

PERCEPTION OF SMALL-MEDIUM COMPANIES ON THE PROPOSED DUAL LABOUR MARKET SYSTEM IN SOUTH AFRICA

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Abstract

This study examined perceptions of small-medium companies on the proposed dual labour market system in South Africa. The alternative system and its implications is passionately debated by market role players both inside and outside the country. The growing unemployment rate and reported dwindling number of investors; due to perceived inflexible labour laws; has attracted divergence of intellectual response. Data was collected from five companies in Kwazulu-Natal; in the Durban area in sectors such as manufacturing, business services and tourism using both personal interviews and questionnaires which were distributed to 550 employees, of which 360 questionnaires were completed (return rate 65.4%). The results of this paper indicate that in general SME's role players have diverse views on the proposed "Dual Labour Market System" and its possible effects.

Keywords: Perception, Small-Medium Companies, Dual Labour Market System, South Africa

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1. Introduction

South Africa is ranked among the countries with the worst levels of unemployment and poverty and the greatest inequalities. According to Statistics South Africa, recent statistics revealed that there was a small drop in the level of unemployment in South Africa. The more realistic expanded unemployment rate - which includes discouraged job-seekers who have given up looking for work - declined from 36.6% in the first quarter of 2012 to 36.2% in the second quarter. The lower 'official' rate of unemployment fell in the same period from 25.2% to 24.9%. This represents a drop of just 0.3% and just 56 000 fewer workers without jobs, a drop in the ocean of the total of 4.47 million who remain unemployed (www.stats.gov.za). The unemployment rate is to a greater extent attributed by some labour economics scholars to inflexible and rigid labour legislations, such as Labour Relations Act, Basic Conditions of Employment Act and Employment Equity Act.

According to the article titled: *Labour laws, BEE hamper small business* published in the New Age Newspaper (2011), inflexible labour legislation and black economic empowerment are frustrating small business growth, according to an index released. Cited in the article, Chris Darroll, CEO of SBP, the research company which compiled the index, argued that major regulatory barriers identified by the index are inflexible labour laws among other things. Darroll believed that South Africa is squandering a critical

economic asset and source of job creation by failing to create an environment for the small and medium enterprise sector (hereafter SMEs) to flourish. Darroll, however, was of the view that the situation can be remedied. According to the article, (2011) SME Growth Index is the first annual study produced by SBP. It surveyed 500 small and medium enterprises (SMEs) and would initially track their performance for the next three years. According to the article, the firms chosen survived the first two years of operation, employed between 10 and 50 employees, and operated in sectors that the government had prioritized for growth - manufacturing, business services and tourism. Respondents said inflexible labour legislation constrained their growth. SMEs also express anxiety about increased inflexibility if proposed amendments to labour legislation materialize.

In terms of the report cited in the article (2011), less than half the firms on the panel had grown their staff numbers over the past five years, while less than a third had created new positions in 2011. South Africa's SMEs are simply not growing at the pace needed for large-scale wealth and job creation. Darroll said the economic climate was given as the main reason for the lack of job creation. Small businesses contribute more than half of South Africa's Gross Domestic Product and make up 77% of non-government jobs.

Labour movement, particularly Congress of South African Trade Union (hereafter Cosatu), view

state intervention as being insufficient. According to the Industrial Strategy handbook (2001), the Federation believed that big business wanted to turn the clock back to the days of apartheid, where they could hire and fire at will. They further argued that business transformation has not yet benefited the majority of South Africans as the millions of Cosatu members live with the truth of rising unemployment, retrenchment and job losses every day. They (Cosatu) argued that the state should be seen at the forefront, leading the process of business transformation in South Africa.

In response to the existing South African labour market challenges, such as high unemployment rate, perceived rigid or inflexible labour laws and negative foreign investors, some within the government sector are now calling for the "dual labour market" system. Already in Western Europe flexibility in the labour market is central in business and government approach on employment policy (<http://amielandmelburn.org.uk>)

The purpose of this paper is to contribute to the on-going intellectual debate on the proposed dual labour market as an alternative model for SMEs in South Africa. The study uses its findings on general perceptions of key market players as a barometer to determine possible future direction of the South African Labour Market.

2. Literature review and Hypothesis Development

Since the new democratic dispensation in South Africa, the African National Congress (hereafter ANC) government has put in place labour legislations that were providing legislative frameworks in which South Africa companies and organizations would operate. One of the major strategic objective was to ensure that just like the rest of society, South African companies in both private and public sector eradicate discriminatory policies and practices by transforming in order to reflect new democratic dispensation principles which are based on recognition of individual human rights.

Cosatu Secretariat Report (2003), argued that apartheid created a dual labour market, with a high level of legal protection for Whites and very little for lower-level African workers. This report highlighted considerable progress made by democratic state in replacing this system with an integrated, fair and coherent framework for labour relations. In large part, the report (2003) states that this success has arisen from the commitment to negotiate labour laws at the National Economic Development and Labour Council (hereunder NEDLAC).

The introduction of the new labour laws, such as Labour Relations Act 66 of 1995, Basic Conditions of Employment Act 75 of 1997 and Employment Equity Act 55 of 1998 in their current form has raised concerns in other sectors of society. This has over the

recent years enjoyed divergence of intellectual response. The business community, together with the official political party, the Democratic Alliance, (www.da.org.za) argued that the introduction of some of the legislations, particularly the Employment Equity Act, Labour Relations Act and Basic Conditions of Employment Act, were the direct cause of the high rate of unemployment that South Africa is witnessing today. Very few foreign investors, they argued, would invest in a country where there was a high level of state intervention in the labour market. According to Tim Harris, shadow Minister of Finance, proposal on labour market reform that promote labour market flexibility, can help South African to create jobs at a faster rate (www.da.org.za). In a document posted on www.da.org.za, titled Jobs in Jeopardy: How Red Tape Undermine Economic Growth and Job Creation, highlighted difficulty in firing employees, rigidity of working hours, costs of shedding redundant employees

3. Theoretical Framework

The Dual Labour Market is a concept developed originally by the American economists Doeringer and Piore to describe the phenomenon noticed by them in which the labour market appeared to be separated into a primary and a secondary sector (<http://www.eurofound.europa.eu/emire/irel/>).

According to Hoffman (1986), Peter Doeringer and Michael Piore challenged the human capital theory. Their own research on the operation of the low wage labour market in Boston (USA) had convinced them that human capital explanations were inadequate for understanding the low earnings of the workers they studies. They felt that there was little difference in terms of apparent human capital between workers who are doing reasonably well and those who were either chronically unemployed or employed at very low wages. Hoffman (1986), argued that Doeringer and Piore explanation of the situation they observed adopted some aspects of human capital theory, especially the idea of specific training. However, they also stressed the importance of institutional features of contemporary labour market, labour market discrimination, and the resulting immobility of labour. The orientation of their model was very different from the human capital approach. Hoffman (1986), argued that Doeringer and Piore began by arguing that it was useful to think of the labour market as being divided into two distinct sectors – hence the designation “dual labour market model”. They called these the primary sector and the secondary sector. The two sectors were defined not in terms of specific occupations or industries, but rather by a set of general characteristics. Thus jobs in the secondary sector tend to have low wages and fringe benefits; poor working conditions, high labour turnover, little chance of advancements; and often arbitrary and capricious supervision. In contrast, jobs in the primary sector

have many of the opposite characteristic, employment was steady, working conditions were better, wages were higher, and there were significant opportunities for advancement. A further important difference between the two sectors concerns on the job training. Jobs in the secondary sector offered little or no training – they were “dead-end” jobs – whereas those in the primary sector provide extensive training, most of which, in their view, was usually specific rather than general (Hoffman;1986).

According to Hudson (2006), Doeringer and Piore’s theory on Dual Labour System work received support from critics of human capital and marginal productivity theory who argued that the War on Poverty manpower programmes had failed to produce a substantial reduction in poverty and underemployment, especially among minorities. According to Hundson (2006: 287), the critics argued that these programmes failed to address structural deficiencies in the creation and allocation of jobs (Bluestone, 1968a,b, 1970, 1971; Bluestone et al., 1973; Harrison, 1970, 1971, 1972; Gordon, 1972a,b; Reich et al., 1973) cited by Hundson (2006). Since then, Hundson (2006) argued that the dual labour market theory had continued to inform the understanding of the American labour market. Its utility has been underscored by a number of developments: First, much of the recent research on nonstandard and contingent work arrangements (Appelbaum, 1992; Barker and Christensen, 1998; Belous, 1989; Blank, 1998; Carre’,1992; Callaghan and Hartmann, 1991; Gonos, 1998; Morse, 1998; Polivka, 1996; Polivka and Nardone, 1989; Tilly, 1996) has relied on concepts and ideas from dual labour market theory (Freeman, 1999; Harrison, 1997 [1994]; Kalleberg et al., 2000; Noyelle, 1987; Reid and Rubin, 2002). Nonstandard jobs are more likely than traditional work arrangements to pay low wages and less likely to provide health insurance and pensions (Hudson, 1999, 2001; Kalleberg et al., 1997, 2000; Spalter-Roth et al., 1997). Secondly, the tremendous influx of foreign workers into the United States since the 1980s has caused the labour market to become increasingly stratified on the basis of national citizenship (Ehrenreich, 2002; Hochschild, 2003; Hondagneu-Sotelo, 2001; Massey, 1995; Phillips and Massey, 1999). Finally, the decline in union membership, the historical guarantor of good wages and benefits for blue-collar workers (Freeman, 1999; Freeman and Medoff, 1984), had contributed to the wage and benefit bifurcation in the service sector (Harrison and Bluestone, 1988). During the last three decades these forces have combined to dramatically increase the level of income inequality in the United States (Bernhardt et al., 1995; Morris et al., 1994).

Doeringer and Piore argued that the structure of the labour market in the two sectors was markedly different. The secondary sector was essentially a competitive market, not very different from a simple textbook supply and demand model (Hoffman, 1986).

Wages tended to be at equilibrium levels, which were often quite low given the low skills requirements and lack of training. The primary sector, though, was not a competitive market of the usual sort. Most jobs in the sector were part of an internal labour market, that is, a labour market internal to, or entirely within, a large firm. An internal labour market typically had three characteristics. First, it was highly structured and regulated. Doeringer and Piore described it as an administrative unit within which the pricing and allocation of labour is governed by a set of administrative rules and procedures (Hoffman; 1986: 187).

They asserted that there was limited worker mobility from the secondary sector to the primary sector. According to Hoffman (1986), Doeringer and Poire argued that employment in the secondary sector often made workers unsuited for subsequent employment in the primary sector. Secondary sector employment (or reinforced) a set of work habits – lack of promptness, inattentiveness to task, absenteeism, lack of respect for authority, petty theft – which were tolerated there but were quite inappropriate in the primary sector.

Daw and Hardie; (2012: 1184) define the primary labour market as consisting of jobs that offer above-median wages, benefits, and maximum job security. The secondary labour market is comprised of those working in jobs with none of these properties, and the intermediate labour market consists of those whose job rewards include some, but not all, of the properties of primary labour market jobs. Daw and Hardie; (2012) argued that disagreement exists regarding the appropriate definition of primary, intermediate and secondary labour markets (Beck et al., 1978, 1980; Hudson, 2007; Osterman, 1975; Rumberger and Carnoy, 1980; Sakamoto and Chen, 1991; Sørensen,1983), categorization makes use of job characteristics commonly cited as benchmarks of labour market segment. Low wages and non-standard work was often cited as characteristics of the secondary labour market (Piore, 1973, 1980; Reich et al., 1973).

According to Robert N. Horn, cited from *Journal of Economic Issues* (1980: Vol XIV: 615), the hypothesis that the labour market is comprised of two (or more) submarkets has been the focus of considerable debate among labour economists in the recent years. Proponents of the dual labour market theory maintain that the labour market is composed of primary and secondary sectors, each with its own market and specific characteristics. Employment conditions in secondary labour market are denoted by high turnover, low pay, almost no opportunity for in-firm occupational advancement, arbitrary managerial control, and a general environment which is in conducive to the formation of stable employment relationship” Rorbet N Horn, (1980:Vol XIV: 615)

The debate on Dual labour Market system and the flexibility of the labour laws has been further

complicated by different interpretation of what these two concepts really mean in the South African context. According to Atkinson and Greygory (<http://www.amielandmelburn.org.uk/collections/mt>) flexibility differed widely from firm to firm. For Atkison and Greygory, the flexibility offensive contains three interwoven objectives; firstly, to increase their ability to adjust quickly and cheaply to a more uncertain, volatile and competitive market, and to an increased pace of technological change; secondly, to continue the high rate of growth of productivity which marked the earlier years of the current recession, at a time when output and profitability are now rising; thirdly, to reduce employment costs either through using cheaper sources of labour or by using forms of labour, like temporary employment, which allow quick and cheap changes in the level of employment. According to Atkison and Greygory (<http://www.amielandmelburn.org.uk/collections/mt>), division of the workforce is at the heart of the employers' version of flexibility. While its implementation is being encouraged by high levels of unemployment, by legal deregulation and by the weakness of the unions, Atkison J, et al, believed that this new division of labour will be a permanent feature of the labour market in years to come, because the market and technological pressures which have given rise to it are also likely to be permanent. For Atkison and Greygory (<http://www.amielandmelburn.org.uk/collections/mt>), certainly, there is evidence of this division occurring on a major scale right across Western Europe. In the United States, and most obviously in Japan, it has existed for many years. The flexibility offensive may have been born of recession, but its consequences for workers will persist for much longer. (<http://www.amielandmelburn.org.uk/collections/mt>).

According to The Economics, 30 August 1986:45 cited by Barker, (2003) "a major reason for unemployment in developing countries is said to be that labour markets do not adjust as quickly as they should to changing circumstances. If markets could adjust to be more in line with demands and supply conditions, unemployment might according to supporters of the flexibility theory, be reduced" (OECD, 1986b).

According to Barker (2003), Labour market flexibility refers to the extent to which an employer can alter various aspects of its work and workforce to meet the demands of the business for example the size of the workforce, the content of jobs, working time etc. The argument is that labour market rigidities prevent enterprises from adjusting to technological transformation, changing economic circumstances, external shocks and more intense international competition. The labour market therefore does not operate as efficiently as it should. Employers are also loath to employ labour on a permanent basis because of its high costs. They therefore switch to the use of

capital-intensive technology, or lose market share. The end result is reduced employment.

ILO (Ozaki, 1999:5) cited by Barker (2003:30), identified four types of flexibility, firstly, flexibility as far as contracts of employment are concerned, secondly, wage flexibility, thirdly, working time flexibility and fourthly work organisation flexibility.

In a survey made on flexibility in South Africa initiated in 1995 by the ILO (Macum, 1997) cited by Barker (2003), the broad conclusion was that the labour market in manufacturing was reasonably flexible and that there were signs that enterprises were able to adapt and were innovate in certain areas. But the ability of enterprises to adapt was severely by the past, in particular by the disadvantages and discrimination experienced by African workers, and by the resultant legacy of low trust between employees and employers.

Other key aspects were inadequate managerial skills, and training, and in the external environment, inadequate transport, violence and a poor education system (Barker; 2003)

Barker (2003: 3) argued that South Africa has a very high rate of unemployment. In terms of the (so-called) Gini coefficient, South Africa is one of the most unequal societies in the world. The South African Foundation (1986) contends in a major policy document that a two-tier labour market should be encouraged to address South Africa's unemployment problem. It argues that large numbers of relatively low-wage jobs should be created. This should be done by eliminating the extension of bargaining council agreements to non-parties, maintaining only those minimum standards that do not hurt the poor and unemployed, avoiding minimum wages which threaten jobs and encouraging the creation of new jobs and the employment of youths. Youth and regional differentiation should be allowed in all wage contracts.

The rights and privileges of existing workers would, according to the South African Foundation (1986:25) "not be affected much", as bargaining councils and strong centralised trade unions protect them. However, the existing large differentials in the economy will further widen. There is already a large informal sector in the country, but this will be further encouraged by lower wages and poorer working conditions for all new entrants. This type of policy might create more jobs, but will also lead to the continued marginalisation of many workers.

Herman (2012: 290-291) "creating jobs that assure the increase in the well-being of people represents one of the fundamental objectives that any country has to achieve. Small and Medium Enterprises SMEs, as a vehicle for entrepreneurship Acs, 1992 and a source of employment and income, contribute not just to employment and social and political stability, but also to innovative and competitive power Thurik and Wennekers, 2004. SMEs contribute largely to the achievement of

fundamental objectives of any national economy. SMEs are the engine of the European economy, EC, 2005. They are an essential source of jobs, create entrepreneurial spirit and innovation in the EU and are thus crucial for fostering competitiveness and employment, accounting for more than 67% of private sector jobs and providing more than 58% of total turnover in the EU, EC, 2011.”

The economic literature Beck et al., 2005; Cravo et al., 2012, cited by Herman (2012: 291) argues that “SMEs embody special advantages that proffer at least three unique contributions to the economy. Firstly, SMEs enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, innovation, and aggregate productivity growth. Secondly, SMEs are more productive than large firms are, but the financial market and other institutional failures prevent SMEs development. Thirdly, SMEs expansion boosts employment more than large firm growth because SMEs are more labour intensive. Some analysts advertise the advantages of large firms relative to SMEs. Large firms are better than small firms at innovating and boosting productivity, because large enterprises can exploit economies of scale and more easily undertake the large fixed costs associated with research and development.” Pagano and Schivardi, 2001, cited by Herman (2012), show that a larger average firm size is associated with faster innovation rates within Europe. On the contrary, Acs and Audretsch, 1987, find that small firms have higher inn skill-intensive industries within the United States. Following the same idea, Audretsch and Thurik, 2000, cited by Herma (2012), state that the emerging source of comparative advantage for Europe is economic activity based on creativity and new ideas, an entrepreneurial economy, based on SMEs, will generate higher wages and greater employment opportunities reflecting the exploding demand for new and improved products and services. The importance of small businesses in job creation was highlighted in different empirical studies. Thus, Birch, 1987, Davis et al., 1996 and Neumark et al., 2011 demonstrated that in the economy of the USA, in different periods, small firms played an important role in job creation. This idea was confirmed also in the studies Broersma and Gautier, 1997; Barnes and Haskel, 2002 that researched the effect of SMEs on job creation in the economies of the European states. De Kok and De Wit, 2012 cited by Herman (2012) show that; for the EU as whole, smaller firms contribute more to job creation than larger firms and net job creation rates decrease with each firm size class. According to Herman (2012) in the study conducted between 2000 to 2010, the paper highlighted the tendencies recorded by SME’s in the Romanian non-financial business.

Further, the paper intended to make a comparative analysis between SMEs and large enterprises in order to identify whether, in Romania,

smaller firms contribute more to job creation and whether they were more productive than larger firms.

For reaching these objectives, the methodology used was the empirical approach and secondary analysis of statistical data offered by Eurostat Structural business statisti, National Institute of Statistics, National Commission of Prognosis, 2012 and Annual Reports on EU SMEs EC, 2012. This data was related to the number of enterprises, employment, gross value added GVA by size class and sector of industry in the non-financial business economy, defined by NACE Sections C-I and K. For classifying firms by size class, we have taken into consideration the criteria set by the Eurostat. Enterprise size classes were defined in terms of the number of persons employed. In line with the Eurostat criteria, the following intervals are used: micro-enterprises 0-9 employees; small enterprises 10-49 employees; medium enterprises 50-249 employees. For Herman (2012:294) they carried out a statistical-economic analysis, based on the Spearman correlation coefficient in order to establish the intensity of the correlation between the number of SMEs and the employed population in these enterprises, between 2000 and 2010. This analysis revealed that there was a strong positive correlation between SMEs and their contribution to job creation in the Romanian economy, Spearman correlation= +0.982, figure 4a. This fact reflects that the increase in the employed population has positively influenced the growth of SMEs in Romania. A direct and strong relationship was also identified between the number of large enterprises and the number of jobs created by these enterprises, Spearman coefficient= +0.873, figure 4b. However, in Romania, the fall in these enterprises was accompanied by job reduction, large enterprises becoming a job loser, with negative consequences on the level of development.

4. Results and Discussion

This section presents the results and discusses the findings obtained from the questionnaire in this study. The data collected from the responses was analysed with SPSS version 20.0. The results will be presented in the form of graphs, cross tabulations and other figures.

The research findings from the three sectors identified for purposes of the study indicate that in general SME’s role players, including trade unions have diverse views on the proposed dual labour market system. This to a greater extent was caused by limited understanding of respondents on the current labour laws and possible effects of dual labour market system on the creation and sustainability of employment. Table 1 below indicate that almost 57% of respondents do not know and understand all South African laws relevant to employment. This is a concerning trend, given the fact that the participation of key role players in the current discussion on the

proposed dual labour market system in South Africa is to a large extent dependent on their understanding of the current system and possible effect of the proposed system. The table below indicate statistical

information on the number of respondents who know and understand all South African laws relevant to employment.

Table 1. I know and understand all South African Laws relevant to employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	22	6.1	10.4	10.4
	Disagree	121	33.7	57.1	67.5
	Unsure	11	3.1	5.2	72.6
	Agree	41	11.4	19.3	92.0
	Strongly Agree	17	4.7	8.0	100.0
	Total	212	59.1	100.0	
Missing	System	147	40.9		
Total		359	100.0		

The proposed dual labour market system is located in the current debate on South African labour Market's ability to create quality and sustainable jobs, particularly for the youth.

research. Most of the respondents (29.30%) were between the age of 30 to 39 years old, while 21.6% were between 20 to 29 years old. The table indicate that more than 53% are employees younger than 40 years of age.

The table below indicate that youth is more employed in all three sectors identified for this

Table 2. Gender and Age of respondents

		Gender		Total	
		Female	Male		
Age	< 20	Count % within Age % within Gender % of Total	3 42.90% 2.40% 0.90%	4 57.10% 1.80% 1.20%	7 100.00% 2.10% 2.10%
	20 - 29	Count % within Age % within Gender % of Total	28 37.80% 22.60% 8.20%	46 62.20% 21.20% 13.50%	74 100.00% 21.70% 21.70%
	30 - 39	Count % within Age % within Gender % of Total	32 32.00% 25.80% 9.40%	68 68.00% 31.30% 19.90%	100 100.00% 29.30% 29.30%
	40 - 49	Count % within Age % within Gender % of Total	30 32.30% 24.20% 8.80%	63 67.70% 29.00% 18.50%	93 100.00% 27.30% 27.30%
	50 - 59	Count % within Age % within Gender % of Total	27 48.20% 21.80% 7.90%	29 51.80% 13.40% 8.50%	56 100.00% 16.40% 16.40%
	> 60	Count % within Age % within Gender % of Total	4 36.40% 3.20% 1.20%	7 63.60% 3.20% 2.10%	11 100.00% 3.20% 3.20%
Total	Count % within Age % within Gender % of Total	124 36.40% 100.00% 36.40%	217 63.60% 100.00% 63.60%	341 100.00% 100.00% 100.00%	

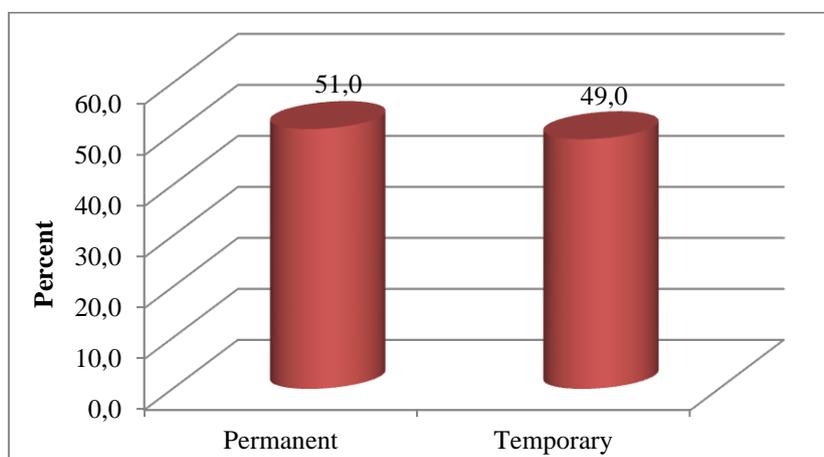
There is no significant difference in the age ratios by gender (chi square p-value = 0.404).

In general, SMEs are considered by Economic Analysts as job creators in comparison with big business and government institutions. According to the Literature Review on Small and Medium Enterprises Access to Credit and Support in South Africa by National Credit Regulator (2011), there was consensus among Policy Makers, Economists, and Business experts that small and medium enterprises (SME's) are drivers of economic growth. A healthy SME sector contributes prominently to the economy through creating more employment opportunity, generating higher production volumes, increasing exports and introducing innovation and entrepreneurship skills. It is estimated that SME's employ 22% of adult population in developed

countries. A recent study conducted by Abor and Quarterly in 2010 cited in the Report by National Credit Regulator (2011) estimated that 91% of formal business entities in South Africa are SME's and that these SME's contribute between 52 to 57% of GDP and provide about 61% of employment. According to the report by National Credit Regulator (2011), has between 2,4 to 6 million SME's around 20% of these SME are registered with Companies and intellectual Property Commission (CIPC)

Even though SME's are considered as such, the findings of this study indicate that jobs created by SME's are not always of quality and sustainable. This assertion is informed by the following factors. Firstly, only 51% of respondents are permanently employed, while 49% are temporally employed.

Table 3. The figure below indicates the nature of the posts that the respondents hold



There was only a 2% difference between the number of permanent and temporary respondents. Although there is no significant relationship between belonging to an organisation and the nature of the post (chi square p-value = 0.324), the implications are far reaching.

This means that most jobs do not have benefits associated with permanent employment such as job security, medical aids, housing subsidy, pension or provident fund allowance and so on. Secondly, more than three quarters, 76.6% of respondents believed that most employees in their companies are generally not happy with their conditions of service, while 17.3% disagreed. Almost 47.6% of respondents do not agree that the conditions of service are more favourable to employees in SME companies than in large companies, while only 10% agreed. Thirdly, 77% of the respondents indicated that their companies have retrenched at least twice over the past five years. Further, almost 58.6% of respondents believed that it

is easier to be dismissed in a SME company than in a large company. The respondents cited recent economic recession and South African labour laws as two immediate reasons why a number of jobs have been lost over the past years.

This indicate that while the general belief is that SME's have the potential to create jobs, the flip side, however, is that such jobs are not necessarily sustainable and as such, not a solution to the rising unemployment rate in South Africa. Table 5 and 6 below indicate that 48.5% and 70.5% of the respondents respectively believed that a sizeable number of employees lost their jobs due to flexible South African Labour Laws and company's poor performance caused by the current economic recession. Clearly, this reflects the extent in which SME's working conditions to big companies. This is compounded by this general perception that jobs are not secured and it is easy.

Table 5. A sizeable number of employees lose their jobs due to flexible South African labour laws

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	15	4.2	4.2	4.2
	Disagree	20	5.6	5.6	9.9
	Unsure	113	31.5	31.8	41.7
	Agree	172	47.9	48.5	90.1
	Strongly Agree	35	9.7	9.9	100.0
	Total	355	98.9	100.0	
Missing	System	4	1.1		
Total		359	100.0		

(chi square p-value = < 0.001)

Table 6. A number of jobs have been lost as a result of my company’s performance caused by the current economic recession

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	1.4	1.6	1.6
	Disagree	19	5.3	6.2	7.8
	Unsure	57	15.9	18.5	26.3
	Agree	217	60.4	70.5	96.8
	Strongly Agree	10	2.8	3.2	100.0
	Total	308	85.8	100.0	
Missing	System	51	14.2		
Total		359	100.0		

(chi square p-value = < 0.001)

It is more important to note that job losses in SME’s cannot just be attributed to flexibility of South African Labour Laws and recent economic recession. According to Sha (2011) there is considerable consensus about the quality of management weakness in innovation, lack of financial acumen, marketing, entrepreneurial flair, practical knowledge and human resources management in SMEs’ as the p-values are less than 0.001 for both tables above.

There seems to be a relationship between the existing conditions of employment, job insecurity and the significant percentage of employees in this sector joining trade union or belonging to some form of Association. Job security, under the circumstances of low return on investment due to among other things the recent economic recession becomes paramount. The findings indicate that 67.1% believed that it is always difficult to get employment in South Africa, while 13.9% disagreed.

Table 7. Employees who are members of Trade Union or Professional Association

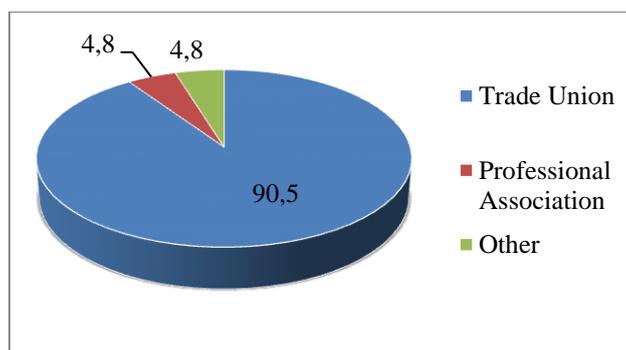


Table 8. It is always difficult to get employment in South Africa

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	48	13.4	13.4	13.4
	Disagree	50	13.9	14.0	27.4
	Unsure	1	.3	.3	27.7
	Agree	241	67.1	67.3	95.0
	Strongly Agree	18	5.0	5.0	100.0
	Total	358	99.7	100.0	
Missing	System	1	.3		
Total		359	100.0		

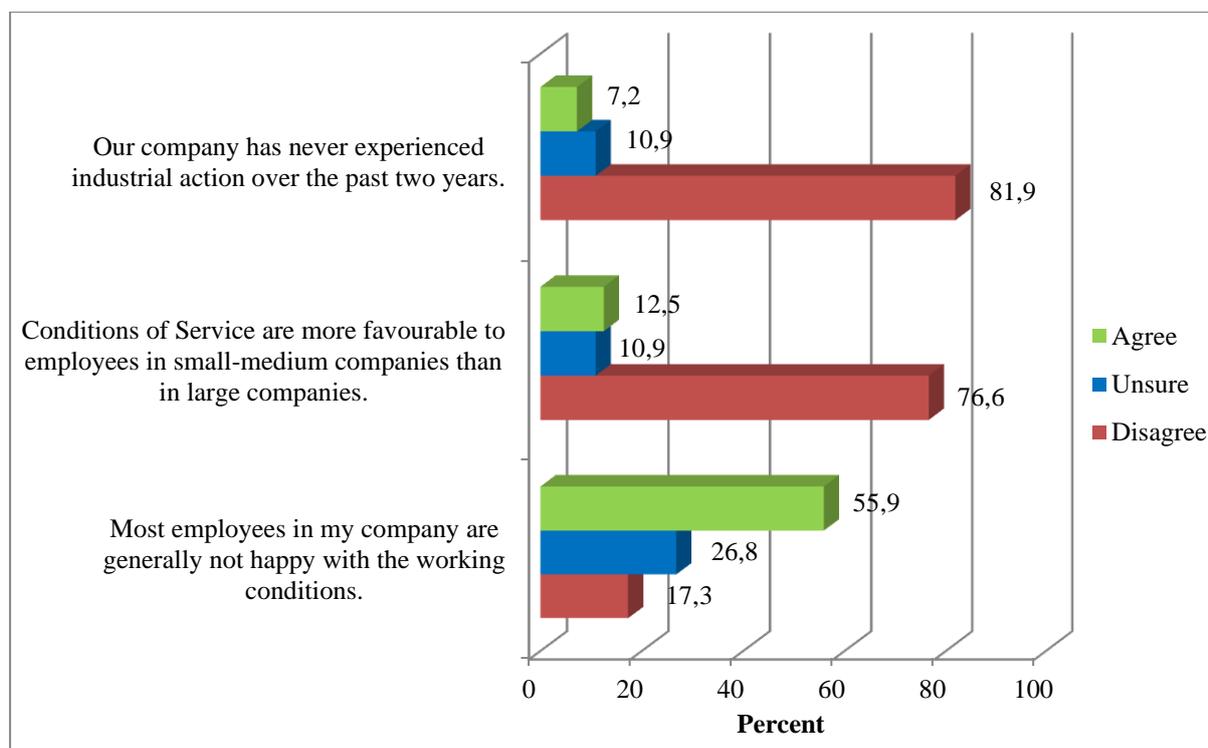
According to Ngambi (2001) shows that unemployment and retrenchment problems are prevalent in Africa as whole and in South Africa specifically. The result of a survey conducted among the employees, organisations and Job-Seekers (unemployed seeking employment) in South Africa which had a 77% respondents rate (out of 730 respondents) reveal that 68% of the job-seekers are willing to job-share and approximately 80% of the employment would rather either job –share, work-share or opt for some other alternative than have retrenchments ($p < 0.001$).

According to Ngambi (2001) the repercussions of high unemployment and lay-offs are devastating in that they affect both the Jobless and the job holders both directly and indirectly. Cited by Ngambi (2001), Hazelhurt (2000) argued that there is concern about

workers who have been retrenched and have failed to find new jobs, and anxiety about growing ranks of unsuccessful new entrants to the job market. Some are sliding into poverty, presumably others have turned to crime and many are being subsidized by family or extended family members.

The existing working conditions and perceived threat of job loss may have led to industrial actions. There seems to be correlations between 76.6% of respondents who were not happy with the conditions of service and the fact that most companies identified for the study have experienced industrial strike action over the past two years. Table 9 below further illustrate that more than 80% of the respondents indicated that their companies have experienced industrial strike action over the last two years.

Table 9. Overall working conditions and staff perceptions



This may have contributed to certain extent on the slow pace of Job creation in SMEs’ as the impact of such action has serious ramification on the profitability of such companies.

Almost 52.4% of respondents agreed with the view that, for a small-medium companies to be

sustainable a dual labour market system that will create flexible labour laws for such companies should be established while 18.8% was unsure. At the same time 53.8% of respondents disagreed with the view that different labour laws for SME’s will be prejudicial for employees.

Table 10. For small – medium companies to be sustainable, a dual labour system that will create flexible labour laws for such companies should be established

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	5	1.4	1.4	1.4
	Disagree	30	8.4	8.5	10.0
	Unsure	66	18.4	18.8	28.8
	Agree	184	51.3	52.4	81.2
	Strongly Agree	66	18.4	18.8	100.0
	Total	351	97.8	100.0	
Missing	System	8	2.2		
Total		359	100.0		

Table 11. Flexible labour laws will create more jobs for small-medium companies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	10	2.8	3.1	3.1
	Disagree	61	17	19	22.1
	Unsure	39	10.9	12.1	34.3
	Agree	115	32	35.8	70.1
	Strongly Agree	96	26.7	29.9	100
	Total	321	89.4	100	
Missing	System	38	10.6		
Total		359	100		

Each of the tables above have p-values < 0.001. This indicates that the distribution of the responses was not even and that respondents leaned more towards one option than the other.

The extent the study established that the South African labour Market System is divided into large and small companies already. The study indicated that 58.6% of respondents agreed with the view that it is easier to dismiss an employee in a SME than in large company. This is despite the fact that more than 30% of respondents believed that their companies employment policies are in compliance with the labour laws, while 36.6% was unsure.

Almost 35% believed that flexible labour laws will create more jobs for SME’s; while 30% strongly agree. It has to be noted though that this is not consistent with 35% of respondents who disagreed with the view that production and profit margins will improve as a result of the proposed labour laws Bill, while 45% was unsure.

Conclusion

The study revealed that respondents were divided on how they view the proposed dual labour market system. Even though some of them believed that the model could lead to Job creation, they were however, sensitive on issues of job security. The reality of the situation is that labour laws flexibility and job security are inconsistent with one another. South African employees generally have to realized that; for SME’s to be able to create jobs, the system should be flexible enough to allow employers to adapt to the ever changing economic conditions which necessitate employers to retrench or dismiss employees easily. The fact that most respondents were concerned with employment opportunities that are limited is an indication that most employers do not want to expose themselves by employing people who will be difficult to do way with. It is clear from the responses that there seems to be a very limited understanding of both

the existing labour laws and what is being proposed. The fact that some respondents feel less protected by the existing employment laws and at the same time they want inflexible labour laws in order for more jobs to be created indicate limited understanding of what both models entails.

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