THE DIFFERENTIAL EFFECT OF LABOUR UNREST ON CORPORATE FINANCIAL PERFORMANCE

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Abstract

Heightening labour unrest episodes have inevitably generated important results on corporate financial performance. This paper provides first-hand, empirical data to illustrate the effect of labour unrest on firm performance before periods of labour unrest (2004 to 2008) and during periods of labour unrest (2009 to 2013) in South Africa's mining sector. Content analysis was used to gather financial performance measures (Operating profit, Return on Capital Employed and Debt to Equity Ratios) of two mining firms. Then, t-test (paired samples) were utilised to analyse the data. The findings demonstrates that operating profit during labour unrest was lower when compared to operating profit before labour unrest for both company's A and B. Return on Capital Employed results for five years before labour unrest was greater than ROCE during the labour unrest for both companies. Then, debt to equity during the labour unrest is greater than before labour unrest for the studied companies.

Keywords: Labour Unrest, Corporate Financial Performance, Mining Sector, Return on Capital Employed, Debt to Equity Ratio, Operating Profit

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1 Introduction

Labour unrest can produce significant economic consequences for companies. Such episodes can generate negative effects on firm productivity and financial performance. Therefore, in situations where firm output has been reduced, adverse contexts in relation to employment can result in employees failing to support other dimensions of production, for instance, poor product quality (Sapa, 2013). Therefore, within South African contexts it is striking to notice the intensity of discussions concerning labour issues, plus the centrality of labour debates in the complete political economic environment (SA News, 2013). Thus labour protest in South Africa, especially in the mining sector has been incessant and counter-productive at a level more than in previous years (Sharp, 2011). The mining sector labour unrest in South Africa has been seen as a crisis which has extended to other economic sectors besides the mining sector alone, and one which at present cannot be solved by introducing repression approaches (Mtshazo, 2013; Fin24, 2014). It follows that South African workers have, in recent years, increased labour protest over issues such as working conditions and wages (Wyk, 2012; Vermeulen, 2013). Such events, therefore has reduced the country's once fastest African economic growth rate which has been identified as growing at 2% slower rate when compared to previous years, whiles other Sub-Saharan economies have been estimated to grow at an average of 5.1% as of 2013 (McGroarty and Maylie,2013). Hence, the frequent labour unrest in South Africa, particularly the mining sector has inevitably tainted the investment assessment of the country, and has thus produced negative impact on the country's economic sectors, which include amongst others the dramatic depreciation of the South African Rand against major currencies (Vermeulen,2013). Therefore, South African 2013 inflation rate which was identified to be below 6% has been projected to accelerate, with the largest exchange rate effect noticeable on fuel and food prices (Coetzer, 2013).

Consequently the concern of this paper is that the labour unrest has no doubt impacted negatively on the productivity and performance of the affected companies, mostly in the mining sector. To the best of the author's knowledge, no research has as yet, examined the effect of the labour unrest on the financial performance of the affected companies. The question that motivated this study is the possible differential effect of labour unrest on the financial performance of selected South African mining companies; hence the objective of the paper is to examine the possible differential effect of labour unrest on the financial performance of selected South African mining companies.

In this paper, we examine the impact of labour unrest on firm financial performance. Therefore, a case study technique is adopted by exploring the differential effect of the labour unrest on the financial performance measures (Operating profit, Return on Capital Employed and Debt to Equity Ratios) of two companies in the South African mining sector, five years before labour unrest (2004 to 2008) and five years during labour unrest (2009 to 2013). The paper

is deemed important since the findings show the negative financial implication of the labour unrest and thus provide information for corporate decision makers on the need to proactively manage the circumstances that lead to labour unrest before it can escalate to production stoppages and consequential effect on the general economy.

2 Related literature

2.1 Labour unrest within South African context

Labour unrest "is organising and strike actions undertaken by labour unions, especially where labour disputes become violent or where industrial actions in which members of a workforce obstruct the normal process of business and generate industrial unrest are essayed." (Wikipedia, 2014:1). Therefore, Wyk (2012) indicates that labour unrest in South Africa particularly in the mining and manufacturing sectors could result in high structural unemployment which will negatively have an effect of the country's Gross Domestic Product (GDP) (anticipated to decline by 1% in 2012), productivity at the workplace, and other macroeconomic instabilities. Sharp (2011) express that labour unrest in South Africa in 2010 resulted in 14.6 million workdays being lost owing to employee strikes plus work stoppages, and this figure was expected to heighten to 17.8 million in 2011, which is a 22% rise from 2010. Anderson (2014) also illustrates that the Marikana platinum mine strike was one of South Africa 's most violent and bloody labour unrest event which witnessed 34 miners being killed by police thereby bringing mining activities to a halt as the miners were demanding a better wage deal.

Hence, SA News (2013) spotlights that South Africa's labour unrest has reduced corporate investor confidence, reduced economic development by 0.9 percent in the first quarter of 2013, added to 14.3% depreciation of the South African Rand when compared to the United States dollar and could persistently increase inflation in the coming years. PWC (2014) describe that labour unrest in South Africa has generated negative impact on financial performance of mining companies as financial benefits decreased triggering contraction patterns of the country's mining stocks. The auditing company further explains that operating costs heightened by 14 percent, net profit declined by 80%, and impairment charges increased to 137.8% from 2013 statistics which makes it hard to incorporate long-run decisions in such volatile markets. Coetzer (2013) postulates that labour unrest in the mining sector will negatively affect South Africa's National Development Plan (NDP), is highly likely to spread to manufacturing sector thereby fuelling up stagflation, increased social upheaval and heightened disinvestment. Stehring (2014) informs that labour unrest in South Africa's mining sector led to damage of mining equipment, high theft of electricity cables, reduced operations which were ascertained to be 50-60% of normal production, created health and safety challenges of workers (fitness for duty), and delayed production.

The South Africa's National Treasury in its 2013/14 budget review discloses that copper production decreased by 21.8%, platinum fell by a 12% margin and gold declined by 14.5% in the country's mining sector owing to 2012 strikes (Sapa, 2013). Moreover, Impala Platinum in South Africa anticipated its earnings to decrease by 20% when compared to year end 2013 figures as a result of mining workers strike which lasted for 5 months then ending on June 30 (2014) having negatively affected normal production (Fin24,2014). Thus, Vermeulen (2013) asserts that labour challenges South Africa's platinum industry can lead to global investors deferring investments to other countries, exacerbate labour costs and increase shortage of specialised skills in the mining industry. Furthermore, McGroarty and Maylie (2013) adds that labour unrest in South Africa creates a US$70 million expense in a single day, is forcing Anglo American Platinum Limited to cut 6900 jobs in the country further increasing unemployment rate which was discovered to be 25,6%. Hence, Sharp (2011) demonstrates that the South African Department of Labour has been putting pressure on companies to introduce new labour regulations which embrace issues on affirmative action, affiliation with trade unions and temporary employment but such interventions have been reported to have the ability to lessen the country's labour market efficiency through 16.5% in 2011, after a 8.1% decrease in 2010.

Anderson (2014) elaborates that growing labour unrest in South Africa has been attributed to anticipated benefits which were associated with South Africa's 1994 democratic policy which promised the miners housing and decent employment. In the same vein, Sharp (2011) explains that South African trade unions have grown irrelevant to employees which has led to these government agencies membership declines from 4.3 million in year 2000 to 3.2 million in year 2010. In addition, Anderson (2014) highlights that employees are not satisfied with their trade union-National Union of Mineworkers (NUM), hence miners at Marikana and other mines have been undertaking strike actions which will possibly result in loss of revenue to the mining corporations, in addition to recent increase in world prices of platinum as South Africa supply 80% of global platinum. In another setting, Mtshazo (2013) demonstrates that labour unrest which affected gold mining companies have also extended to diamond mining firms as the National Union of Mineworkers (NUM) express that miners were demanding R8000 as the minimum wage as the miners were earning only R4000. The strike had begun owing to failed wage negotiations between the mining firms and the workers at the Commission for Conciliation, Mediation and Arbitration.

2.2 Corporate financial performance

Corporate financial performance involves the use of accounting principles of profitability to describe the

economic status of the company (Wang, 2005). Therefore, firm financial performance indicates a mechanism that satisfy corporate shareholders, hence profitability measures are important to show the capability of the company to generate financial benefits (Fletcher and Smith, 2004)). The firm performance measures which this study has considered, are, namely, operating profit (OP), Return on Capital Employed (ROCE) and Debt to Equity ratio (DE).

2.3 Operating profit

Epstein and Mirza (2003) propose that operating activities are the main profit generating practices of the firm. Therefore, operating practices by the company involve manufacturing commodities for sale and offering services. Edwards and Bell (1961) divided the firms existing-value financial gains into two major constituents namely; “current operating profit”- the amount of income in excess of existing revenue over the existing replacement expense of services applied to generate income and “realisable cost saving.” Fletcher and Smith (2004) illustrates that operating profit of a firm is determined through subtracting costs of goods and input materials from financial gains realised from producing output commodities. Bernstein (1989) highlights that operating activities include the total of all revenue-producing practices of the company. Hence, operating profit has been widely employed in previous research to investigate corporate performance (Lie, 2004).

Morck et al., (1989) explains that operating profit is prominently accepted and favoured when compared to share price because it includes market anticipation in relation to the value of prescribed restructuring practices. Wang (2005) argues that operating profit contributes towards managing the effect of earnings management. Therefore, investment approaches which include cost effectiveness, debt restructuring, reduction in dividend pay-outs, revenue growth and equity offering are principally employed to enhance short-term liquidity and operating profits (Ofek, 1993; Chowdhury and Lang, 1996). Moreover, corporations can respond by integrating financial restructuring procedures as a result of undesirable operating gains (Hillier and McColgan, 2005). In addition, (Denis and Kruse, 2000) illustrate that most companies react to performance shocks through implementing financial and organisational restructuring policies.

Kang and Shivdasani (1997) writes that firms characterised with poor performance can integrate asset expansion strategies. Hillier and McColgan (2005) found out that companies that introduce asset expansion activities encountered considerable positive firm performance ratings. On the contrary, Berger and Ofek (1995) contributes that expansion programs can lower the company’s market value. Hence, Yawson (2006) indicates that companies can implement employee layoffs in response to decreases in operating profits. Therefore, employee layoffs activities can be adopted following a period when the company has performed poorly with reference to its stock returns (Chen et al., 2001). Chen et al., (2001) posit that employee layoff practices ultimately lessen firm expenses, generates positive labour productivity and eventually produce high firm financial benefits. Inverson and Pullman (2000) demonstrates employee layoff programs are usually implemented together with cost reduction approaches so as to influence the firm’s operating performance.

However, Worrell et al., (1997) illustrates that employee layoffs can discourage the remaining employees which detrimentally influence the firm’s production capacity. Hence, Kahl (2002) understands that companies which are encountering poor performance have an opportunity to sell assets in order to pay outstanding debts. Therefore, Bititci et al., (2004) demonstrates that a firm should be able to change its long-term assets to maintain favourable financial benefits within the business environment. Kang and Shivdasani (1997) convey that asset sales generates a strong correlation with the firm’s operating performance in the second and third years. Moreover, Yawson (2009) studied Australian companies and concludes that forced CEO turnover and asset reduction strategies had a strong association with operating performance in second plus third years following a shock. In another firm sustenance approach, Grullan et al., (2002) consider that dividend cuts encourage the company to protect the firm’s inside financial strength for normal business undertakings. In the same vein, Lie (2004) confirms that companies implemented active policies to reduce dividend payments following a shock.

2.4 Return on capital employed (ROCE)

Return on capital employed (ROCE) is a corporate profitability measures which demonstrate how effectively the firm can generate financial benefits from capital that has been employed through comparing the net operating profit of the company to its capital employed (Maheshwari,2009). Therefore, ROCE simply illustrate the amount of financial rewards each monetary investment of capital employed produces to corporate investors. In addition, the ROCE is a long-run profitability measure since it indicates how effectively corporate assets have been performing whiles long-run financing issues have been simultaneously taken into account (Randall and Hopkins, 2012). In this case, the ROCE is very important in determining company longevity when compared to other profitability ratios such as return on equity. The ROCE is a profitability ratio founded upon two significant computations: the operating profit (identified as earnings before interest and taxes (EBIT)) and capital employed (total assets minus all current liabilities) (Maheshwari, 2009). Thus, the ROCE is calculated through dividing net operating profit by capital employed. In this manner, the ROCE show the effectiveness plus profitability of the firm’s capital investments. Hence, a favourable ROCE is a

ratio which is high when compared to the rate in which the firm is borrowing. In this case, the ROCE is expected to be greater than the borrowing rate of the firm as heightened company borrowing will decrease shareholders' earnings (Elliot and Elliot, 2008). Therefore, for a firm to remain in business in the future, its ROCE should be greater that the company's cost of capital so that earnings to shareholders are not reduced (Alexander and Nobes, 2004).

2.5 Debt to equity ratio

The debt to equity ratio is a performance measure of the firm's financial leverage computed through dividing the company's total liabilities by shareholders' equity (Randall and Hopkins, 2012). In this regard, it illustrate the amount of corporate equity plus company debt the firm is utilising to fund its assets. An increased debt to equity ratio implies that the firm has been ascertained to be aggressive towards financing its economic growth with debt. Therefore, such as scenario can lead to the company acquiring volatile earnings owing to extra interest costs. If earnings to the company are greater than the cost of debt financing then the company will benefit since greater earnings are increasingly spread among the company investors, but if the cost of debt financing has been determined to be higher than the company's earnings then bankruptcy can inevitably take place (Maheshwari,2009). In this case, capital-intensive industries such as the mining sector are expected to have a debt to equity ratio greater than 2, whiles smaller firms can have a debt to equity ratio less than 0.5. Generally, a reduced debt to equity ratio is desirable to the firm as it show less risk whiles an increased debt to equity ratio is undesirable to the company as this scenario indicates that the company depend more on outside lenders which increase risk, particularly increased interest rates (Elliot and Elliot,2008). Thus, the debt to equity ratio is a corporate performance measure that compares how much the company stakeholders (creditors, suppliers, lenders, obligors) have entrusted to the firm against what the company's shareholders have also entrusted (Alexander and Nobes,2004).

2.6 Labour relations issues in corporate environments

The issues concerning labour relations has considerably heightened in global corporate contexts. In this regard, Zeitlin (1987) consider labour relations as a social movement which highlights transforming associations involving employees, trade unions, the government and employers. Gordon (1994) demonstrates that labour relations can improve when a supportive labour framework consider employee rights, reduce intensity of employee control and promote equitable allocation of incomes. Knights and Willmott (1989) suggest that the challenge with labour processes is that they have primarily classified both employees and management as economic groups. Hence, the authors mentioned that there is no room for negotiation plus adoption of management-employee associations have been neglected. Armbuster-Sandoval (2005) explains that there are some jobs which have emphasized on matters of power, thereby influencing how workers are treated. Traditionally, such issues have already been there since firm critics have continuously raised concerns about the way employees are treated (Commons and Andrews, 1916). Shapiro and Stiglitz (1984) argue that there is conflict between employees (who put little effort to avoid dismissal in support of little wages they receive) and employers (who wants work to much tasks as possible for the low pay scales they offer).

Authors, Theriault (2003) and Rose (2004) suggest that workers who undertake physical labour frequently receive bad treatment from the employer when they can be easily substituted. In this respect, they are unable to have their demands addressed and since they provide no intellectual input; employers do not view them as complete people who deserve dignity (Theriault, 2003; Rose, 2004). Therefore, the framework about labour relations involve the adoption of labour legislation which enable employees to be given the right to participate in collective bargaining procedures, develop trade unions which will represent them in labour disputes and constructs expectations and limits which managers and employees could apply when conflicts arise (Nilsson,1999). Therefore, employee preparedness to involve managers in joint co-operative work include the procedure of negotiation since modern economic citizenry setups support improved relationships between management and workers instead of continuing disputes (Edwards,1986). Zieger (1986) explains that the introduction of labour laws positively assist workers and labour movements sustenance and advancement. Supiot (2001) demonstrates that labour legislation was developed to address economic disparities involving labour and management through developing a collection of norms defined by the government or discussed with important social stakeholders. ILO (1997) puts forward that labour legislation creates a set of standards that consider significant social rights. This practice is important since Ferrier (1996) express that employees are connected to management through a contract that is hard to withdraw or terminate in case of divergent conflicts.

Mboya (1963:178) commented that "it is possible for trade unions to fulfil two purposes in Africa: they can defend the rights and promote the interests of the workers, and at the same time co-operate with the government in economic reconstruction." Supporting this perception, Howard (1986:119) states that "the centralisation of power into the hands of a ruling class cannot be challenged by ordinary peasants, workers, and women unless they have the right to freedom of expression and can express their views in an organised manner." Webb and Webb (1894:1) define a trade union as "a continuous association of wage earners for the purpose of maintaining or improving the conditions of their

employment." Research undertaken across Europe and in Latin America demonstrates that trade unions are prime organisations representing the civil society has even been the mechanism or force behind regime change (O'Donnell et al., 1986; Przeworki, 1989). From an African perspective, studies have doubted if trade unions can be viewed as independent organisations which are able to carry out transformations through a democratic process (Nyang'oro & Shaw, 1989). In some African countries, trade unions work hand in hand with responsible governments and such trade unions do not play the role of transformation and democratisation but they are perceived as brakes on transformation (Kraus, 1976; Shivji, 1975). Valenzuela (1989) demonstrates that research conducted on trade union activities in low-income countries have indicated that employees who work in sectors considered to be strategic and crucial to the national economy have their power and voice significantly rendered ineffective. The following section examines the study's research methodology and data analysis.

3 Research methodology & analysis

This research employed data collected from the company's annual financial reports or integrated reports through content analysis processes. The paper adopted a multiple case study approach since it considered two mining companies in South Africa which have been experiencing labour unrest. In this research, firm performance measures, namely, operating profit (OP); Return on Capital Employed (ROCE) and Debt to Equity ratio (DE) of the two mining companies were collected from two periods: before labour unrest (2004 to 2008) and during labour unrest (2009 to 2013) on an annualised basis. The study then employed a t-test (two paired samples) to evaluate how each firm performance measure (OP, ROCE and DE) behaved before labour unrest and during labour unrest. The data analysis and results are present below.

4 Results

4.1 Results about operating profit for company a five years before labour unrest (2004 to 2008) and five years during periods of labour unrest (2009 to 2013)

Table 1. t-Test: Paired Two Sample for Means in Operating Profit Before and During Periods of Labour unrest in South Africa (Company A)

	OP Before LU	*OP After LU*
Mean	7633800	4129200
Variance	1.7397E+13	2.37354E+12
Observations	5	5
Pearson Correlation	0.293174082	
Hypothesized Mean Difference	0	
Df	4	
t Stat	1.958967006	
P(T<=t) one-tail	0.060849356	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.121698711	
t Critical two-tail	2.776445105	

Note: OP before LU: Operating Profit five years before labour unrest; OP during LU: Operating Profit within five years of labour unrest

4.1.1 Discussion

The Mean difference is therefore: 350 (763-412), which is greater than the hypothesized mean difference of 0; this thus shows that the operating profit during the labour unrest is lower than before unrest. From the test output, test statistics t is 1.9 and the t-critical is 2.7; since therefore the t-critical is greater than the t-statistics, we can conclude that although the mean difference is more than zero, but the difference is not significant enough to conclude that labour unrest in South Africa has a significant negative effect on operating profit. This might perhaps account for why the company management seem to be willing to allow the strikes to longer, since after all, the reduction in operating profit might not significantly affect the firm.

4.2 Results about operating profit for company B five years before labour unrest (2004 to 2008) and five years during periods of labour unrest (2009 to 2013)

Table 2. t-Test: Paired Two Sample for Means in Operating Profit Before and During Periods of Labour unrest in South Africa (Company B)

	OP Before LU	*OP After LU*
Mean	10291800	6996000
Variance	5.56698E+13	8.17295E+12
Observations	5	5
Pearson Correlation	-0.944366165	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.72219983	
P(T<=t) one-tail	0.25506804	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.51013608	
t Critical two-tail	2.776445105	

Note: OP before LU: Operating Profit five years before labour unrest; OP during LU: Operating Profit within five years of labour unrest

4.2.1 Discussion

The Mean difference was ascertained to be 597(699-102), a value that is higher when compared to the hypothesized mean difference of 0. Therefore this demonstrates that operating profit during labour unrest was lower when compared to operating profit before labour unrest. The results outcomes t-Stat was identified to be 0.72 whiles the t-critical value was obtained as 2.7; since therefore the t-critical is greater than the t-statistics, we can conclude that although the mean difference is more than zero, though the variance is not significantly adequate to conclude that labour unrest in South Africa indicates a significant negative effect on operating profit. This finding can also assist to explain why labour unrest activities have persistently been experienced in the mining sector as firm managers are confident that decrease in operating profit will not result in significant undesirable impacts on firm performance.

4.3 Results about Return on Capital Employed (ROCE) for company A five years before labour unrest (2004 to 2008) and five years during periods of labour unrest (2009 to 2013)

Table 3. t-Test: Paired Two Sample for difference in Means in Return on Capital Employed (ROCE) Before and During Periods of Labour Unrest in South Africa (Company A)

	ROCE Before LU	*ROCE After LU*
Mean	28.64	5.84
Variance	101.543	36.798
Observations	5	5
Pearson Correlation	-0.294253496	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.861468257	
P(T<=t) one-tail	0.009062288	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.018124577	
t Critical two-tail	2.776445105	

Note: ROCE before LU: Return on Capital Employed five years before labour unrest; ROCE during LU: Return on Capital Employed within five years of labour unrest

4.3.1 Discussion

The Mean difference is therefore: 23 (28.64 - 5.84), which is greater than the hypothesized mean difference of 0; this thus shows that Return on Capital Employed five years before labour unrest is greater than ROCE during the labour unrest. Significance: since the t statistics which is 3.8 is greater than t-critical (two tailed) which is 2.7, and the P = 0.018 (two-tail) is less than 0.05, we thus conclude that the mean difference in ROCE before the labour unrest is significantly different than the ROCE during the five years of labour unrest.

4.4 Results about Return on Capital Employed (ROCE) for company B five years before labour unrest (2004 to 2008) and five years during periods of labour unrest (2009 to 2013)

Table 4. t-Test: Paired Two Sample for difference in Means in Return on Capital Employed (ROCE) Before and During Periods of Labour Unrest in South Africa (Company B)

	ROCE Before LU	*ROCE After LU*
Mean	34.4	10.66
Variance	118.3	20.003
Observations	5	5
Pearson Correlation	-0.604992962	
Hypothesized Mean Difference	0	
Df	4	
t Stat	3.780532779	
P(T<=t) one-tail	0.009713434	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.019426869	
t Critical two-tail	2.776445105	

Note: ROCE before LU: Return on Capital Employed five years before labour unrest; ROCE during LU: Return on Capital Employed within five years of labour unrest

4.4.1 Discussion

The Mean difference is therefore: 24 (34.4 - 10.66), which is greater than the hypothesized mean difference of 0; this thus shows that Return on Capital Employed five years before labour unrest is greater than ROCE during the labour unrest. Significance: since the t statistics which is 3.8 is greater than t-critical (two tailed) which is 2.7, and the P = 0.018 (two-tail) is less than 0.05, we thus conclude that the mean difference in ROCE before the labour unrest is significantly different than the ROCE during the five years of labour unrest.

4.5 Results about Debt to Equity ratio for company A five years before labour unrest (2004 to 2008) and five years during periods of labour unrest (2009 to 2013)

Table 5. T-Test: Paired Two Sample for difference in Means in Return on Debt to Equity ratio Before and During Periods of Labour Unrest in South Africa (Company A)

	DE Before LU	*DE After LU*
Mean	19.82	17.4
Variance	84.707	64.51
Observations	5	5
Pearson Correlation	0.546725602	
Hypothesized Mean Difference	0	
Df	4	
t Stat	0.654355251	
P(T<=t) one-tail	0.274298907	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.548597813	
t Critical two-tail	2.776445105	

Note: DE before LU: Debt to Equity five years before labour unrest; DE during LU: Debt to Equity within five years of labour unrest

4.5.1 Discussion

The Mean difference was determined to be 2.42 (19.82-17.4), a value that is greater than the hypothesized mean difference of 0. This implies that the debt to equity during the labour unrest is hence higher when compared to the one before labour unrest. Significance: from the test results, test statistics t is 0.65 and the t critical is 2.7. Hence, since therefore the t-critical is higher when compared to the t-statistics, we can conclude that although the mean difference is more than zero; the difference is not significant enough to conclude that labour unrest in South Africa has a significant negative impact effect on debt to equity of company A. This outcome can enhance improved understanding on why firm managers have not taken proactive actions to stop ongoing strikes since a rise in debt to equity might not produce significant impact on the company.

4.6 Results about Debt to Equity ratio for company B five years before labour unrest (2004 to 2008) and five years during periods of labour unrest (2009 to 2013)

Table 6. t-Test: Paired Two Sample for difference in Means in Return on Debt to Equity ratio Before and During Periods of Labour Unrest in South Africa (Company B)

	DE Before LU	*DE After LU*
Mean	2.8	6.5
Variance	6.2	17.155
Observations	5	5
Pearson Correlation	0.058178168	
Hypothesized Mean Difference	0	
Df	4	
t Stat	-1.757724674	
P(T<=t) one-tail	0.076812139	
t Critical one-tail	2.131846786	
P(T<=t) two-tail	0.153624278	
t Critical two-tail	2.776445105	

Note: DE before LU: Debt to Equity five years before labour unrest; DE during LU: Debt to Equity within five years of labour unrest.

4.6.1 Discussion

The Mean difference is therefore: 3.7 (6.5-2.8), which is greater than the hypothesized mean difference of 0; this thus shows that the debt to equity during the labour unrest is greater than before unrest. Significance: from the test output, test statistics t is -1.7 and the t critical is 2.7; since therefore the t-critical is greater than the t-statistics, we can conclude that although the mean difference is more than zero, but the difference is not significant enough to conclude that labour unrest in South Africa has a significant negative effect on debt to equity of company B. This might perhaps account for why the company management seem to have been willing to allow the strikes to go for long periods, since after all, the increase in debt to equity might not significantly affect the firm.

5 Conclusion

The evidence generated by this study adds to the conclusion that labour unrest produce effect on firm performance. This study employed a multiple case study on two mining companies in South Africa to evaluate the effect of labour unrest on firm performance. Therefore, by employing t-tests (two paired samples), the outcomes indicates that operating profit during labour unrest was lower when compared to operating profit before labour unrest for both company's A and B. In addition, return on Capital Employed five years before labour unrest was greater than ROCE during the labour unrest for both companies. As well, debt to equity during the labour unrest is greater than before unrest for the studied companies. Overall, it is therefore imperative that company managers should devise approaches that seek to proactively minimise or prevent labour unrest as such labour unrests have the ability to reduce company financial performance.

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