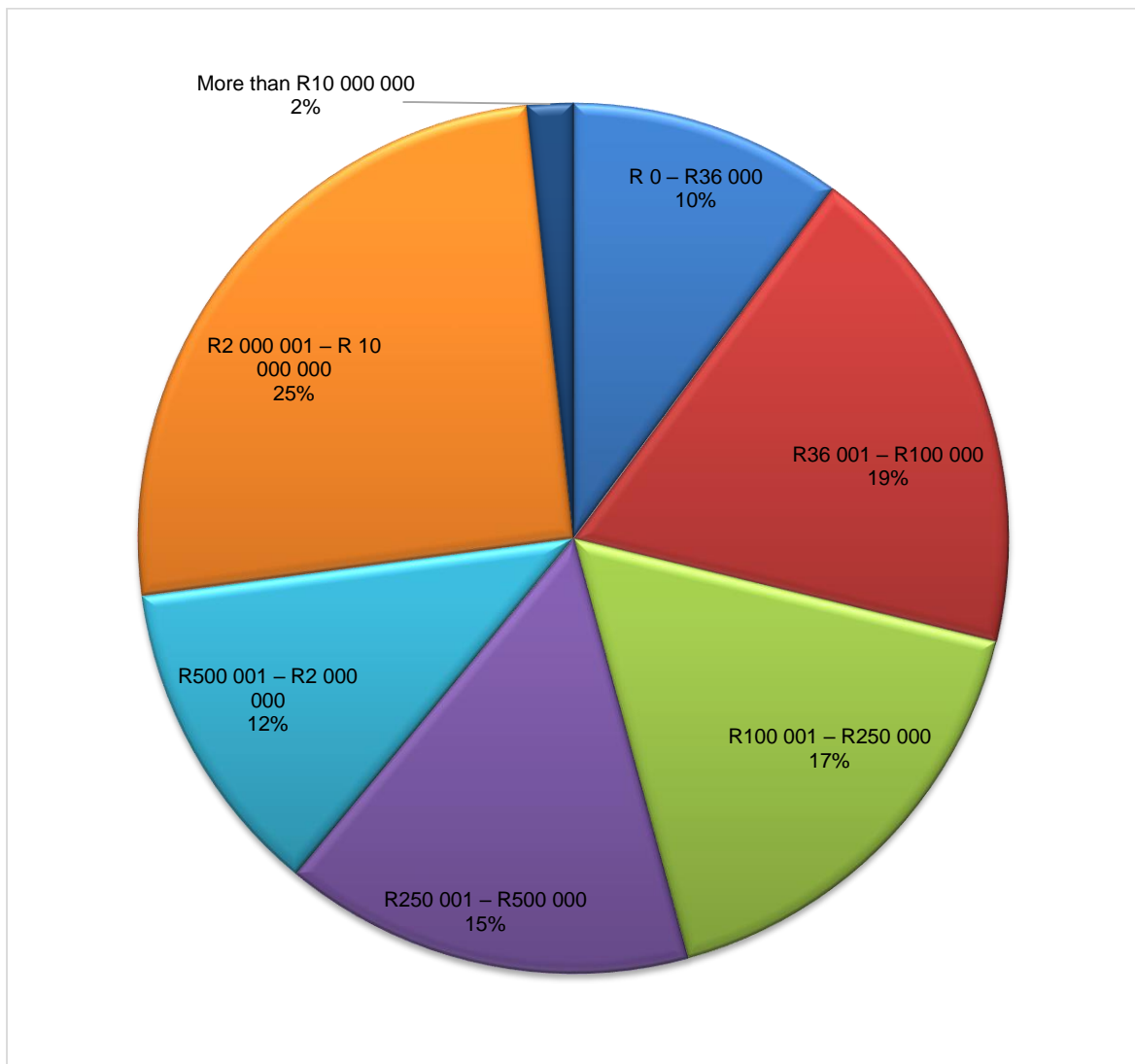


Figure 3.4 Annual turnover

3.4.1.1.5 Number of employees

The number of employees of the participants in the study is of vital importance to the findings since the study revolves around this aspect. From chapter two it is evident that small businesses are classified into micro- very small- and small businesses based on the number of staff employed by them as well as on their annual turnover. 41% of the businesses in the study population had 5 workers or fewer. This indicates that these are very small and micro-businesses.

Almost half of the businesses, at 44%, disclosed that they had an employee rate of between six and twenty workers showing them to be small businesses. Only 15% employed more than 20 staff members. This data will be further scrutinised in this chapter in order to promote a clearer understanding. The rate of employment will be analysed further during the discussion on effect sizes.

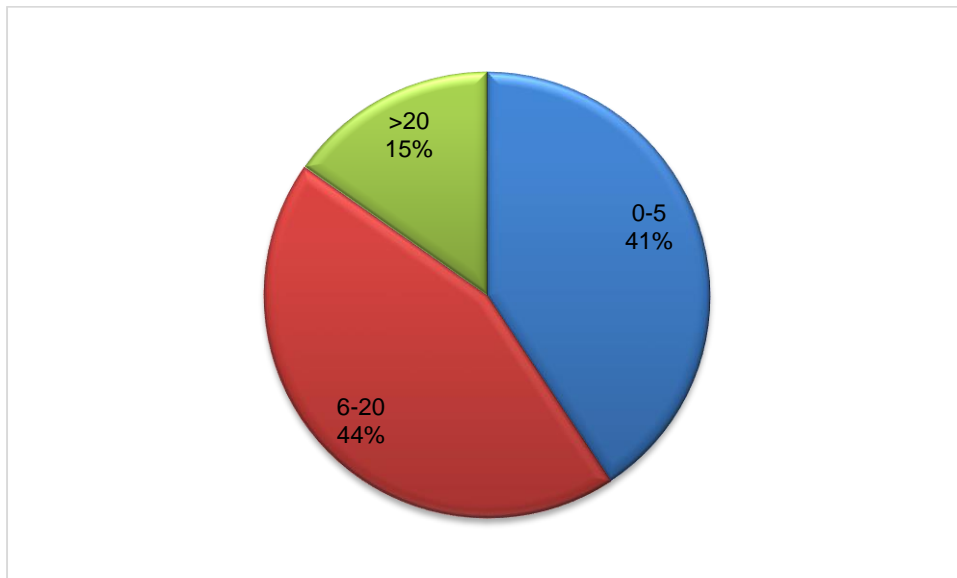


Figure 3.5 Number of employees

3.4.1.1.6 Annual leave days per worker per year

The number of annual leave days provides an indication of the compliance with the basic condition of employment act (act 75 Of 1997) and with the relevant sector rules. Because of the vast number of possibilities and sectorial determination in a great number of industries, and the method used for research in this study, it will not be possible to measure the exact extent of the compliance with basic conditions of employment in this regard. This data must be carefully interpreted.

The significance of this data is interesting, however, when it is taken into consideration that 12% of the participants give less than 10 days of annual leave and 14% of the participants gives less than 17 annual leave days. This is an indication that here is a large portion of business owners who fail to comply with the basic condition of employment as stipulated by different acts and rules, as these businesses are likely to fall under the generally acceptable amount of 18 leave days per annum. (Basic conditions of employment act (act 75 of 1997)).

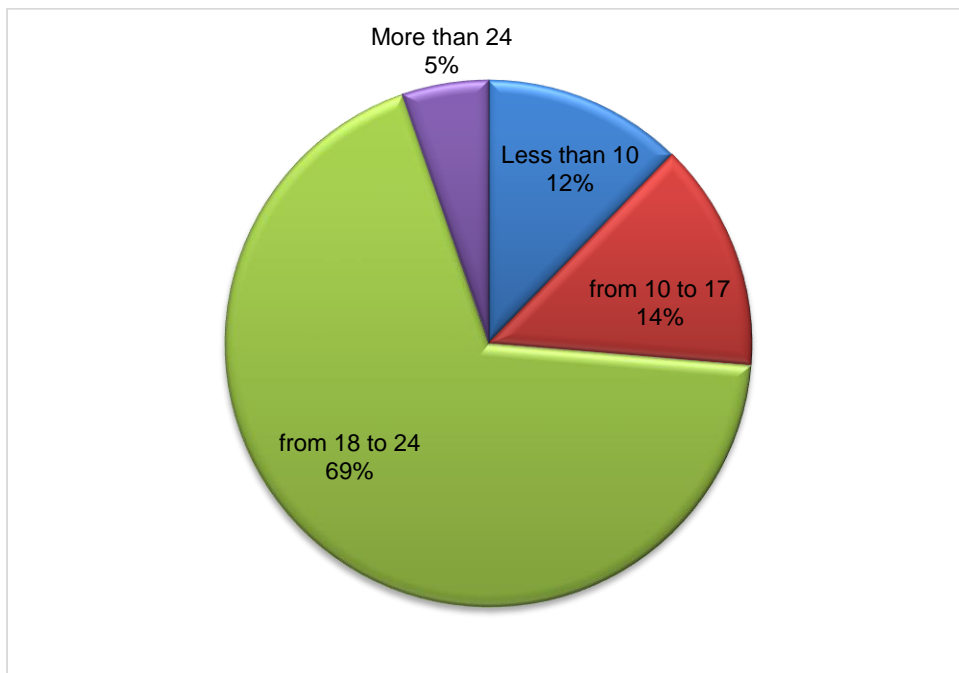


Figure 3.6 Annual leave days per worker per year

3.4.2 Minimum wages

As was the case in respect of leave days, an exact determination of the compliance with minimum wages will not be possible since there are other factors that may play a role in this regard, such as the industry in which the workers are employed and the hours they work. This data needs to be carefully interpreted.

What is significant, however, is that 46% of the participants pay monthly salaries of less than R3 500 per month. A large portion indicated that they only pay R1 500 per month. This is significantly less than government's aim of a national minimum wage of R3 500.

3.5 REPORTING OF STATISTICAL RESULTS ON RESEARCH QUESTION

This section addresses the answering of the research questions namely:

1. What is the current rate of employment of the study population?
2. To which degree do businesses comply with labour legislation?
3. Is there a correlation (i.e. linear relationship) between the constructs of complying with labour legislation and number of employees and annual turnover of the business?
4. Is there a difference between businesses with fewer than or equal to 10 employees and businesses with more than 10 employees regarding the constructs of labour legislation?
5. Is there a difference in the group of businesses with a low annual turnover and those with a high annual turnover regarding the constructs of labour legislation?

3.5.1 Employment rate

To answer research question1: The mean of the employment rate of the study population was 10.12 with standard deviation 9.07 and with minimum of 1 and maximum of 42 employees. It can be seen that 41% of the businesses had fewer than 5 employees.

3.5.2 Labour legislation

In order to answer research questions 2 to 5, it was necessary to define constructs which are reliable and construct valid regarding labour legislation. The procedures are described below. Thus the constructs of the study are:

- Basic conditions of employment
- Minimum wages
- Health and safety regulations
- Bargaining council rules

These four constructs form the basis on which compliance with labour legislation in this study will be measured and are important in answering research question 2. Regarding construct C2 a number of businesses are unfamiliar with bargaining council rules and therefore the interpretation of this construct needs to be handled with care.

3.5.2.1 Construct Validity

Factor analysis was done separately on section B and C of the questionnaire. The factor analysis was done as data reduction method as well as to assure construct validity of the constructs. Results of factor analysis on section B and C are as follows:

Table 3.1 Factor analysis

Items of			Number of factors	% variance	Cumulative
section B	N	MSA	Retained	explained	vary between
B1 – B8 B9 – B10	56	0.89	2	78.00	0.55 and 0.93
C1 – C2 C3 – C4	37	0.59	2	93.61	0.89 and 0.98

As seen from table 3.1 the factor analysis on section B yields 2 factors. The decision was taken to name these factors Basic condition of employment (B1 to B8) and Minimum wages (B9 and B10). Taking into account the MSA of 0.89 construct validity was assured on the two constructs.

The factor analysis of section C also yielded two factors. C1 – C2 was named Health and safety, C2 – C3 was named Bargaining council rules and with a MSA of 0.59, construct validity was assured.

3.5.2.2 Reliability

Cronbach alpha values to assure reliability are reported in the table.

Table 3.2 Cronbach alpha

Construct	N	C.A
Basic condition of employment	57	0.96
Minimum wages	58	0.66
Health and Safety	59	0.97
Bargaining Council	37	0.87

According to Field, all the Cronbach Alpha values are higher than 0.6 This is an indication that all constructs are reliable (Field, 2014).

Table 3.3 Businesses complying with labour legislation

Variable	N	Mean
B1	59	2.43
B2	59	2.29
C1	59	2.61
C2	47	1.72

On a Likert scale from 1 – 4, the midpoint is at 2.5. For this study 2.5 was used to determine to which degree business in the study population complies with labour legislation. The mean of B1 is 2.43. The businesses of the study population, lie just beneath the midpoint of 2.5. This is an indication that the degree to which the businesses comply lies from almost never to seldom on the questionnaire.

3.5.3 Correlation between the constructs of complying with labour legislation and number of employees and annual turnover of the business

In this section research question 3 will be answered.

Table 3.4 Correlations

Construct	N	Number of employees	Turnover
		Correlation coefficient	Correlation coefficient
B1	59	0.65 [▲]	0.71 [▲]
B2	59	0.35 ^Δ	0.35 ^Δ
C1	59	0.54 [▲]	0.53 [▲]
C2	47	0.37 ^Δ	0.51 [▲]

Note: ^Δ Medium effect in practice

[▲] high effect in practice

As seen in table 3.4, the correlation coefficient r between Basic conditions of employment and Number of employees is 0.65, meaning that there is a practical significant correlation (thus linear relationship) between these two variables indicating that the higher the compliance with business on Basic conditions of employment is, the higher the number of employees is. See section 3.3.8 for Pearson's correlation coefficients.

The correlation coefficient r between Minimum wages and Number of employees is 0.35. This means that there is a correlation of medium practical effect and, according to Cohen noticeable to the naked eye. Although there is not a practical significant correlation, the correlation effect is still sufficiently significant that it is noticeable to the naked eye. This means that the higher the compliance of business with Minimum wages is, the higher the Number of employees. The correlation coefficient r between Health and safety and Number of employees is 0.54, meaning that there is a practical significant correlation between these two variables, indicating that the higher the compliance of business on Health and safety, the higher the number of employees is. See section 3.3.8 for Pearson's correlation's coefficients.

The correlation coefficient r between Bargaining council and Number of employees is 0.37. This means that there is a correlation of medium practical effect and, according to Cohen, noticeable to the naked eye. Although there is not a practical significant correlation, the correlation effect is still sufficiently significant that it is noticeable to the naked eye. This means that the higher the compliance of business with Bargaining council is, the higher the Number of employees.

As seen in table 3.4, the correlation coefficient r between Basic conditions of employment and Turnover is 0.71, meaning that there is a practical significant correlation between these two

variables indicating that the higher the compliance of business on Basic conditions of employment is, the higher the Turnover. See section 3.3.8 for Pearson correlation coefficients. The correlation coefficient r between Minimum wages and Turnover is 0.35. This means that there is a correlation of medium practical effect and, according to Cohen, noticeable to the naked eye. Although there is not a practical significant correlation the correlation effect is still sufficiently significant that it is noticeable to the naked eye. This means that the higher the compliance of business with Minimum wages is, the higher the Turnover.

The correlation coefficient r between Health and safety and Turnover is 0.54, meaning that there is a practical significant correlation between these two variables indicating that the higher the compliance of business on Health and safety, the higher the Turnover is. See section 3.3.8 for Pearson correlation coefficients. The correlation coefficient r between Bargaining council and Turnover is 0.51. Meaning that there is a practical significant correlation between these two variables indicating that the higher the compliance of business on Bargaining council, the higher the Turnover.

3.5.4 Effect sizes

3.5.4.1 Effect sizes on groups of size of business

The businesses are divided into two groups. These are micro- and very small businesses with 10 and less employees and small businesses with more than 10 and less than 50 employees.

Table 3.5 Descriptive statistics and effect sizes of the constructs of Labour legislation for groups of business, namely micro- and very small business and small business

Subtest	Group	N	Mean	SD	p-value (When random sampling is assumed)	d-value
Basic conditions of employment	1	37	1.76	0.95	< 0.0001*	1.88 [▲]
	2	22	3.55	0.45		
Minimum wages	1	37	1.85	1.13	< 0.0001*	1.04 [▲]
	2	22	3.02	0.96		

Health and safety	1	37	2.09	1.21	< 0.0001*	1.15 [▲]
	2	22	3.48	0.81		
Bargaining council	1	29	1.28	0.76	< 0.0002*	0.96 [▲]
	2	18	2.44	1.22		

Note: 1 = micro and small business; 2 = small business, SD = standard deviation

* Statistically significant at 0.05 level according to t-test results for independent groups

^Δ Medium effect in practice

[▲] Large effect in practice and also practical significantly

From table 3.5, it is clear that there is a practical significant difference between the micro- and very small businesses and small businesses regarding basic conditions of employment. This means that group 1 ($m = 1.76$) complies practical significantly less with basic conditions of employment than group 2 ($m = 3.55$). It is further clear that there is a practical significant difference between the micro- and very small businesses and small businesses regarding Minimum wages. This means that group 1 ($m = 1.85$) complies practical significantly less with Minimum wages than group 2 ($m = 3.02$).

From table 3.5, it is clear that there is a practical significant difference between the micro- and very small businesses and small businesses regarding Health and safety. This means that group 1 ($m = 2.09$) complies practical significantly less with Health and safety than group 2 ($m = 3.48$). It can be seen that there is a practical significant difference between the micro- and very small businesses and small businesses regarding Bargaining council. This means that group 1 ($m = 1.28$) complies practical significantly less with Bargaining council than group 2 ($m = 2.44$).

3.5.4.2 Effect sizes on groups of annual turnover

The businesses are divided into two groups. These are micro and very small businesses, with annual turnovers of less than R250 000 and small businesses with annual turnovers of more than R 250 001 and less than R10 000 000 (See table 2.2).

Similar statistical analyses were done for turnover groups, as for groups of size of business, (see 3.5.4.1) yielding the following results:

There were practical significant differences between groups of turnover for Basic conditions of employment ($d = 1.16$) and Health and safety ($d = 0.80$), yielding the results that the businesses with the smaller turnover comply less with these two constructs than businesses with a higher

turnover. Furthermore there were differences with a medium effect on Minimum wages ($d = 0.54$) and Bargaining council ($d = 0.71$), meaning companies with a lower turnover comply less than those with a higher turnover.

3.6 SUMMARY

In this chapter the findings of the empirical research were dealt with extensively and statistical analysis was done on the findings in regard to the extent to which the study objectives were met. The chapter started off with a discussion on the research approach, the measuring instruments and the process of data analysis followed. Validity, reliability, effect sizes and correlations were discussed before these concepts were tested on the data of the study. Statistical analyses followed. The data was analysed and presented in the form of pie charts for better insight. Correlation between the constructs of compliance with labour legislation and number of employees as well as the effect on annual turnover of the business was analysed. The study also examined the effect sizes. Ethical consideration was significantly dealt with in this chapter.

In the next chapter the conclusion and achievement of the objectives of the study will be discussed. This chapter will also make recommendations for future study and provide recommendations for stakeholders dealing with small businesses.

CHAPTER 4 CONCLUSION AND RECOMMENDATION

4.1 INTRODUCTION

The purpose of this study was to determine the compliance by the small business sector with basic labour legislation in a specific geographical area and the effect of such compliance on the rate of employment by this sector. This chapter comprises a summary of the study findings, followed by their natural conclusions and a discussion of such conclusions.

Recommendations are included for the benefit not only of the participants in this study but also of all the stake-holders involved in small business in the Fezile Dabi district and in South Africa as a whole. Recommendations for future study in this field will be made in an effort to assist with possible further research.

4.2 CONCLUSION AND ACHIEVEMENTS OF THE OBJECTIVES OF THE STUDY

The purpose of this study was to determine the compliance by the small business sector with basic labour legislation in a specific geographical area and the effect of such compliance on the rate of employment by this sector and on the annual turnover of the business.

The primary objective of this research was to determine whether there is an effect on the employment rate and on the annual turnover which can be ascribed to non-compliance with labour legislation in a given geographical area. The secondary objectives of this research were to:

- Determine the current rate of employment,
- Determine to what degree businesses comply with labour legislation,

Out of these objectives the research questions followed:

1. What is the current rate of employment of the study population?
2. To what degree do businesses comply with labour legislation?
3. Is there a correlation (i.e. linear relationship) between the constructs of compliance with labour legislation, the number of employees and annual turnover of the business?
4. Is there a difference between businesses with fewer than, or equal, to 10 employees and businesses with more than 10 employees regarding the constructs of labour legislation?
5. Is there a difference in the group of businesses with a low annual turnover and those with a high annual turnover regarding the constructs of labour legislation?

The rate of employment by the businesses in the study population was determined and it is important to note that a practical significant correlation could be found between the number of employees in a business and the compliance level with labour legislation. Businesses with ten

employees or fewer did not tend to comply with labour legislation. Companies with more than ten employees tended to be more compliant. The lower the turnover of the business, the less likely the business is to comply with labour legislation.

It was found that the smaller the business the less compliance with labour legislation there tends to be. It can be concluded that micro- and very small businesses are the main culprits when it comes to non-compliance with labour legislation. From the literature review in chapter two, it may be remembered that labour legislation is applicable irrespective of the size of the business. Very small and micro-enterprises do not have a valid reason for non-compliance. The reason for non-compliance remains a question that needs to be asked and researched in more detail. However from this research it may be concluded that labour legislation tends to represent a barrier to both employment and to the growth of the business.

4.3 RECOMMENDATIONS

Although recommendations form part of the outcome of any study, such suggestions should not be proffered in a spirit of arrogance but in one of sincere desire to help create a more positive future. Looking back we are assisted by hindsight, which is a perfect science. However when presenting our suggestions for a better future, we should strive to ensure that it may never lead to the following words by Kurt Vonnegut to be applied to us: “

“Of all the words of mice and men the saddest are: It might have been” Kurt Vonnegut

Government in the form of organisations such as SARS, SEDA and the department of Labour, need to find ways to combat the problem. What exactly this problem constitutes will be a fair question to ask in respect to the circumstances described above. From the data collected, it can be determined that the less a business complies with labour legislation, the fewer people it tends to employ. It was further found that the lower the annual turnover, the less compliance there is with labour legislation, which in turn leads to a lower employment rate. It is posited that labour legislation constitutes a barrier to employment. This barrier needs to be lifted for businesses to employ more people and thus to grow and in due course increase the growth of the country's economy.

It is important to understand the reasons for non-compliance more fully and therefore further research needs to be conducted in this regard. The researcher concedes that there might be other factors involved, which have not been investigated thoroughly. Such factors could lead to different research questions which could influence the reasons for non-compliance with labour legislation by business. These reasons could, in the end, influence turnover.

Labour legislation needs to become less constrictive and business managements need to comprehend all it entails in order to enable themselves to comply, while such compliance must appear to be beneficial to those who obey it. Government needs to educate the small business sector better on the benefits of labour legislation and thus to remove the barrier that exists, so that the sector may open itself to the idea of employing more personnel.

Organisations such as SEDA play a pivotal role in Business education and investigation into compliance with labour legislation. Unfortunately, compliance tends to be a tedious exercise that needs to be repeated on an ongoing basis. It may prove productive for Government to allocate extensive manpower to oversee restrictive legislation compliance which is conducive towards the goal of ensuring profit.

4.4 LIMITATIONS OF THE STUDY

The study population was limited due to time and financial constraints. Most of the participants represented businesses from the data base of SEDA in Kroonstad and Sasolburg. This limited the participants to a specific group.

The study was further limited to a specific geographical area, namely the Fezile Dabi district municipality in the Northern Free State. Other factors that either are or are not present in the same geographical area may influence the results in another area. Therefore the results cannot be generalised in respect of South Africa as a whole. It is recommended that future studies be focused on larger geographical in order to be more representative.

Financial constraints and the parameters of the mini-dissertation, reduced the study to questionnaires, although interviews could possibly have led to a better perception and understanding of the research question. Interviews would have made it possible for the researcher to delve into reasons for non-compliance.

4.5 RECOMMENDATIONS FOR FUTURE RESEARCH

Reasons for non-compliance with labour legislation need to be researched in more detail. Stakeholders in the various industries need to understand what the reasons of the businesses are for their non-compliance with labour legislation.

Research needs to be conducted into various types of labour legislation and rules currently in use in South Africa. These laws need to be properly scrutinised and effort needs to be made to determine if they are still relevant in a post-apartheid South Africa.

A positive correlation can also be discerned between the age of the business owner and the rate of employment, as well as between the age of the business owner and the annual turnover of the business. The same positive correlation exists between the age of the business itself, the rate of

employment and between the age of the business and the annual turnover. Further research needs to be conducted to ascertain the reason why this correlation exists and how this interaction may be used in a positive way to make business and the economy grow. It needs to be assessed whether this correlation is significant at all and what influence this can have on employment figures and annual turnover.

An investigation into the basic knowledge of business owners and employees alike, on the compliance with labour legislation and practices comprise a valid research topic. The researcher found that a great deal of ignorance exists in the field of labour legislation. The Department of Labour, in conjunction with organisations such as SEDA, needs to introduce compliance workshops and suitable education material to educate the small business sector.

4.6 SUMMARY

The results of the study revealed a strong positive relationship between the rate of employment and compliance with basic labour regulations as well as between the rate of employment and the annual turnover of the business. The lower the rate of employment, the lower the rate of compliance and the lower the annual turnover, the lower the rate of compliance. The study objectives as discussed in Chapter 1 have been achieved. The study has successfully dealt with the research question and the problem statement.

Based on the evidence from the above empirical study, it may confidently be stated that those small businesses in the Fezile Dabi district municipality which comply with general labour legislation will employ more workers. It may likewise be stated confidently that small business in the Fezile Dabi district which complies with general labour legislation will yield a better annual turnover.

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APPENDIX 1 QUESTIONNAIRE

Dear Sir/Madam

You are invited to participate in an academic research study conducted by Philip Campher, an MBA student from the North-West University. The intention of the study is to gain a better understanding of compliance of small business with current labour legislation and its effect on the rate of employment.

Please note the following:

- If you agree to participate in this project, please answer the questions on the questionnaire to the best of your ability.
- The questionnaire will take approximately 10 -15 minutes to complete.
- It is important to know that there are no right or wrong answers.
- Your participation in this study is entirely voluntary.
- We are interested in the current state of business in general and not in your business in particular.
- These questions are anonymous at all times. Neither you nor your business can be identified based upon the answers you give. Your name or company name will not appear on the questionnaire.
- Your responses will be treated with strict confidentiality and will be combined with those of all other respondents participating in the study.
- You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- There are no known risks if you choose to take part.
- The results of the study will be used for academic purposes only.
- If you wish, we will provide you with a summary of our findings upon request.

If you have any questions regarding the completion of the questionnaire you are welcome to contact me at campher@lantic.net or for any questions regarding this study, please contact my study leader, Prof Christoff Botha at Christoff.Botha@nwu.ac.za.

Thank you for your support in this important venture.

Yours sincerely,

Philip Campher

QUESTIONNAIRE

SECTION A

Please mark the correct or applicable answer with an X best describing you or your business.

1) In what entity do you do business?

1	Partnership	
2	Company	
3	Close Corporation	
4	Trust	
5	Sole Proprietorship	
6	Cooperative	

2) In which town do you normally do business?

1	Edenville	
2	Frankfort	
3	Kroonstad	
4	Koppies	
5	Parys	
6	Sasolburg	
7	Viljoenskroon	
8	Villiers	
9	Vredefort	
10	Other	

3) In which Industry do you do business?

1	Computer technology	
2	Manufacturing	
3	Mining	
4	Retail	
5	Services (restaurant, hairdresser food, training)	
6	Wholesale	
7	Other	

4) If you have marked other, please indicate in which industry do you do business?

5) How many full years and full months have you been in business?

Years	Months

6) How many employees do you normally have?

--	--

7) How old were you on your last birthday?

--	--

8) Approximately how much does your annual turnover amount to?

1	R 0 – R36 000	
2	R36 001 – R100 000	
3	R100 001 – R250 000	
4	R250 001 – R500 000	
5	R500 001 – R2 000 000	
6	R2 000 001 – R 10 000 000	
7	More than R10 000 000	

9) What is the highest salary paid by you, to your staff, in your business? Mark only one.

1	Salary less than R1 500 per month	
2	Salary from R1501 to R3 500 per month	
3	Salary from R3 501 to R5 000 per month	
4	Salary from R5 001 to R10 000 per month	
5	Salary from R10 001 to R20 000 per month	
6	Salary more than R20 000 per month	

10) How many hours per week do your employees generally work?

1	0 – 20 Hours	
2	21 – 30 Hours	
3	31 – 40 Hours	
4	41 – 45 Hours	
5	46 – 60 Hours	
6	More than 61 Hours	

11) How many days' leave do you give your workers per annum?

1	Fewer than 10	
2	from 10 to 17	
3	from 18 to 24	
4	More than 24	

SECTION B

On a scale of 1 to 4 (where 1 is almost never; and 4 is almost always.) Indicate to which extent you agree with each of the following questions.

1) How often do your workers work overtime?

1. Almost never	2. Seldom	3. Regularly	4. Almost always

2) How often do you compensate your workers when they work overtime?

1. Almost never	2. Seldom	3. Regularly	4. Almost always

3) How often do you compensate your workers extra when they work on public holidays?

1. Almost never	2. Seldom	3. Regularly	4. Almost always

4) How often do you issue a pay slip to your workers?

1. Almost never	2. Seldom	3. Regularly	4. Almost always

5) How often do you have a written agreement or a contract with your workers when they first begin working for you?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

6) How often do you register your worker for UIF?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

7) How often do you pay UIF on behalf of your employees'?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

8) The Workmen's Compensation Fund offers compensation in respect of employees who are injured or suffer illness at work, or for death as a result of these injuries or disease.

Do you pay your yearly workmen's compensation?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

9) Do you think minimum wage is a good thing?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

10) How often do you comply with minimum wage legislation?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

SECTION C

Indicate with an X to which extent you agree with each of the following questions.

1) How do you consider your knowledge of health and safety regulations?

1. I don't know anything about health and safety	2.I know something, but not that much	3. I know more than most people	4. I consider myself as being well informed.

2) Do you comply with health and safety regulations?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

3) To what extent do you comply with bargaining council rules?

1. Almost never	2.Seldom	3.Regularly	4.Almost always	5.We do not have a bargaining council in my industry	6. I do not Know what a bargaining council is.

4) If you are part of a bargaining council, in your opinion, to what extent does the bargaining council bring any value to your business?

1. Almost never	2.Seldom	3. Regularly	4. Almost always

Thank you for your time and participation.

APPENDIX 2

CERTIFICATE: LANGUAGE EDITOR


DECLARATION BY LANGUAGE EDITOR

I, Lucia Antonia Whittle, declare herewith that I have edited the master's dissertation, titled:

Effects on employment of non-compliance with labour legislation by business in the Fezile Dabi district

on behalf of its author, Mr Philippus Georg Campher, for the purpose of submission in respect of the degree of Master of Business Administration to the Potchefstroom campus of the North-West University.

As commissioned by the author, I have recommended certain alterations, adjustments and rephrasements to the linguistic content of the text. The implementation thereof has been left to the author's discretion.


.....
L A Whittle, Ph D (Eng Lit) (UFS, Bloemfontein)



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19 November 2018

Re: Mini Dissertation Mr PG Campher, student number 11311959

We hereby confirm that the Statistical Consultation Services of the North-West University analysed the data of the above-mentioned student and assisted with the interpretation of the results. However, any opinion, findings or recommendations contained in this document are those of the author, and the Statistical Consultation Services of the NWU (Potchefstroom Campus) do not accept responsibility for the statistical correctness of the data reported.

Kind regards

JW Breytenbach (MSc Wits)

A handwritten signature in black ink, appearing to read 'JW Breytenbach', is written over a horizontal line.

Senior subject specialist: Statistical Consultation Services