

Small Towns and Small Enterprises: A Study of Workplace Relations in a Rural Town in South Africa

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ABSTRACT Scholarly literature on Small, Micro and Medium Enterprises (SMMEs) view small scale businesses as employment generators, skills developers, and therefore, contributors to economic growth and poverty reduction. While this notion dominates scholarship and policy circles, it ignores other issues that are inherent in management-labour relations in SMMEs. This study explores the vulnerability of workers in small businesses. It examines the factors contributing to workers exploitation, the extent of workers vulnerability to exploitation and workers awareness of their rights in their workplaces. It focuses on employees of small businesses in Stutterheim, a small town in Amatole District in South Africa's Eastern Cape Province. The study uses both qualitative and quantitative methods to collect empirical data. Research findings reveal that workers in the study area are vulnerable to exploitation occasioned by high rate of poverty, scarcity of jobs, low levels of worker education, workers' unawareness of their rights, and official indifference to labour practices.

INTRODUCTION

The employment statistics in post-apartheid South Africa (post- 1994), suggest that large proportion of the population is unemployed (Statistics South Africa 2013). According to Statistics South Africa report 2004: "There is evidence that the national unemployment level currently estimated at 28.4% is increasing at an alarming rate" (Statistics South Africa 2004: 1). Yet, as of 2004 when this report was published, the unemployment rate had scaled down from a high of 29% in 2001 (see International Monetary Fund 2011). Although there has been a downgrade in the numbers since 2004, the unemployment figure is still relatively high. In 2013, the Second Quarterly Labour Force Survey released by Statistics South Africa puts the breakdown of the unemployment rate by population group at: Black/African 29.1%; Coloureds 25.1%; Indians/Asians 13.4%; Whites 6.1% and all population groups 25.6% (Statistics South Africa 2013: xv). Another study conducted by South Africa's Institute of Race Relations in 2011 found that, "one in two young South Africans – and two out of three young African [black] women – is jobless. The unemployment rate among all 15 to 24 year-olds is 51 percent, more than twice the national unemployment rate of 25 percent" (South African Institute of Race Relation 2011: 1). This employment picture of South Africa demands ur-

gent measures from the state. To the government, therefore, SMMEs provide a leeway to these high unemployment records (Small Business Project 2009).

According to Section 1 of South Africa's National Small Business Act of 1996, as amended in 2003, small business means,

a separate and distinct business entity, including cooperative enterprises and nongovernmental Organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy...and which can be classified as a micro-, a very small, a small or a medium enterprise.

Under this Act, the number of employees in SMMEs range from 5 to 200 (National Small Business Act 1996). The development of SMMEs is viewed as an answer to the high rate of unemployment – it is believed to contribute significantly to job creation, social stability and economic welfare, not only in South Africa, but across the globe (Ladzani and Van Vuuren 2002). According to Bromley (1985: 3) "small scale enterprises are seen as human in scale, congenial to work in, convenient for clients, cheap and strongly competitive and favourable in the development of entrepreneurial skills and technological innovation." In addition, SMMEs are viewed as labour intensive, employment gen-

erating, energy efficient, adaptable, able to operate with local skills and materials, and suitable for the use of appropriate technologies. In the words of Kerimova (2007: 1), "The small business sector in South Africa has potential to make a significant contribution to economic growth and unemployment." Following on this line of argument, the South African government identifies the development of SMMEs as a priority in creating jobs to solve the high unemployment condition. The Minister of Economic Planning in the Presidency, Mr Trevor Manuel, declared in 2009 that,

With millions of South Africans unemployed and underemployed, the government has no option but to give its full attention to the task of job creation, and generating sustainable and equitable growth. Small, medium and micro-enterprises represent an important vehicle to address the challenges of job creation, economic growth and equity in our country (Small Business Project 2009: 1).

While much of the discourse on small businesses in South Africa, as elsewhere, focuses on their "positive contributions" to national economic development, these views ignore some of the negative effects it might have on workers – mainly, the exploitation of labour by business owners. Given government's attention to SMMEs and the discourses of exploitation by employees of SMMEs, it therefore becomes vital to interrogate the nature of employment relations in the SMME sector especially in the small towns of South Africa. In order to understand the dynamics around labour-management relations in small scale business environment in South Africa, this paper is concerned with the following questions: a) what are the factors contributing to workers exploitation in small scale businesses? b) To what extent are employees working for small businesses vulnerable to exploitation by their employers? c) Are workers in small scale businesses aware of their rights as employees? Using a combination of qualitative and quantitative data, the study focuses on labour-management relations in small scale businesses in Stutterheim, a small town in the Eastern Cape Province of South Africa. It employs the concepts of *vulnerability* and *exploitation* in its explanation of the nature of the relationship between workers and their employers.

Literature Review

Small Businesses and Employment Provision: The Discourse

Even though opinions differ on the extent of the roles of small businesses in South Africa's economy, popular view often paints a robust picture of the potentials of SMMEs in the economy. For instance, in a study of small business development and entrepreneurship in South Africa, Kerimova (2007: 1) sees SMMEs as growth stimulants: "Growth is stimulated endogenously, through innovation, while employment is a natural consequence of a large number of small businesses as well as expansion of the small business into larger enterprises." To Kroon and Moolman (1992), small organisations in different countries can have a multiplying effect on the economy and offer economic stability. While Kroon and Moolman (1992) gave general reasons for the importance of small businesses in any country, Sexton and Kasarda (cited in Ehlers 2002: 49) presented specifics on the economic function of the small businesses in different economies. They stated that:

There has been a shift in the size distribution of organisations way from large organisations towards smaller ones...Small organisations are at least as innovative as larger organisations on an employee basis and generally have the innovative advantage found in high technology industries. The small organisation's share of employment is growing faster to the goods-producing sectors than for the economy as a whole. Organisational survival is positively related to organisational size and organisational age. Small organisations at least produce a proportionate share of new jobs.

According to Edmiston (2007), economic development experts are increasingly abandoning traditional approaches to economic development that rely on recruiting large enterprises with tax breaks, financial incentives, and other inducements. Edmiston (2007: 73-74) noted that what the experts are doing instead is that they rely on building businesses from the ground up and supporting the growth of existing enterprises. The approach had two complimentary features, "firstly is to develop and support entrepreneurs and small businesses. The second is

to expand and improve infrastructure and to develop or recruit a highly skilled and educated workforce. Edmiston (2007: 73-74) further acknowledges the fact that small businesses create jobs, but also argues that *“hope is not only that new businesses will create jobs in the local community, but through innovation, some new business may grow into rapid-growth gazelle firms, which may spawn perhaps hundreds of jobs and become industry leaders of tomorrow.”*

Mutezo (2005: 5) on the other hand explains that:

Given South Africa’s legacy of big business and constrained competition, the small business sector is seen as an important force to generate employment and more equitable income distribution, to activate competition, exploit niche markets, enhance productivity and technical change and thereby stimulate economic development.

Sengerberger et al. (cited in Elhers 2002: 47) reviewed competition between small and large organisations in France, Germany, Italy, Japan, the United States and the United Kingdom. The author noted the burgeoning contributions of SMMEs to these economies vis-a-vis the traditional large scale sector. The study specifically pointed at the contributions made towards employment and general economic growth by the SMMEs. Herbst cited in Ehlers (2002: 47) concluded that the most significant result from the various economies above *“is that there has been an increase in the share of total employment in small organisations that are defined as those who employ fewer than 100 employees.”*

In South Africa, Serrie (cited in Kalitanyi and Visser 2010: 379) contends that, small businesses are also viewed as a strong tool for economic and social integration of immigrant population into the socio-economic sphere of South Africa and as a means by which unskilled immigrants acquire skills and escape poverty. In the particular case of the city of Johannesburg, Rogerson 1999 (cited in Kalitanyi and Visser 2010: 379) notes that,

Immigrant entrepreneurs in South Africa are visible in a narrow band of activities of SMMEs, mostly in retail or service rather than in production. Their activities involve selling curios, retailing ethnic clothes and foods, motor-car repairs/panel beating and operating hairdressing salons. Other activities include

operating the restaurants, nightclubs, cafes, music shops, several import-export businesses and having traditional practices. Within the group of production SMMEs many immigrants are clustered in the clothing sector, they are involved in making traditional African clothes, wedding dresses, and carrying out general tailoring activities.

The above analysis indicates that official and scholarly discourses on small businesses focus on the “positive contributions” they make on economic development, especially, as providers of employment. While this study does not deny the benefits of these small businesses to economic development and on job creation, mainstream literature does not seem to have critically examined other areas of SMMEs operations, especially, the nature of management-labour relations. Often, while official and scholarly attention is focused on the employment of citizens in this sector of the economy and economic growth opportunities spawned by SMMEs, the nature of labour-management relationship is usually unregulated. Often, issues related to the way in which labour is treated by the owners of these SMMEs are not often highlighted. As explained in the next section, evidences abound which indicate that unregulated sectors, such as SMMEs are prone to the exploitation of vulnerable workers. This study is therefore concerned with the nature of relationship between workers and owners of small businesses, especially, in South Africa’s small towns.

Small Businesses and Economic Benefits: The Limits of the Discourse

As a result of much emphasis on using SMMEs as catalyst in employment generation, grassroots economic empowerment, among other benefits, some of its dynamics such as unregulated working conditions are often neglected. The overarching question regarding SMMEs as employment creators is, what kind of employment do they create and what is the nature of management-labour relations in these enterprises? In a study of immigrant employers, Rogerson (1999: 1) notes,

Generally these immigrants’ [small] businesses are owned by young, single men entrepreneurs, who work long hours – 64 hours per week or six days a week, and if they have em-

ployees they then have their employees work similar hours. On top of this, these immigrants prefer to employ more South Africans than foreigners and the reason for this is that South Africans do not ask as high remuneration as foreigners, who are here in search for money.

Small organisations usually employ unskilled workers to perform multiple tasks as employing skilled workers is expensive. The result of this scenario is that workers are burdened with complex tasks they were not employed to perform in the first place and also paid disproportionately with their work (Ehlers 2002).

In a comparative study of job-related benefits between large and small firms in different national contexts, Biggs (2002: 5) notes that:

There is large body of empirical evidence from developed and developing countries showing that large firms offer much higher wages than small firms, even when worker education and experience and the nature of the industry are considered. Furthermore, large employers offer better benefits in the form of pension plans, life, health and accident insurance. Moreover, large firms just about everywhere have better working conditions and this is especially true in developing countries where working conditions in the informal sector can be particularly harsh. Also the jobs generated by large firms generally provide security than those generated by small firms, as the layoff rates are much lower in large organisations than in comparable small ones. It would thus appear small firms may not be generating an equivalent share of sustainable new compensation (wages plus benefits) even in cases where they generated proportionate share of jobs.

It is these aspects of employment relations in small businesses that have often been neglected by official and scholarly analyses.

According to Job Accommodation Network (2011), the negative effects that small businesses have may affect employee willingness to work hard and produce more and this could result to employee turnover. As a result of lower remuneration offered by small scale enterprises, attracting skilled workers may be a major constraint in small business organisations. Job Accommodation Network (2011) also noted that lack of expertise among workers in SMMEs does not guarantee good business health for the SMMEs. In detail, Job Accommodation Network (2011) identifies the causes of such *business ill-health*

as internal and external factors. Internal problems include lack of skilled and trained labour managerial and marketing skills. On the other hand, external problems include delayed payments, shortage of working capital, inadequate loans and lack of demand for their products.

Job Accommodation Network (2011) therefore concludes that many small business organisations do not adhere to desired standards and quality, instead they concentrate on cutting the cost and keeping the prices low. This is because various SMMEs do not have adequate resources to invest in quality research and maintain the standards of the industry, nor do they have the expertise to upgrade technology to compete in global markets. It is this limitation on the part of the SMMEs that Rogerson (2004: 765) notes thus: “*the SMME economy exhibits only a weak contribution as regards employment creation because most SMMEs do not grow.*” Continuing, Rogerson (2004: 770) also stated that,

Whilst the dynamic SMMEs may still be growing in terms of profit performance indices, these enterprises have recently adopted a strategy of jobless growth. The phenomenon of jobless growth means that whereas the SMME economy may well contribute to national economic growth, this does not automatically translate into employment creation.

In conclusion, this section has highlighted the following conceptions regarding small scale businesses. Firstly, there is overemphasis in the scholarly and official literature on the role of SMMEs as a pool of employment generators. Second assumption is that, SMMEs provide skills for their unskilled workers and also empower them economically. As noted, these positions do not privilege readers some insights into the “underbelly” of labour-management relations in these SMMEs. The review has however noted that while this research does not dispute the contributions of SMMEs in employment generation, skills development and economic empowerment of their workforce, this position ignores the problems associated with labour-management relations in SMMEs, mainly the vulnerability of workers to exploitation by their employers.

In the next section, the research outlines the conceptual framework of this study as a way of contributing to a more insightful understanding of the nature of labour relations in SMMEs in South Africa.

Theoretical Framework

This study draws on vulnerability theory and Karl Marx's theory of exploitation.

Vulnerability Theory

The term vulnerability is defined as "the characteristics of a person or group and their situation that influence their capacity to anticipate, cope with, resist and recover from the impact of a natural hazard" (Blaikie et al. 2003: 11). In their definitions of vulnerability, O'Regan et al. (2005) and Taylor (2008) conceptualised "vulnerability" on the notions of risk and the capacity for risk aversion. In other words, vulnerability is conceived in the wider context of risk exposure, such as, adverse treatment in the workplace and the capacity of those exposed to risk to protect themselves from it. Within this framework, an employee is considered to be vulnerable in labour-management relationship when his risk exposure is high and his capacity to protect himself from issues, such as, management exploitation is low.

O'Regan et al. (2005: 12-35), identified sets of risk factors and capacities which may be relevant in understanding patterns of adverse treatment. To O'Regan et al. (2005: 12-35) issues such as the language of communication in the workplace could influence a worker's propensity to exploitation by an employer: "difficulties with the English language, for instance may be expected both to raise the risk of adverse treatment, by limiting workers' outside job options and thus increasing their reliance on their present employer". The lack of good knowledge of English language (or any other major language of communication) also simultaneously lowers employee's capacity to protect themselves by limiting their access to advice and information (See also Taylor 2008: 24-27). O'Regan et al. (2005) therefore, argues that, it is conceptually valid to consider risk factors as those which increase the relative bargaining power of the employer and capacities over that at the disposal of the employees. This notion of power relations in organisations is fundamental to the proper conceptualization of vulnerability of workers in the workplace.

This theory is applicable to the workers working for the small businesses in Stutterheim, our

study community. These rural workers have low levels of formal education – they hardly communicate in good English language. As a result of this, it is expected that their exposure to risk is high and their capacity to protect themselves is low as they have difficulties communicating with the English language or understanding employment contract written in English language. As Taylor (2008) noted that the English language for non-natural speakers, lowers employee's capacity to protect themselves, by limiting their access to advice and information and also increasing their reliance on their present employer.

Exploitation Theory: A Marxian Perspective

This study will also draw on the Marxian concept of exploitation. According to Karl Marx, exploitation literally refers to the use of human beings in the production process as a *resource* with little or no regard to their human essence or well-being (Junankar and Philip 1982). Marx viewed labour in the capitalist mode of production as a commodity at the disposal of the bourgeoisie class who exploit it to accumulate surplus value (profit). The capitalist purchases labour as a commodity. Exploitation arises because, having purchased the wage-earner's labour-power (who sold his labour for his subsistence), the employer is able to use the wage-earner's labour to create greater values than the subsistence cost (Dalit and Tribes Blog 2009).

To elaborate, Marx noted that, if in half a day, the worker's labour can produce products of a value equivalent to his subsistence cost, the other half-day's unrequited labour creates surplus value for the owner of the means of production for whom the worker is working. To Marx therefore, this unrequited labour is exploited by the capitalist, because it is not paid for, it is surplus value. To Marx, workers can only be properly compensated when they take over ownership of production (Robertson 1985: 94-95).

In summary, Karl Marx reasoned that, exploitation is based on three fundamental structures of capitalist society: a. the ownership of the means of production by the capitalists (usually a small minority of the population); b. the inability of non-property owners which are the workers or proletariats to survive without selling their labour power to the capitalists – in other words, without being employed as wage labourers; c.

the state institutions which protect the unequal distribution of power and property in society (Junankar and Philio 1982). While Marx's perspective on labour relations has often been criticised as *utopic*, Marxist notion of exploitation helps explain the nature of the relationship between wage-earning workers in SMMEs and business owners in Stutterheim.

METHODOLOGY

This study utilizes both quantitative and qualitative data collection instruments. The reason for using multiple instruments in this study is to ensure that field findings are valid. Hussein (2009: 2) noted that "*when [data collection instruments are] combined there is a great possibility of neutralising the flaws of one method and strengthening the benefits of the other for better research results*". For the purpose of this research, the target population constitute the employees working in the small businesses in Stutterheim. The number of the small-scale businesses in Stutterheim is thirteen and each business employs five workers on average. If represented in figures, then study population = $13 \times 5 = 65$.

A sample size of 45 respondents was selected for survey questionnaires – 40 females and 5 males. These respondents comprise of workers working in the small businesses. The sample size was estimated statistically using the Macorr sample size electronic calculator. This was calculated using the population size of 65, confidence level of 95%, and confidence interval of $\pm 8.2\%$. This study focuses on sales staff employed in retail shops owned by immigrant businessmen in Stutterheim.

In addition to survey questionnaires, the study also used the following instruments to collect qualitative data: focus group discussions, in-depth personal interviews and observations. Two focus group discussions (FGDs) were conducted. Each group consisted of seven workers working in the small businesses. The discussion session with each group lasted for an hour thirty minutes. The questions that were discussed in the FGDs focused mainly on vulnerability of workers to exploitation in their workplaces, the factors contributing to workers' exploitation in workplaces, and employee awareness of their rights in their workplaces. Eight purposively selected respondents were inter-

viewed. These interviewees are workers working in the small businesses. The interviews lasted between fifty minutes and one hour fifteen minutes per interviewee. The questions that were asked in the in-depth interviews bordered on how workers in the SMMEs viewed their relationship with business owners, factors contributing to workers vulnerability, exploitation of workers in the small businesses and employee awareness of rights. The interviews and the FGDs were conducted mainly in Xhosa language and translated into English language by the first author.

It is imperative to state here that while data presented in this paper were collected from workers, the interviewer made several efforts to interview the owners of these SMME businesses, but none of them obliged to speak. It was discovered that these owners regarded the interviewer as an official of the Department of Labour (DoL), even though the letter from the Department of Sociology, University of Fort Hare, highlighting the purpose of the research was given to each one of them. Qualitative data was analysed thematically, while simple percentage analysis was used to analyse quantitative data.

RESULTS

Data Analysis and Presentation

Empirical data were analysed in line with the themes that emerged from the empirical data. These include: a. factors contributing to workers vulnerability to exploitation; b. the extent of worker's vulnerability to exploitation; c. employee awareness of their rights in the workplace.

Factors Contributing to Workers' Vulnerability to Exploitation

One of the questions that were asked interview respondents was: why did you apply for employment in your present workplace? Respondents highlighted the following major reasons: a. poverty, and b. scarcity of jobs. Out of the eight interviewees, five respondents stated that the reason that led them to seek employment in their places of work is poverty and the need to find a source of income. One of the respondents, a 21-year-old sales lady pointed out that: "*The reason that led me to work here is because of suffering. I am still suffering till today*".

When the interviewers, asked this respondent to elaborate on what she meant by “suffering,” she responded: “*By suffering, I mean, not being able to put food on the table for myself and also my family*”.

Another interviewee, a 22-year-old lady, noted that,

After the death of my parents, I was left with the responsibility of taking care of my younger siblings. I needed to put food on the table for them and also to pay for their school fees. People were helping us here and there but it was not enough, my family and I were still struggling. I then decided to look for a job and this is what I found.

In the FGDs, the participants also stated that the reason that made them seek employment in the shops they are working in is the scarcity of jobs. One participant who works as a record keeper in a grocery shop responded:

“For me, the reason that led me to seek employment in the shop I work for is because I could not find a job anywhere else than here. Better jobs are available for those that have higher education and not for people who dropped out of school like me.”

This response, given by this participant also highlights the fact that low level of education or lack of it leave job seekers with fewer alternatives; and hence, contributes to workers’ vulnerability to exploitation by their employers. As indicated by Satyarathi et al. (2004), education can give knowledge and skills that empowers people economically and socially. On the other hand, a lack or low levels of education can deepen poverty and widen inequity.

This was also reflected in the response of one of the interviewees:

Before I started working for this shop I was unemployed for almost three years. Working for these people [small business owners] was not what I wanted but because of scarcity of jobs I was left with no choice but to work for them. This is the only place where no qualifications are needed.

Through personal observations it was discovered that finding a job in the small businesses is easy as it is losing it. In other words, employee turnover is high. Some businesses were found to have different employees each month, hence highlighting the precarious nature of the jobs.

In other to get a deeper insight into the working condition of workers, respondents were

asked questions related to the sustainability of their wages in view of the national minimum wage framework. Their responses suggest that the employers in the small businesses do not adhere to the provisions of the national minimum wage baseline. According to South Africa’s OCED Report 2010 the poverty line is R515 per month and as a result, the lowest minimum wage is put at R1500 a month. In the small-scale survey, 31% or (14) of the respondents stated that they are paid between R110 and R150 per week (or R440-R600 per month) (Leibbrandt et al. 2010: 39). The remaining 69% (or 31) respondents receive monthly salaries. For those who are paid monthly wages, 46% or (21) of the total respondents earned between R500 and R600 per month, whereas 16% of the respondents reported that they earn R700 to R800 per month. The remaining 7% of the respondents reported that they earn between R900 and R1000 per month. From this analysis, it can be deduced that the highest paid employee in the small businesses in Stutterheim receives between R900-R1000 per month whereas the lowest paid employee receives between R110-150 per week or R400-R600 per month.

The above data indicates that poverty, desperation for a source of income, scarcity of jobs and non-compliance to basic national minimum wage baseline by the employers make workers vulnerable to exploitation. Karl Marx captured this dilemma thus: “*If a rich minority owned the farmland, factories and other means of production that the majority needed to use in their working for a living, then the rich would tend to increase their own wealth by paying poverty wages to the majority working for them*” (cited in Dalit and Tribes Blog 2009).

During the fieldwork, it was found that majority of the workers in small businesses in Stutterheim are living under severe poverty. They showed frustration with the wages they received. Their wages did not justify the job they did and have failed to meet the expectations they had before applying for the job. One of the respondents noted, “*In spite of the hours I put in this shop, I cannot buy new cloths for myself or pay for my sister’s school fees.*” A colleague of this respondent added, “*I can’t even pay my rent or send money to home to my mother living in Mthatha¹. Do you call this work?*” The disillusionment caused by poor remuneration was evident among all the respondents. As the interviewer found, it was often a topic of discussion whenever workers from different workplaces met.

Workers' Vulnerability to Exploitation

The respondents were asked questions on their job description. These questions were intended to probe if workers understood the limits of their job and the degree to which workers may be vulnerable to exploitation in the work they do. According to one of the interviewees:

When they hired me they did not tell me what was expected of me to do so I do everything there is to do around the shop. I offload the trucks, clean the toilets whenever they are dirty, I assist the customers with whatever they need in the shop, I also have to help the customers carry their parcels to the taxi rank or to their cars.

A female interviewee stated her experience thus: *"I do everything here. I cannot say no when my boss tells me to do anything [any work]. If I say no, I will be sacked. I do not even know when I am doing what I am not supposed to do."*

A respondent in the FGD noted:

Where I work you do everything the boss tells you to do. All he does not want is someone just sitting around doing nothing. You must be working, even when there is nothing serious to do.

The Basic Condition of Employment Act 75 of 1997 clearly states that before a new employee resumes in a job, the employer must give the employee written particulars about the job which must include a description of the job. However, this principle does not seem to be the practice among the small businesses in Stutterheim. Apart from interview responses, the interviewer also observed that workers did multiple tasks. For instance, in one of the retail shops with six employees, it was found that workers alternate duties. These duties include cleaning of the shop in the morning and after work, tagging products, bookkeeping, sales and even security. One of the workers in this shop captured their daily activities in this popular cliché: *"We are jack of all trades."*

In order to gain further understanding of the extent of workers' vulnerability to exploitation, the interviewer probed into the number of hours the respondents worked per day and the number of days they worked per week. According to Section 9 of the Basic Condition of Employment Act (1997), the maximum hours of work shall be 45 hours per week. A worker, this Act stipulates, shall work nine hours a day if he works five days

a week, and eight hours per day if he works on a Saturday as well. In other words, the more the number of days a worker puts in at work, the less the number of hours he is expected to work per week.

The small-scale survey revealed that 100% of the respondents work six days a week. If the provisions of the above Act are adhered to, the worker on the six day framework should work for not more than eight hours a day. However, the interviewer discovered that workers in the sampled businesses in Stutterheim worked beyond the statutory duration of nine hours. The survey also revealed that there is no differentiation in the number of hours respondents worked whether during the weekdays or on weekends. In fact, the survey found that the 27% of the respondents worked 11 hours a day during the week, whereas 38% worked 10 hours a day during the week. Another 11% reported that they worked nine hours a day during the week, whereas the remaining 24% indicated that they do not have specific working hours. One of the interview respondents pointed out that:

All I know is that I have to be at work by 07:30, otherwise the knock off time depends on what the boss says. If the business is running slow on that particular day then we would be lucky and knock off at 17:30, but on days that are busy like during month end then we go home around 18:30 or 19:00 depending on how long he wants to keep us.

This scenario was also confirmed through observations the researcher made. It was observed that the workers resume work at 7.30 am every day except on Sundays. However, their closing time was not fixed. It was found that sometimes the workers left their workplaces around past 6 pm. In certain cases, workers continued with other forms of work inside the business premises long after they shut their doors to customers. The respondents noted that these minor tasks they performed behind closed doors are not "usually considered as work" by their bosses, hence, they are not remunerated.

It is also pertinent to note that respondents did not enjoy the one hour entitlement for lunch break as permitted by the Basic Conditions of Employment Act of 1997. The survey revealed that when the workers were asked if the hours they work per day include a lunch hour break, 100% of the respondents did not have a separate lunch break. According to one respondent:

There is no such thing as a lunch hour break here. If you are hungry you eat whilst you are working. Even if you ask for permission to go and buy food, you are only given five to ten minutes to do so.

Another respondent stated: *“In this place [shop] we are only allowed lunch break when there are no customers. We go on break one after the other, but it does not last beyond 40 minutes for each worker.”* As a confirmation to this view the interviewer found in two separate shops where workers ate their lunch while assisting customers.

While best practice in labour relations requires that employment contracts stipulate clearly employee responsibilities and the duration of daily work in the organisation, the study found that small-scale employers in Stutterheim do not adhere to this basic employment requirement. Hence, because of this loophole, workers do not know their job description, nor work within the period stipulated by the Basic Conditions of Employment Act of 1997. According to the survey, 100% of the respondents indicated that they had not signed any employment contract when they started working for their respective employees. A female respondent aptly represents this response pattern in this interview response: *“Nothing was given to me to sign as a way of showing that I am an employee here. Only a verbal agreement was reached. I do not think that anyone [colleagues] signed anything.”* The fuzziness created by this employment framework makes the worker vulnerable to exploitation.

Employee Awareness of Rights

In South Africa, the Basic Conditions of Employment Act of 1997 requires that employers recognise workers' right to membership of trade unions (BCEA 1997). The authors probed whether workers in the small businesses in Stutterheim are allowed to join unions in their workplaces. Out of the 45 respondents surveyed, 24 workers or 53% of the respondents reported that they are not allowed to join unions, 14% of them reported that they are allowed to join unions, while 33% (or 15 workers) indicated that they do not know whether they are allowed to join unions or not. However, none of the respondents indicated membership of any trade union in the retail sector. In the FGDs, the interviewer discovered that the reason why discussants in-

dicated they “do not know” whether they are allowed to join unions is because the issue was never raised with the employers. One respondent in the FGD pointed out that:

I wouldn't know whether we are allowed to join unions or not because my employers never said anything about unions. I also did not feel the need to ask as the workers that were here before me did not belong to any union.

A respondent who is not allowed to join unions, noted thus in an in-depth interview:

No, we are not allowed to join unions because I remember...I think it was at the beginning of last year, people from LegalWise were here to tell us about what LegalWise [a legal service firm] is all about and that we should consider joining the club as it would protect us against unfair dismissals and everything....The boss told us that it was not right to join such things and that we should not join them. For the fear of losing my job I did not join the club [LegalWise].

When reminded that LegalWise is not a trade union, this respondent maintained that, “My boss will not tolerate membership of any association.”

In addition, respondents were asked whether they think they have rights as workers in the business they worked for. Only 6% of the respondents indicated that they “do not know” if they had rights or not. The remaining 94% indicated that they think they “do not have rights” in the businesses they work for. In the FGD, the respondents revealed that, in their places of work only the boss has rights not the employee. One of the discussants pointed out that:

In our company, there are no rights for employees. If you start talking about rights with the boss, he labels you as a trouble maker and that he can see that you are tired of working. The next thing you know, you are fired for no particular reason.

Since it was revealed from the small scale survey that the workers are not members of any trade union, they were then asked in the in-depth interviews and FGDs the procedures they take in negotiating the terms and conditions of employment with their employers. An interview respondent noted that:

I talked to him [business owner] directly and told him that I needed an increase [in my wage]. Just to get me off his back he would tell me that I will get my increase next month. Next

month comes, and then another month without any increase.

Another respondent said that, *“I am satisfied with what I am getting; therefore, I am not asking for more.”* This sense of indifference to asking “for more”, it was discovered, was borne out of fear. There is the fear that asking for better conditions of service from the bosses was risky. Five of the respondents noted that they do not ask for better terms because if one raises the issue of wage increment, he risks losing his job. This is how one interviewee expressed her fear: *“Once you try to negotiate, they tell you that you are tired of working and should be given a break. That break means that you are fired.”*

In the survey, the respondents were asked a question pertaining to other employee benefits, such as, annual or periodic leave breaks (such as maternity leave) in their workplaces. Only 2% of the respondents indicated that they were permitted to take periodic leave in their workplace. The remaining 98% indicated that they do not receive any form of benefits from their workplaces. One interviewee pointed out:

I do not get benefits here. Even if you injure yourself at work it is perceived as your own carelessness. If you ask for money to go to hospital from them, they deduct it at the end of the month. We do not have medical aid.

According to the Basic Conditions of Employment Act (1997), it is the right of every employee to join a union and the employer is bound by law to recognise employee’s right to join a union. As this study has revealed, workers in the businesses studied do not belong to any collective. One of the reasons is because they are not aware of their rights as workers to unionise. As a result of the lack of knowledge of their rights, the employees take it upon themselves to negotiate their terms of employment – individually, rather than collectively. Secondly, much of the workers indicated they are not allowed by their bosses to join unions who see unionism as distraction to their workers. These employers often threaten their workers with punishments if they joined unions. Hence, as a result of the fear of losing their jobs, those who know their rights to unionise do not consider joining unions. As already noted, restricting workers from unionism contravenes the provisions of the Basic Conditions of Employment Act of 1997. It is also a way of ensuring that workers are easily exploitable.

DISCUSSION

This paper has interrogated the concept of Small, Micro and Medium Enterprises (SMMEs) as “agents of employment generation” in South Africa and other developing economies (Kerimova 2007: 1; Small Business Project 2009). The predominant thesis is that SMMEs provide employment opportunities for the unemployed, skills development and reduces the level of poverty in a country. This view ignores other dynamics in labour-management relations such as the nature of workers conditions of service in these workplaces and their vulnerability to exploitation by business owners.

This study found that while SMMEs contribute to employment generation in the study area, workers are vulnerable to exploitation in their respective workplaces. They are vulnerable because they do not have an employment contract that stipulates their job description, wages, durations of work – daily and weekly. As a result of this fuzziness in their employment framework, they end up doing whatever their employers instruct them to do. The study also found that other factors that contribute to employee vulnerability to exploitation include: severe poverty, low levels of education and scarcity of jobs.

This study has also revealed that workers in SMMEs in the study area do not exercise their labour rights; hence, leaving only their employers with the leverage to exercise management rights in the workplace. This is made worse by the fact that the workers do not belong to unions. Part of the reason why they do not belong to unions is due to the fact that they are uneducated and lack knowledge of how unions function. It was also found that employers do not allow their employees to become members of unions. It is therefore clear that the SMME employers in Stutterheim do not adhere to the basic conditions of the Employment Act of South Africa.

The exploitation theory enables us understand the dynamics in labour-management relationship especially in the low pricing of labour, wage negotiations and duration of work. By making reference to vulnerability theory the study discovered that workers in SMMEs are vulnerable, in that their exposure to adverse treatment (exploitation by employers) is high and their capacity to protect themselves is low. This is privileged by the socio-economic conditions of

the workers. They are not well educated; they are poor and needed employment to cater for their needs.

CONCLUSION

While prevailing scholarly and policy literature has often presented SMMEs as *change agents* in the generation of employment opportunities, employee development and economic empowerment, less efforts have been spared to interrogate the nature of management-labour relationship in SMMEs. Although this study recognises the contributions of SMMEs in employment generation in rural South Africa, such as in Stutterheim, it has found that behind the popular scope through which SMMEs are operationalised, is embedded a skewed and exploitative labour relations.

As noted in the introduction, South Africa has a high unemployment rate. This high rate of unemployment coupled with historically entrenched socio-economic inequalities has made economic survival among those without formal qualifications challenging. The employment challenges among this social group have therefore led to desperation for employment – with or without proper terms of employment, sustainable pay package, good conditions of service and membership of unions.

The study also underlined the leverage with which operators of the SMMEs carried out their businesses in the study area. For instance, the study did not find any indications that inspectors from the Department of Labour (DoL) monitor labour practices in the enterprises studied. While this official indifference may have been a form of “incentive” to the SMMEs employers, it has inadvertently increased the vulnerability of workers to exploitation. This outcome – vulnerability and exploitation – as the theories explained subjugates workers to the control of management and denies them their basic rights.

RECOMMENDATIONS

The authors of this paper are of the opinion that the SMME sector in which labour-management relations is sustainable must be based on best practices as stipulated in the Labour Relations Act (LRA) of 1995 and in the Basic Conditions of Employment Act (BCEA) 1997. The fundamental ingredient of these frameworks is that

labour-management relations must be pluralist rather than unitarist. Decision-making should be collectivist and employee rights respected. For instance, while casual labourers do not usually belong to unions, nothing prohibits them from belonging to unions if they choose. Hence, they should be encouraged to join unions in the retail sector. Finally, operators of these enterprises must be supervised regularly by the officials of Department of Labour (DoL) to ensure that they fully comply with the provisions of statutory regulation.

FOR FUTURE STUDY

The authors recommend that future research should focus on comparing labour relations dynamics in small businesses in the cities with small businesses in small towns. While illiteracy and unawareness of personal rights are some of the underlying currents of worker-vulnerability and exploitation in the study community, it will be interesting to find out if similar or different dynamics underlie relations between employers and employees in the city context.

LIMITATIONS OF THE STUDY

This research is limited by lack of funds on the part of the authors, hence, the decision to limit the study to Stutterheim. The effect of this limitation on the overall result of the study is that the findings may not be generalised to all small towns in South Africa. As a result of entrenched socio-economic disparity in South Africa, the level of wealth distribution, literacy rate, awareness of individual rights and vulnerability to exploitation differ from one community to another.

NOTE

1. Mthatha is a rural town in the Eastern Cape Province. It is approximately 231 kilometres from Stutterheim

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