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A social responsibility inventiveness to relieve Krugersdorp and Randfontein exploited household servants of mistreatment

Abstract

The article reports the findings of an investigation undertaken on the exploitation of some potential entrepreneurs who work as abused employees in Krugersdorp and Randfontein. Such exploitation was seen to have hindered these employees' progress. The objectives were to show the extent of the exploitation and reasons for these employees not being entrepreneurial. An exploratory study was undertaken based on a convenience sample of 124 employees who contributed their skills for the benefit of businesses belonging to their employers' companies. The employees knew only to do their work, but had no skills to help them become entrepreneurs. They also did not have the ambition to own business and be managers. They had no bank accounts and feared their employers greatly. On remuneration, they were underpaid. Two areas of the West Rand were investigated, but other towns in the area have similar trends. However, this as a start, successful results of the recommendations can make useful benchmarks in other areas to help exploited employees to open businesses. These efforts have not been tried before in Krugersdorp and Randfontein. Exploitation of employees has a long history in South Africa. As a social responsibility effort, this study has a positive contribution to society.

Keywords: cooperative, employee exploitation, entrepreneurship, social responsibility.

JEL Classification: J330.

Introduction

In the South African situation there are many cases where young people are given temporary and part-time job opportunities to help enrich their employers in home small businesses and their households. Examples include employees in gardening services who manage cleaning projects in large companies, but being paid below acceptable national 'living wage'; youth managing workers in building and construction projects and not paid for their contribution; and many other instances that can be categorized as exploitation. Some of the examples include cases where the employer knows nothing about the work their employees do. In these cases there are some in which the employees do not realize that they are exploited because they thought that they were given an opportunity to earn some money. The truth is that many of them were indeed given an opportunity. They learned some of their skills while under the employment. For many of them it was a strategy to justify being given a permanent job or prolonging their employment. They learned by volunteering tasks that were beneficial to the households of their employers. In the process these employees perfected their skills through repeated participation. When friends of their employers saw their work, they borrowed them from their employers to improve their own environments. Common examples where employees were borrowed include designing gardens, paving the yards, plastering the walls, tiling the houses, plastering, and maintaining gardens. The borrowed employees were apparently not conscious of the fact that they were ready to be self-employed by establishing their own businesses.

The employers become somewhat 'entrepreneurial' at the expense of their employees. Some of them realized the possibility of business opportunities based on the skills of their employees and established appropriate businesses. On the other hand, some employees did not realize that they were the pillars behind the established businesses while others could realize it, but thought that they were not adequate to establish their own businesses. At their leisure times in the parks where they rest, these employees often receive visits from government and other officials advising them of opportunities to be groomed to open their own businesses. Most discussions into the idea of them establishing their own businesses based on their skills and the clients they served under their exploiter employer as their market base 'fell in deaf ears'. The employers make a fortune using them, but reward them at rates of unskilled workers. This is the price they pay for not being entrepreneurial. Despite their contribution, they are not given privileges as they continue to be used to the maximum.

One of the worst things that is rumored to happen to these employees is that when they age, they are forced by their employers to empower new, younger employees. The newly trained ones would replace their trainers who will then be forced to retire. No extra pay or bonuses cover the training, and often, these employees do not know their entitlements.

Results of this exploitation have undesirable consequences. For example, these employees do not have bank accounts. Some of them do not know how to open an account. Others argue that even if they knew, they earned so little that there cannot be anything left to save as their earnings do not even cover their household needs. They usually have no savings when they retire.

The exploitation of these employees extends to being forced to retire when the younger employees are ready to perform their duties, or when newly self-taught employees are found. When they retire, many of them would have not registered as employees. Hence, they have no entitlements such as provident or pension funds to take home. Therefore, when they are forced to retire, few are believed to go back their homes with nothing to show that they were working. More others are disgraced to go home and end up turning to the streets and indulge in drinking liquor until they perish and buried as paupers. It may be seen as government's job to deal with these cases. However, the South African government so far has not addressed many such exploitation cases.

1. Intervention

A community service group on human development operating around the West Rand (Carletonville, Krugersdorp, Randfontein and Westonaria), an area to the west of Johannesburg in South Africa, which consisted of a former management consultant observed many such horrible cases of exploitation. Together with a business consultant, they disliked witnessing the problem of employee exploitation occurring at a very high degree. As a social responsible contribution, they decided to intervene and change the fate of these employees in the Krugersdorp/Randfontein area. There are few such cases where private individuals and groups intervene to help without asking for returns. This research is one such intervention exercise, and occurs as an exercise within social responsibility.

2. Study environment

Geographically, the study was undertaken in the Krugersdorp and Randfontein areas in the West Rand (west of Johannesburg), in the Gauteng Province of South Africa. The exploited employees of Krugersdorp tend to meet at a mixed-gender pub situated next to the Luipaardsvlei train station to socialize in the afternoons after work. The Randfontein ones have several places, but mostly the liquor retailers. They drink liquor daily, play table tennis, and watch international sport on television, among others, while drinking till late. Some accumulate large debts from buying liquor continuously, including unaccounted and/or misunderstood outlays. The surprise is that some employers agree to settle the debts as 'loans' to the employees, when approached by the liquor store management to report these debts. Since year 2010, apparently some employees earn absolutely nothing on payday under the impression of deductions towards the debts or loans.

3. Problem statement

The problem is the discernible exploitation of employees who make their employers wealthy while continuing to be impoverished as they grow older. A concern is that these employees have skills to become entrepreneurial. They have potential to become managers and employers accumulating wealth. The problem is that they commit to their full labor to their employers unregistered, and gain almost nothing from it.

4. Aim and objectives

The aim of the study was to find ways to empower the exploited employees to be self-sufficient and do the things for themselves instead of being exploited. The objectives of this study were:

- ◆ To expose the low level of confidence of these employees who are business pillars of their exploiter employers;
- ◆ To determine reasons why they did not wish to escape from being employees to being entrepreneurial; and
- ◆ To set up a platform to help them to acquire basic business management skills to enable them to be entrepreneurial.

5. Literature review

A review of literature assists to set the course of an investigation. This section reviews the literature on entrepreneurship, business management, business finance, social responsibility, volunteering and business establishment.

5.1. Entrepreneurship. Entrepreneurship is the establishment of new start-up enterprise, or a continuation of family firm through a generation transfer and various types of business acquisitions as forms of launching external, i.e. owner-based, entrepreneurship (Fauchart & Gruber, 2011; Noora, Tuunanen & Alon, 2005). Anyone who engages in entrepreneurship is an entrepreneur (Deakins & Freel, 2009). The definition shows that entrepreneurs can be divided into two groups on the basis of the nature of the business idea of the enterprise founded: initiative, i.e. innovative, and imitative entrepreneurs. To be entrepreneurial, some risks are taken and some boldness may be necessary as competition becomes too tough.

5.2. Business management. Business management entails being in charge of a business by staffing it, planning and managing staff operations, managing and investing finances, ensuring survival, growth and sustainability of the organization in the face of competition and other business interferences (Spangenberg, 2004). In any business, all activities

having to do with nurturing and growing a business are the responsibility and tasks of business management.

5.3. Business finance. Business finance is the raising and managing of funds by business organizations, and is crucial to the success of firms (Damodaran, 1997). Various financial institutions are responsible for financing business and other organizations. In South Africa, some financiers include the Industrial Development Corporation, Msobomvu Youth Fund, National Empowerment Fund, Khula Enterprise, National Youth Development Fund, Southern Africa Development Cooperation, Department of Land Affairs, Department of Trade and Industry (DTI), and others.

5.4. Social responsibility. Several authors (Hackston & Milne, 1996; Ofori & Hinson, 2007; and Pratten & Mashat, 2009; among others) suggest that social responsibility is a basic philosophy about the relationship of professional groups and society in which the professionals commit to be morally accountable for their activities and the consequences of these activities in the society. As a consequence, pressures from numerous foundations such as media, ethical investors, non-profit making organizations, and societal awareness groups have conditioned the private and public sectors to accept responsibility for impacts on society from business activities. Reich (1998) explains that social responsibility desires corporations to be social creations whose existence is based on societal willingness to support them to operate continuously. He points out that while the key purpose of a business organization is to make profits, it also has a moral duty to act socially responsibly. This moral duty is the basis of an intangible social contract between business organization and society (O'Donovan, 2002). Society will effectively withdraw the social contract of the organization to continue its operations if any organization does not operate in a socially responsible manner (Deegan, 2002). This reveals that the business enterprises have an obvious investment in the society, and it might be detrimental for them if they ignore societal issues and concerns. Thus, business enterprises could commit to fulfill their legal responsibilities; and also embark on ethical or moral obligations at the level of society (Papasolomou-Doukakis et al., 2005).

5.5. Volunteering. Volunteering is to offer assistance and services using time, efforts, and/or skills without expecting payment. Anyone giving such free services is called a volunteer. Some volunteers themselves may be given assistance such as uniform (where it applies) and transport (or transport allowances) to be able to reach service

points, while in other cases they get absolutely no support. In the pubs where the exploited employees drink, the employees in this study often tease others that they are volunteers in their jobs since they no more receive their wages due to 'paying off the loan'.

5.6. Establishing a business. To establish a business enterprise is to form a new business. To do this, certain important decisions are imperative to enhance its success (Bender, 2001). A start should be a proper, realistic business idea to be nurtured, and careful plans are needed around the idea. However, decisions required in the establishment revolve around the business environment to work in, and the type of business to establish, and the location to choose for the business. Any enterprise establishment starts from a business idea that needs to be generated before the establishment. The idea should preferably match the skills, knowledge and experiences of the business along which the enterprise is being established (Hiatt, 2006). The entrepreneur becomes wedded to the enterprise committing the resources and quality time. He/she is at crossroads at this phase of business idea selection, which can make or tarnish the entrepreneurial career. Selecting a bad idea can result in instant business failure while proper idea selection often leads the entrepreneur to the path of success and enhances his esteem. Other important considerations in business establishment are the choice of an appropriate business environment, business location, the type of business to form (Beitler, 2006). A good, solid business proposal is important. Furthermore, it is necessary to obtain a second opinion (or confirmation of the idea and proposed methods) (Nelson & Aaron, 2005). Only when a suitable stage is set for the establishment, the business should be launched.

5.7. South African setting. The Department of Labor (DoL, 2002) is mandated to enforce/ensure that acceptable labor practices are followed by employers, which include health and safety conditions, good working conditions, remuneration, equitable treatment of employees, training/skilling and so on. Certain set penalties can be imposed if violations are found to occur. The department has made several calls for the citizens to report any violations they observe in workplaces, and they also have whistle blowing telephone reserved for anyone willing to report but not willing to show their identities. Over the past few years the conditions of these exploited employees were reported through whistle blowing route but nothing happened. This led to the intervening group intervening by themselves.

Furthermore, the South African government has ruled in 2013 that the minimum wage for domestic

and other unskilled employees to about R1147 per month, and a provision for a higher salary for employees contributing to organizational wealth is also made (Ramutloa, 2013). The government also wants more entrepreneurship from the previously disadvantaged South Africans, who include blacks, women and the people with disabilities. There are institutions and funders who have the mandate and goals to empower just these groups. It is on these bases that it is known that the employees in question have opportunities waiting, which they do not know about. In the case of each cooperative, the DTI allocates a total for R350,000 (Three hundred fifty thousand South African rands) towards its development on application, provided it satisfies the stipulated conditions.

In addition, there is a ruling in South Africa that insist on large corporations to subcontract smaller businesses owned by the previously disadvantaged people for empowerment purposes (DTI, 2005). This shows that emerging black entrepreneurs stand a chance to get subcontracts. Also, the South African government is more lenient and sympathetic to small businesses owned by the previously disadvantaged groups, and some government tenders are exclusively reserved for them.

6. Method

6.1. Research design. The research aim was to expose the way these exploited employees contribute in their employers' businesses from their skills but are lacking confidence in embarking in self-employment and entrepreneurship. This study used exploratory research, which is a form of research conducted to gain an understanding of a new problem that has not been done before (Krishnaswamy, 2009). In this study reasons for these employees not interested in embarking on entrepreneurship are sought, and such a study has never been done in these areas. The objective of exploratory research is to identify key issues and key variables, such as level of interest in being trained to become an entrepreneur, and interest and skills level in opening up their own business. It requires clearly defining the study objectives. This study explores entrepreneurship among cheap-labor employees in the study areas. In this study, exploratory techniques assist in several ways. First, it wanted to assist the exploited employees to be conditioned to become entrepreneurs. They can explain symptoms to their problem as exploited employees, which is likely going to bring them closer to knowing what they could do to escape exploitation. This study therefore was exploratory research to develop a list of possible causes to the problem. Second, exploratory research can uncover

possible opportunities for reaching entrepreneurial objectives. Developing a list of realistic strategy options might first require exploratory research. Then, once developed, a formal study could estimate the option most likely to reach the business objective. Third, exploratory research answers questions about actually administering a large and expensive research project. They can also get a sense of how best to reach the respondents.

6.2. Respondents. The study used the talented respondents with potential to establish their own businesses by virtue of the skills they had, who were also self-managing when sent by employers to perform tasks in household and business premises in Krugersdorp and Randfontein. It focused on employees who used their skills in the businesses managed by their employers, but given the status of domestic workers in the cheap labor market. Pure domestic workers who did not engage in the businesses of their employers were not included in this study. A convenience sample was used for this purpose. A total sample made of 124 individuals was interviewed over a period of eleven months from September 2010 to July 2011. They are black (Africans and Coloureds) according to the population classification of the constitution of South Africa (South Africa, 1996). Their contact details were stored for follow up efforts, and can be used to contact them or their employers when necessary.

6.3. Role players in the research. The researchers partnered with the two volunteers (former management consultant and business consultant) in the intervention to expose more of the information from the employees to determine reasons for them not becoming entrepreneurial. Three interview assistants were identified and trained in research ethics and in the conduct expected from them. They were familiar with the geographical areas in which the research was taking place. They were requested to interview only the willing participants, at the time of convenience for the participants. Unwilling employees were left without persuasion. A data-entry clerk was also employed.

6.4. Research instrument and data collection. The research tool/instrument for data collection was a structured questionnaire completed by the research assistant from responses given. Face-to-face interviews were used to enable probing when a need for clarification arose. Data collection stopped when there were no new respondents found and continued search could not lead to new responses for two weeks. Contact numbers for those willing to become entrepreneurs were written on a separate sheet of paper to avoid linking them with the responses. They were kept to contact the respondents who

would be willing to be involved when entrepreneurial opportunities were to emerge. It was also emphasized that there were no guarantee for those new opportunities.

6.5. Data handling and analysis. After the questionnaires were returned, they were edited to ensure legibility and subsequently handed over to statisticians from the Departments of Statistics of the University of South Africa and the Tshwane University of Technology. They cleaned the data in the EpiInfo data entry screen and used a SPSS (Statistical Package for Social Scientist) spread sheet to record and analyze the data.

7. Findings

The respondents consisted of 40.3% females and 59.7% males. Their work included maintenance of households, industrial houses and businesses. Their tasks included driving trucks, electricity installation (tubing) and fixing, plumbing, gardening designs and maintenance, house cleaning, laundry (washing and ironing), building constructions, plastering services, paint services (roofs and walls), security services, and many of them did more than one of the tasks. According to these respondents, the tasks were allocated to anyone regardless of their gender. This could expose the women employees to masculine, and therefore dangerous, jobs.

None of these employees had a bank account. Over 80% reasoned that there was no disposable money for saving while the rest did not know how to open it. About 95% indicated that they often work independently of their employers during spare time, but do not charge price as they ask to be thanked and not exposed to their employers. As a result they are given between five and 30 percent of what their employers would have charged. The minimum obtained from self-employment was R1500 on a job (such as tiling) that could probably have been charged R10000 by the employer. The maximum was R3600 where the employer could probably have charged R12000 (designing a garden). They were underpaid momentarily, but was much more to them than what the employers were giving as some had not yet reached a R1000 monthly mark.

The business management aspects checked with them were establishing a business, budgeting and financial management, marketing, business planning, staffing and human resources. None of them knew any of these aspects.

Worse was that over 70% were not willing to be taught as 'they did not need skills' as they were not planning to establish their own business. However, when enticed with free entrepreneurial courses by an open learning private institution, about 57% of

them were willing to participate. A further 16% were willing to be trained if they would be protected from their employers and be guaranteed or given jobs after completing the courses.

Only 7% were prepared to undergo training and be assisted in establishing their own companies. Regarding sources of funding in case they wished to open their own businesses, only 3% knew some institutions that could finance their businesses, but none knew how to access them.

More than 96% could write simple English, but none knew how to write/develop a proposal of any form. This means they could not develop a business proposal. Despite the core skills they possessed for their jobs, none had other skills related to managing their work.

Some hated the idea of establishing own businesses due to having to pay taxes and to answer to auditors. These ones also preferred to be employed compared to the thought of having to employ or hire other people.

They all acknowledged that they lacked management skills, entrepreneurial skills, business planning skills, marketing skills, capital for business, and also knew nothing relating to human resources and staffing.

Overall, only few (11%) were willing to be trained and supported to become entrepreneurs, while about 73% were prepared to undertake training provided when they were given permission by their employers. The respondents however, did acknowledge that they earned low as if they were volunteering.

8. Discussion

These employees could not have disposal money to save for the future. This is despite embarking on 'odd' jobs to increase their earnings. These odd jobs also carried some exploitation by earning a fraction of the actual value of the tasks they did because they were carried out under the extortion of hiding away from their regular employers. Yet, none of these employees had a bank account.

The business management aspects checked with them were establishing a business, budgeting and financial management, marketing, business planning, staffing and human resources. None of them knew any of these aspects.

There was a general lack of interest among these employees to use their skills as the basis for being entrepreneurial. There was also unwillingness to learn basic business skills that would enable them to start their own businesses. Some were only willing to be trained if they would be protected from their

employers and be guaranteed or given jobs after completing the courses. They indicated that if their employers gave them permission they would not mind undergoing the training. The employees seemed to fear their employers earnestly.

There were exceptions of employees who indicated that they did not mind to take the training and establishing their own companies. However, they indicated that they did not know how to access business funding if they were to open their own businesses. There was general lack of knowledge about business financing institutions.

The employees could read and write simple English, and seemed to be literate. The literacy level was still generally inadequate to prepare business proposals and in business management. They could only be managed and had neither ambition nor interest in being business leaders.

The idea of having to pay tax and to be audited seemed to bother some respondents. However, it shows that they could not imagine that if that was to happen, then it would mean that there would probably be enough money for this, and probably much more than what they were earning. This exposed that they were ignorant about business.

Some preferred to be employed and not to employ or hire other people. This was mainly due to lack of skills in management, entrepreneurship, business planning, and marketing. They also indicated to be lacking capital for business start-up, and did not know human resources and staffing.

There were some employees who were willing to be trained and supported to be entrepreneurs. Few others were only willing, provided their employers gave them the permission. This was despite these respondents earning too little from their employers.

Conclusions and recommendations

Conclusion. Some employees seemed to have given up on improving their conditions to just being mere cheap laborers. They showed neither ambition to be entrepreneurs with the basic skills nor to invest some money for future. They did not have bank accounts. They feared their employers and gave up their lives under their employers' control. If their

employers were to refuse them permission to do anything they would oblige fully.

An indication of lack of business knowledge was confirmed. They had no interest and thought about being entrepreneurial. There was a sign that they would never escape the cruelty of cheap labor unless an outsider stood up for them.

The employees had several open opportunities that they could explore. These include partnering with their employers, but can still be exploited. They needed an external monitor or mentor to protect them when they mature into partnerships. It is also possible to open their own businesses as individuals since they do the work that enriches their employers without their employers' contribution. They can also open multipurpose companies as well, since the skills they used are diverse. Another option was to open cooperatives and deal under its conditions.

Remark. Any option that the exploited employees can start with would not stop them from changing to others later, or combining them when it becomes necessary. They can think of easier ones to make a start. It is clear though, that many respondents would not change to anything until they get permission from their employers. Hence, these employees hold keys to their employers' progress in self-sufficiency, and potentially, they hold keys for their own development but fail to exploit them.

Recommendations. It is recommended that:

- ♦ The Department of Labor in South Africa should: (a) be mobilized to follow these cases and impose fines where evidence of non-compliance is shown, and (b) provide incentives for employers who elevate the status of their employees to shareholders.
- ♦ DTI and social welfare officials should negotiate with the exploiting employers to encourage their employees to attend free business training offered frequently.
- ♦ These employees should be encouraged to open up their own businesses or cooperatives to enjoy the support funds available in the DTI.
- ♦ A follow up check should be embarked on after about a year (or so) to check the extent to which these employees have responded to their improvement call.

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