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# THE REDUCTION OF EMPLOYEE

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# THE REDUCTION OF EMPLOYEE LEAVE BENEFITS IN THE CITY OF JOHANNESBURG

**NOMBULELO FAITH SINXOTO**

A research report submitted in partial fulfilment of the requirements for the degree of Master of Management, in the field of Public and Development Management, Faculty of Management, University of the Witwatersrand, Johannesburg, South Africa.

August, 2006

## ABSTRACT

Leave benefits are a source of investment for most employees. Employees accumulate leave benefits as savings for encashment on retirement. Leave benefits are commuted to cash when employees face difficult situations that require readily available cash. The purpose of the research is to explore the consequences of the decision by the City of Johannesburg to reduce leave benefits of existing employees after transformation. The reduction of leave benefits can be seen as a deficiency or weakness in the City's employment structure. We argue that the City employees' leave benefits should be *benchmarked* against best practices from municipalities, for example, municipalities in developed countries, which embrace employee benefits as a social responsibility.

The research recommends that the City's leave benefits be restructured to encapsulate best practices that ensure full security in terms of savings plan as well as maintenance of healthy life styles, that is, in line with the ILO convention's best practices. The research will be achieved through an exploration of the City's leave benefit plans and policies before and after transformation to ascertain the magnitude of the reduction of leave benefits, which has implications primarily on employees' financial needs and secondarily psychological needs that affect job satisfaction.

## DECLARATION

I declare that this report is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Management (in the field of Public and Development Management) in the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university.

_____

Nombulelo Faith Sinxoto

August, 2006

## DEDICATION

To my family at large for their support and encouragement, and Tendai Oyama, my little boy whose quality time with his mother has been sacrificed a lot for the completion of the degree. Many thanks.

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# TABLE OF CONTENTS


CHAPTER ONE ..... 1

REDUCTION OF LEAVE BENEFITS IN THE COJ ..... 1

1.1 GENERAL BACKGROUND ..... 1

1.2 UNDERSTANDING THE UNICITY ..... 2

1.3 IGOLI 2002 STRATEGY ..... 3

1.4 PROBLEM STATEMENT ..... 5

1.5 SIGNIFICANCE OF THE STUDY ..... 5

1.5.1 Historical Research ..... 6

1.5.2 Action Research ..... 6

1.6 RESEARCH OBJECTIVES ..... 7

1.7 RESEARCH METHODOLOGY ..... 8

1.7.1 Data Collection Strategies ..... 9

1.7.2 Sample Questionnaire ..... 10

1.7.3 Population and Sample Size ..... 11

1.7.4 Justification and Reliability of the Questionnaire ..... 12

1.7.5 The Research Design ..... 12

CHAPTER TWO ..... 14

LITERATURE REVIEW ..... 14

2.1 JOB DIMENSIONS ..... 14

2.1.1 The Concept of Job Satisfaction ..... 16

2.1.2 Job Satisfaction and Behaviour ..... 17

2.1.3 Other Critical Determinants of Organization's Effectiveness ..... 18

2.1.4 Conceptual Analysis of Job Satisfaction ..... 19

2.2 CITY OF JOHANNESBURG'S CONDITIONS OF SERVICE ..... 20

2.2.1 Sandton Conditions of Service (1993) ..... 20

2.2.2 The Black Local Authorities Act No. 102 of 1982 ..... 20

2.2.3 The Labour Relations Act of 1956 ..... 21

2.2.4 The 1994 Government Gazette ..... 21

2.2.5 The Local Government National Labour Relations Agreement ..... 22

2.2.6 Current COJ Conditions of Service ..... 23

2.2.7 COJ Climate Survey, December 2003 ..... 24

2.3 LESSONS FROM ELSEWHERE ..... 24
2.3.1 The US Department of Labour ..... 24
2.3.2 University of Texas ..... 25
2.3.3 The Middleburg College ..... 25
2.3.4 US Department of Labour Family and Medical Leave Act ..... 26
2.3.5 The Employee Benefit Research Institute ..... 26
2.3.6 Department of Trade and Industry ..... 26
2.3.7 The State of Idaho Leave Benefit Code 67-5335 ..... 26
2.3.8 University of California ..... 27
2.3.9 American Benefits Council ..... 27
2.4 SUMMARY ..... 27
CHAPTER THREE ..... 29
PRESENTATION OF FINDINGS ..... 29
3.1 LEAVE BENEFITS OF THE CITY'S EMPLOYEES ..... 29
3.2 RESPONSES TO INTERVIEWS ..... 29
3.3 SUMMARY ..... 31
CHAPTER FOUR ..... 32
ANALYSIS AND INTERPRETATION OF THE FINDINGS ..... 32
4.1 THE RESEARCH FINDINGS ..... 33
4.1.1 The City's Transformation ..... 34
4.2.2 Leave Reduction ..... 35
4.1.3 Leave Benefits: The Past and the Present ..... 35
4.1.5 City of Johannesburg as an organization ..... 37
4.1.6 Potential Areas of Improvement ..... 38
4.2 LEAVE BENEFITS ..... 41
CHAPTER FIVE ..... 46
CONCLUSION AND RECOMMENDATIONS ..... 46
5.1 CONCLUSION ..... 46
5.2 RECOMMENDATIONS ..... 47
REFERENCES ..... 52

## GLOSSARY OF TERMS

**Conceptual skills** refer to the ability to analyse and solve complex problems.

**Corporate governance** refers to the oversight of management decisions by boards of directors.

**Cultural intelligence** is the ability to identify, understand, and act effectively in cross-cultural situations.

**Emotional intelligence** refers to the ability to manage oneself and one's relationships effectively, and is considered as an important leadership competency.

**Empowerment** implies the ability of people, individually and in groups, to use their talents to make decisions that affect their work.

**Ethical behaviour** refers to what is morally accepted as "good" and "right."

**Ethical dilemma** is when a person is required to choose among actions that offer possible benefits while also violating ethical standards**.**

**Ethics leadership** refers to leadership with high moral standards, whereby business and organizational decisions are made with high moral standards that meet the ethical test of being "good."

**Ethics mindfulness** refers to an enriched awareness that leads one to consistently behave with ethical consciousness.

**Human capital** refers to the economic value of people with job-related abilities, knowledge, ideas, energies, and communities.

**Human skills** (which is central to managerial work and team leadership) refers to the ability to work well with other people. It emerges as a spirit of trust, enthusiasm, and genuine involvement in interpersonal relationships.

**Inclusivity** refers to the degree to which the culture respects and values diversity, and it is open to anyone who can perform a job, regardless of the diversity of attributes.

**Integrity** refers to acting honestly and credibly, consistently in putting one's values into practice.

**Intellectual capital** refers to expertise, competencies, and commitments of an organisation's workforce

**Job satisfaction** refers to a positive feeling about one's work and work setting; how people feel about their work and the work setting.

**Knowledge workers** refer to those who use their minds rather than physical capabilities to bring value to organisations, and hence become the organisations' critical assets.

**Multiculturalism** refers to cultural pluralism and respect for diversity in the workplace.

**Organisational culture** refers to shared beliefs and values that influence the behaviour of organisational members.

**Organisational learning** refers to the process of acquiring knowledge and using information to adapt successfully to changing circumstances, individually, team, and in organisation so that people are able to pursue continuous improvement to achieve career success in a dynamic and complex environment.

**Organisational transformation** refers to the redesign of organizations to streamline, gain flexibility, and utilize new technologies for high performance.

**Positive organizational behaviour** is the study and application of positive human strengths and capacities for performance improvements

**Social capital** refers to the performance potential represented in the relationships maintained among people at work.

**Social responsibility** refers to the obligation of organizations to behave in ethical and moral ways. The concept suggests that members must ensure that their ethical frameworks extend to the organization as a whole.

**Technical skills** refer to abilities to perform specialised tasks, which involves proficiency at using selected methods, processes, and procedures to accomplish tasks.

**The glass ceiling** refers to an invisible barrier, preventing career advancements for women and minorities.

**Total quality management** refers to total commitment to high-quality results, continuous improvement, and meeting customer needs.

**Value creation** refers to the extent to which an organisation satisfies the needs of strategic constituencies.

**Workforce diversity** describes how people differ in such respects as age, race, ethnicity, gender, physical ability, and sexual orientation

# CHAPTER ONE

# REDUCTION OF LEAVE BENEFITS IN THE COJ[1]

## 1.1 GENERAL BACKGROUND

The City of Johannesburg (hereinafter, referred to as the City) is a municipality located in the Johannesburg metropolis of the Republic of South Africa. South Africa has nine provinces, namely, Eastern Cape, Western Cape, Northern Cape, Limpopo, Gauteng, Free State, Mpumalanga, KwaZulu Natal, and Northwest. Johannesburg is in the Gauteng province. The administration capital of South Africa is Pretoria. The legislative capital is Cape Town, the judicial is Bloemfontein, and the commercial is Johannesburg. As a city that is a hub of commercial business, Johannesburg attracts people from different backgrounds with a variety of expertise from all the provinces in search for employment opportunities.

The City, which has a total staff compliment of 10633 employees, is a municipality, and is one of the entities of the Local Government sphere of the South African government. As an employer which provides municipal services to the communities in its areas of jurisdiction, the City also has an obligation to respect the rights of all its employees as stipulated in the South African Constitution Bill of Rights.

Importantly, when the City implemented its transformation strategy in the year 2002, it inherited the apartheid municipal structures that were established according to regions to serve the needs of the communities in those regions.

[1] City of Johannesburg.

## 1.2 UNDERSTANDING THE UNICITY

A Paper on Apartheid and the Root of Johannesburg Problems describes the population structure of Johannesburg as divided according to the following:

1) The poor who live largely in the South, or on the peripheries of the far north, and
2) The middle class, which lives largely in the suburbs of the centre and the north, which tourists think resembles California.

It is estimated that 70% of the City's inhabitants are predominantly black, who are poor, earn less than R25000 per annum. By contrast, the affluent comprise 17% of the City's inhabitants and are predominantly white. The people living in the suburbs enjoy a standard of living comparable to that enjoyed by the affluent in major cities in the developed world.

The abovementioned paper says that 20% of the population lives in abject poverty, in informal settlements that lack proper roads, electricity, and other municipal services. Forty percent have no access to good housing.

Another paper on Fragmented Municipal Structure says that during the apartheid era, Johannesburg was divided into eleven local authorities. Seven of these were white and were 90% self-sufficient, with spending per capita of R600. The rest (four) were black and only 10% self-sufficient, with a spending per capita of R100.

After the November 1995 elections, i.e. the City's first democratic local government elections, the first post-apartheid ANC-run City Council attempted to address the City's problems. It adopted the slogan "One City, One Taxpayer." The idea behind the slogan was to put in place a single tax base where revenues from the wealthy white areas, would help pay for the services needed in the poor black areas.

Thus, the City was amalgamated, resulting in four regions governed by a central metropolitan council (the Greater Johannesburg Metropolitan

Council), and four local regional authorities (the East, West, South, and Northern Metropolitan Local Councils), which enjoyed substantial autonomy. According to the paper, municipal boundaries were expanded to include wealthy satellite towns like Sandton and Randburg and poorer neighbouring townships such as Soweto and Alexandra as well as informal settlements like Orange Farm.

The amalgamated City's new structure apparently ran into trouble. Allegedly, inexperienced management led to over-ambitious spending, wasted expenditure and some cases of fraud, unnecessary duplication of services. This led to the City owing about R2.1 billion. By 1998, the City had reached a R300 million-budget deficit, a R405 million overdraft, and zero capital budget.

Central government realised that there were too many local councils duplicating too many functions. It urged that powers be delegated only to committees, and not to individual councillors. This came into effect the introduction of the Municipal System's Act of 1998, which specified that metropolitan areas in South Africa should have a single-tier integrated municipality.

This led to councils around the country amalgamating at the end of 2000, reducing the number of local authorities from 843 to 284 in large "unicities" like Cape Town, Durban, Pretoria, the East Rand, and Johannesburg. The Municipal Demarcation Board changed the Johannesburg boundaries to incorporate Orange Farm in the south, and to incorporate Midrand in the north, as well as the previously independent municipalities of Edenvale and Modderfontein to the East.

## 1.3 IGOLI 2002 STRATEGY

In 1999, the City appointed a City Manager, who brought with him a strong team of executives who drew up a blueprint to reshape the City's finances called "IGoli 2002". The City's response to its problems was this radical transformation plan. The plan consisted of cost-cutting exercise whereby it

ring-fenced service delivery entities that could use scarce public resources much more effectively and efficiently than the old bureaucratic councils could.

The aim of the iGoli 2002 plan was to restructure dysfunctional institutional arrangements that had contributed to the serious financial crisis in 1997. The plan resulted in a number of essential services being privatised, or 'corporatised'. It is said that the unions contested the three-year plan fiercely, fearing it would result in job losses and tariff increases as it called for selling of the non-core assets, the restructuring of certain utilities, and the requirement that others become self-sufficient. The result was that despite intense opposition, after two years of institutional design and internal negotiations, the management team recovered the City from the brink of insolvency to an operating surplus of R153 million in two years.

After transformation from the four erstwhile Eastern, Western, Northern, and Southern Metropolitan Local Councils, the City amalgamated in 2001 to form eleven Regions, twelve Utilities, Agencies, and Corporations. The central Head Office is the Unicity. After a voluntary separation approach with retrenchment packages to allow for those who wished to terminate their services voluntarily with the Council, the City inherited about 60% of employees from those municipal structures. Employees were located to the new structures according to preference forms they completed, which represented an employee's choice of location in positions, which were equivalent to their previous ones.

Different Conditions of Service coupled this for Africans, Coloured, Indians, and Whites. Additionally, the salary structure had disparities. The employees' benefits were no exception. Salaries and benefits vary according to different Conditions of Services—i.e. from their previous structures. The disparities amongst employees on benefits and salaries made it difficult for the City to quantify the benefits in order to budget for them in preparation for separation packages. Attractive benefits of white employees from the previous white municipalities were protected and could not be tampered with. These 'white positions' then became

unfunded liabilities which were in the form of bonus years, leave benefits, pension fund, medical aid, and pensioners 13th cheques. When the City introduced the voluntary separation strategy, most whites opted for the packages, resulting in the City spending huge amounts of money on payouts, which left it with a wide financial gap, and which created a huge debt.

In order to overcome its financial crisis, the City then embarked on a strategy of reducing employee benefits for all remaining employees and standardising conditions of service in an effort to create uniformity. This strategy still created disparities, as there was no way to temper with the previous benefit provisions. Racial discrimination affected them.

The research aims to explore into those differences and its impact on the City's employees. The researcher interviewed some employees to gather information to serve as primary data.

## 1.4 PROBLEM STATEMENT

Unfunded liabilities from the erstwhile MLC's of the City resulted in the reduction of employee benefits. The issue of the reduction of leave benefits in particular led to intense debate amongst Council employees. It resulted in financial and psychological problems for employees. To find the underlying cause of the problem and its consequences, the researcher interviewed 15 COJ employees who have worked for more than 15 years, and were 45 years or older.

## 1.5 SIGNIFICANCE OF THE STUDY

According to Welman and Kruger (1999), the notion of scientific approach maintains that we should not accept the findings as they come from experts. We should examine the evidence on which the claim is based. Thus, this research combines two types of research methods, the historical research and action research in an effort to identify the problems

and differences in benefit provisions as stipulated in the Council's past and current conditions of service.

### 1.5.1 Historical Research

Historical research deals with the problem statement in the sense that it includes explanations or interpretations of the existing information, which are not tested as research hypotheses. They are rather described as the central thesis or main theme. This implies a study that is concerned with investigation of specific events with the purpose of establishing a set of propositions about it and postulating that the phenomena may be occurring universally. Thus, historical research concerns itself with recording past events, and more recent past as well. Events are located and evaluated, synthesised and interpreted in order to suggest causal explanations for the events. This is why the researcher looked into the City Council policies and conditions of service, compared its provisions with the existing policies, in order to determine the magnitude of the loss of leave benefits.

### 1.5.2 Action Research

Action research is not concerned with testing or developing a theory, which might suggest solutions to the problem. Rather, it focuses on providing solutions to a particular practical problem situation in a specific, applied setting. The features of action research distinguish this applied research in an industry as follows:

a) It was not used to test a theory or to satisfy intellectual curiosity. It is conducted because of the existence of organisational problems, ranging from excessive absenteeism, staff turnover, job dissatisfaction, etc. Action research would be designed with an effort to reduce the seriousness of the problems. The researcher looked at physical and financial problems identified as a result of reduction of leave benefits, and their possible links to job satisfaction and productivity in order to suggest best practices that might improve the situation ;

b) It was designed to improve the effectiveness and therefore profitability of the organisation, for example, issues about determination of consumer preferences regarding new products and services, and optimal utilisation of human talent in an organisation. Council employees are the consumers of the newly designed policies of the City in an effort to create uniformity within the City's structures. Their input with regard to the perceived implications into their personal lives and in the organisation would assist in remedying the problem;

c) Participants were employees of the organisation or job applicants. The researcher is the Council employee. The participants where the researcher obtained primary evidence are also Council employees;

d) If the results of the research were positive and usable, the recommendations would be implemented by the organisation. But, if the results were negative, the organisation could use secondary but valuable ideas obtained from the study (Welman J.C., and Kruger S.J., (1999)). As the City's transformation has reached its five-year term, most policies are due for review. This study can be used as a basis for redesigning or amending policies relating to leave benefits for a better employee benefit structure.

## 1.6 RESEARCH OBJECTIVES

For purposes of the research, a special focus was on the exploration of the reduction of leave benefits. The following objectives guided the study.

1) To investigate root causes of the unfunded liabilities.
2) To investigate the City Council's rationale for opting for the reduction of leave benefits
3) To investigate the implications and consequences of leave benefit reduction on employees

4) To make recommendations to the City, to researchers, to academics specialising in human resource, and to the human resource disciplines.

The researcher compared leave benefits before and after transformation. The researcher conducted interviews with a target group randomly selected from level 5-26 positions of the Council.

To obtain quality evidence on the cited problems and consequences, the following research questions guided the study:

1. Why were these liabilities unfunded?
2. Why did the Council reduce the leave benefits?
3. What were the consequences on employees?
4. What are the alternative models for user-friendly leave benefits?

The interviewees' responses formed the primary data. The information gathered on exploring the past policies provision before the City's transformation, with their different provisions according to race, formed part of secondary data.

## 1.7 RESEARCH METHODOLOGY

The research method used was a narrative and description of the situation. It being qualitative research, the researcher analysed data by organising it into categories based on specific themes. The researcher obtained other data from the internet, libraries, newspapers, legislations, documents on COJ Conditions of service and on best practices from other organisations and other countries.

### 1.7.1 Data Collection Strategies

The researcher conducted a semi-structured interview with the City's Director: Human Resources on June 4, 2004 to obtain his buy-in and support in terms of affording the researcher with literature that would assist in the research. The researcher also conducted interviews with a target group of 15 COJ employees. The researcher had a memorandum with the Director: Human Resources, confirming his endorsement in allowing the researcher to hold interviews with the target group. It was copied to all the participants. The memorandum also explained the purpose of the research as a means of establishing rapport with the participants as well as their buy-in. Some participants preferred interviews at their offices and the researcher held others in her office, an arrangement that was found to be flexible enough to suite the participants comfort zones.

### 1.7.2 Sample Questionnaire

The purpose of the interview is to gather information regarding experiences and implications of the reduction of leave benefits, from employees who are 45 years or older and have a service period of 15 years or more with the City of Johannesburg. There is no right or wrong answers, personal views are much welcome.

Respondents are also ensured of maintenance of confidentiality about their views and opinions as well as anonymity. However, a choice is also open for those who wish to be given fictitious names for purposes of the research.

**DATE OF INTERVIEW: ……**
**AGE. : ……..…**
**RACE & GENDER:……..…**
**POSITION IN THE ORGANISATION: ……**

| NO. | QUESTIONS |
|---|---|
| 1. | When did you start working for the City?<br>…… |
| 2. | What is your opinion about the City's transformation?<br>……..<br>……..<br>…….. |
| 3. | Has transformation been beneficial to you in terms of productivity?<br>……..<br>……..<br>…….. |
| 4. | Would you say service delivery is better than before? and why?<br>……..<br>……..<br>……..<br>…….. |

| | |
|---|---|
| 5. | How has the City's strategy of reducing leave benefits in particular affected you? ……..<br>……..<br>……..<br>…….. |
| 6. | How many vacation leave days do you have now, and do you know how much they are worth? ……<br>…….. |
| 7. | When do you normally use your vacation leave days, and how often annually?<br>…….<br>…….. |
| 8. | How many sick leave days do you have now, and what do you intend doing with them? ……<br>……. |
| 9. | In the period of a year, how often do you use sick leave?<br>……. |
| 10. | Over the years, were you selling your vacation leave days or were you saving them for encashment on retirement?<br>…….<br>……. |
| 11. | What do you intend doing with the remainder of your vacation leave days before the 1st of January 2006? ……<br>……..<br>…….. |

### 1.7.3 Population and Sample Size

According to Leedy (2001), a phenomenologist can conduct interviews with a single participant, or involve only between 5 and 10 people in their studies, due to in-depth information that he wants to get. The researcher mostly listened to the interviewees during the sessions. This involves deliberate sampling for a population that is knowledgeable and informative about the phenomenon the researcher is studying. The researcher

focussed on semi-structured interviews to interview a population of 15 employees who have worked for 15 years or longer with the Council.

### 1.7.4 Justification and Reliability of the Questionnaire

| CATEGORY | LEVELS | RACE | | | | | | | | TOTALS | | AGE GROUP | | TOTALS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | African | | Coloured | | Indian | | White | | | | 45-55 | 56-65 | |
| | | M | F | M | F | M | F | M | F | M | F | | | |
| Senior Manager | 5 | 1 | | | | | | 2 | | 3 | | 2 | 1 | 3 |
| Operations Manager | 6 | 1 | 1 | | | | | 1 | 1 | 2 | 2 | 2 | 2 | 4 |
| Supervisors | 8 | 1 | | | | | | | | 1 | | 1 | | 1 |
| Officers/Clerks | 10 | 2 | | | | | | | | 2 | | 1 | 1 | 2 |
| Admin Assistants | 12 | 2 | | | | | | | | 2 | | 1 | 1 | 2 |
| Elementary occupations | 26 | 2 | 1 | | | | | | | 2 | 1 | | 3 | 3 |
| **TOTALS** | | **9** | **2** | | | | | **3** | **1** | **12** | **3** | **7** | **8** | **15** |

### 1.7.5 The Research Design

Patton (in Leedy, 1990) defines phenomenological research as a person's construction of the meaning of a phenomenon. This is in contrast to a phenomenon, as it exists external to the person. The phenomenon experienced and/or studied may be an event, a relationship, an emotion or an education background. The reduction of employee leave benefits is a phenomenon, which involves emotional experiences of some employees of the City. The study attempts to construct its meaning in terms of the manifested emotions in the participant's responses. This renders the study qualitative.

### 1.7.6 Type of Data Analysis, Method, and Tools

In the analysis, the researcher combined content analysis and the grounded theory analysis, which have three phases with the final phase producing results of written final patterns of related themes of the set of data, and demonstrating the researcher's understanding of the phenomenon.

As regards tools, the researcher used a computer to generate the report and tables, to analyse and present numerical data, to search for words and phrases adaptable to encoded data (Neuman, 2000).

# CHAPTER TWO

# LITERATURE REVIEW

While leave benefits is regarded as a fringe benefit, it is equally important to manage it in an ethical manner to ensure that it complements other dimensions of a job in the drive for job satisfaction. In this chapter, a theoretical framework to give a conceptual value of the problem according to different authors and definitions of the concept of job satisfaction that relate to the study is offered. This will also provide an insight and understanding of the meaning of the relationship of job satisfaction with other elements that hinder and/or contribute to increased productivity.

## 2.1 JOB DIMENSIONS

Smith, Kendal, and Hulin (in Luthans, 1995) argue that there are five job dimensions representing the most important characteristics of a job about which people have affective responses. These are: (a) the work itself; (b) pay; (c) promotion opportunities; (d) supervision; and (e) co-workers. The most relevant ones for the study are work itself and pay. We will discuss these in relation between job satisfaction and productivity as follows:

The work itself emphasizes the extent to which the job provides interesting and challenging work with opportunities for learning—i.e. a chance to accept responsibility and provision of status. Since transformation began in the City, most employees' perception is that job satisfaction has become an irrelevant issue to the employer. Transformation issues seem to be more important than employees' job satisfaction, and this is associated with low morale that results in unproductive employees. This is because job satisfaction has a considerable impact to employee's economic growth and personal development.

Pay is the financial remuneration that employees often view as a reflection of how management views their contribution to the organization. Additionally, financial rewards help employees attain their basic needs as

well as upper-level need satisfaction. At present, it seems employees cannot associate pay with their contribution to the organization. There seems to be no congruency between their productivity and the pay system. The researcher associates this situation with the fact that City's managers did not inform lower level employees about the implications of the leave reduction--i.e. what they perceive as their financial freedom.

While fringe benefits are also important, they are not that influential. Most employees do not even know how much they are receiving in benefits. As leave benefit is a fringe benefit, it appears likely that lower level employees were not aware that leave benefit is a fringe benefit until the employer took it away from them. Some of the City's employees do not even know the implications of the reduction of their leave benefits on their retirement savings.

These characteristics of a job are tied closely to motivation. Motivation implies a process that starts with a physiological or psychological deficiency, or a need that activates behaviour or a drive that is aimed at a goal or an incentive. Assuming that leave benefit is one of motivators that are necessary for job satisfaction and productivity, the relationship between these characteristics and motivation is of crucial importance for understanding the process of motivation.

Needs are created whenever there is a physiological or psychological imbalance (need exists when a body is deprived of water). These can also be based on a history of consistent success. In the case of the City, the sudden reduction of leave benefits is perceived as deprivation of benefits that were provided for a long time.

Physiological and psychological drives are set up for alleviating needs. They are action-oriented; they provide an energizing thrust toward reaching an incentive. They are at the heart of the motivational process. Examples include the need for food and water translated to hunger and thirst; the need for friends translated to affiliation. In the City, this is

associated with a need for financial security on retirement, which is translated into frustration and low morale if those needs are not met.

Incentives are meant to alleviate a need and reduce a drive. At the end of the cycle, when a person attains the incentive, a physiological and psychological balance will be restored and the drive will be reduced, or cut off. Eating food will cut off hunger. According to some interviewees, going back to the old Leave Benefit system would resolve their problems and thereby result in job satisfaction.

In summary, lower level city employees feel deprived of the benefits they have enjoyed for a long time. They get frustrated and suffer from low morale. Provision of benefits would lead to yield job satisfaction, which, in turn, would lead to productivity.

### 2.1.1 The Concept of Job Satisfaction

Luthans (1995) insists that attributes relating to job satisfaction and organizational commitment are of major interest to the field of organizational behaviour and the practice of human resource management. Literature on job satisfaction focuses on employees' attitudes towards their job. Literature on organizational commitment focuses on their attitudes. Luthans again insists that job satisfaction is a result of employees' perception of how well their job provides those things, which are viewed as important. This is unpacked according to three dimensions to job satisfaction as follows:

a) Job satisfaction is an emotional response to a job situation. For the City, transformation and the leave benefit changes bring forth employees emotional response.
b) Job satisfaction is often determined by how well outcomes meet or exceed expectations. For example, if the City's employees feel their interests are not well looked after, they will probably have negative attitudes towards management and the work itself.

c) Job satisfaction represents several related attitudes. The researcher associates this with low morale and frustration, which results to high turnover and absenteeism of employees.

Mullins (1999) sees job satisfaction as an attitude, that is, an internal state that is associated with a personal feeling of achievement. It could be either quantitative or qualitative and is necessary in order to achieve a high level of motivation and performance. He further cites that job satisfaction is a complex concept, which is difficult to measure objectively as a wide range of variables relating to it affects its level:

- Individual factors which include personality, education, intelligence and abilities, age, marital status, orientation to work;
- Social factors which include relationship with co-workers, group working and norms, opportunities for interaction, informal organization;
- Cultural factors which include underlying attitudes, beliefs and values;
- Organizational factors which include nature and size, formal structure, personnel policies and procedures, employee relations, nature of the work, technology and work organization, supervision and styles of leadership, management systems, working conditions;
- Environmental factors which include economic, social, technical, and governmental influences.

Mumford (in Mullins, 1999) conceives job satisfaction in terms of a fit between what the organization requires and what the employee is seeking and a fit between what the employee seeks and what he or she is actually receiving.

### 2.1.2 Job Satisfaction and Behaviour

Low morale is a result of a deficiency of needs of the City's employees. It could yield negative dysfunctional behaviour like corruption, absenteeism, and theft within the Council operations. Robbins (1983) clarifies this according to two levels of phenomena; 1) that the reduction of employee leave benefits has an effect on physiological, psychological, and financial wellbeing of employees; 2) that low morale is manipulated to determine its

effect on employee behaviour in terms of corruption, absenteeism, and theft. Low morale as a *construct*, which represent a divergent collection of concrete behaviours, also has a correlation with job satisfaction and productivity.

The reduction of employee leave benefits as caused by a rapid political change has resulted in a rapid social and economical distress, thereby posing threats in terms of employee job satisfaction and productivity.

### 2.1.3 Other Critical Determinants of Organization's Effectiveness

Robbins (1983) further gives an insight into the relationship of job satisfaction with organizational effectiveness where he maintains that four dependent variables are also critical determinants of an organization's effectiveness as discussed below.

1. **Productivity** implies a concern for effectiveness (meeting the needs successfully) and efficiency (low cost operations) is measured according to the organizations' achievement of its goals. This is done by transferring inputs to outputs at the lowest cost. The organizational behaviour's major concern knows factors, which will influence the effectiveness and efficiency of individuals, groups, and the overall organization. Assuming that most employees who were forced to sell their leave days had to invest their monies in businesses, a concern would be whether the affected employees of the City would continue to be productive in their jobs. One implication of this in the organization is that those employees would use anything they could get their hands on, even if it meant stealing the City's assets to make their businesses viable as a means of ensuring financial security for themselves. This dysfunctional behaviour in employees led to the City losing a lot in terms of employee loyalty, time, assets (machinery, equipment), and other necessary skills.

2. **Absenteeism**, which is more than a disruption, results in a drastic reduction in quality of output. In some cases absenteeism may lead to complete shutdown of the production facility. Excessive absenteeism

affects adversely on an organization's effectiveness and efficiency. The disruption of the smooth operations of the organization makes it impossible for it to achieve its objectives. It appears that the City's employees absent themselves for various reasons, for example, to attend to personal commitments, due to sicknesses, or low morale, resulting in the City losing in terms of employee productivity.

3. **Turnover** implies increased recruiting, selection, and training costs. It may lead to a disruption in the efficient running of the organization. This means that when knowledgeable and experienced personnel leave, the City has to find replacements. The organization lacks new ideas if it does not find new employees. Assuming that the City's transformation has led to a high degree of uncertainty levels on employees, this situation might result in excessive stress, sickness, sudden deaths, resignations, and early retirement. This is also a huge loss for the City in terms of expertise, new ideas, and skills.

4. **Job satisfaction** affects productivity positively. While this relationship has been questioned, Robbins (1983) insists that the notion of a wealthy nation should not only be concerned with the quantity of life but also with improving its quality. Organizational Behaviour researchers consider job satisfaction as an important dependent variable as it does not only represent an attitude but also behaviour. There is thus the rationale for investing in people to ensure that their needs are met. Satisfied employees result in improved productivity and organizational effectiveness. This then takes us to the conceptual analysis of job satisfaction as unpacked in the following section.

### 2.1.4 Conceptual Analysis of Job Satisfaction

Job satisfaction is a balance between the interests of both the organization and the employee and the extent to which employees' interests are met. Bassett (in Mullins, 1999) argues that the view that 'a *satisfied worker is a productive worker'* is implausible. For Bassett, worker satisfaction is a complex matter that deserves careful thought and consideration in any

management systems design decision. Bassett's notion supports a systems approach to organizational effectiveness that emphasizes a holistic approach. Success of one area affects another area's success. Therefore, investing in employees as an organization is a long-term important investment on organizational effectiveness.

## 2.2 CITY OF JOHANNESBURG'S CONDITIONS OF SERVICE

The historical background on the City's previous policies and procedures indicates that the City had different provisions for all the races. The most disadvantaged according to the provisions of those policies were Africans or Blacks.

### 2.2.1 Sandton Conditions of Service (1993)

The Sandton Conditions of Service were based on the Basic Conditions of Employment Act. They were meant for whites. Paterson grades were used to classify the groupings of these conditions of service, according to A, B, C, D, and E; and the accrued annual leave on full pay 30, 27, 25, 20, and 18 respectively. Sick leave was 90 working days on full pay for all employees and 30 working days on full pay for temporary employees and occasional employees, excluding part-time fixed session employees.

The Sandton Conditions of Service also provided for 3 working days payment for every cycle completed at retirement or death or termination of service in terms of clause 6-2(a) or clause 6-2(b). This was calculated from the commencement of service with the Council. Employees completing a service of fifteen years were credited with two (2) full pay working days for every completed cycle, commencing from the starting day with the Council.

### 2.2.2 The Black Local Authorities Act No. 102 of 1982

The Black Local Authorities Act (1982) provided for the establishment of local authority committees, town councils, city councils, and town

committees for Black persons in certain areas for carrying out of its activities. According to this Act, a local authority may create two or more departments in its administration and charge each department with the necessary functions and duties as deemed by the Chief Executive Officer. These were part of the delegated powers by the Administrator to the Black Local Authorities. The Chief Executive Officers were whites as well, a situation which created much liberty for inequities.

Paterson grades were used to classify the groupings of these conditions of service, according to seniority from A, B, C, D, and E, with E being the Executive level. According to this Act, the annual leave on full pay was 30, 27, 25, 18, and 15 respectively. The majority of Africans or Blacks were mainly found on the first two bands. The ones that were fortunate to be on C Band earned less than whites and coloureds on B band. According to this Act, the sick leave was 90 working days on full pay in each leave cycle.

### 2.2.3 The Labour Relations Act of 1956

The Agreement in terms of the Labour Relations Act (1956) between the Local Government Affairs Council established in terms of Section 2 of the Local Government Affairs Council Act 1989 ( House of Assembly) (Act 84 of 1989), herein referred to as the Council and the Personnel Association of the Local Government Affairs Council. Its provisions were meant for Indians. This agreement grouped employees according to seniority and the salary bands in groups of A, B, C, D, and E. The annual leave on full pay was 30, 27, 25, 18, and 15 respectively. According to this agreement, the sick leave was 90 working days on full pay in each leave cycle.

### 2.2.4 The 1994 Government Gazette

The 1994 Government Gazette No 19614 on Municipal Structures Act explains the vacation leave cycles according to 16 occupational levels which are divided into four broad bands, namely, A, B, C, and D. According to these broad bands, level A, for example, has a maximum and

a minimum, and two middle levels that are also the determinants of employee pay structure. These have accrual annual leave cycles of 30, 27, 25, and 18 respectively for grade 12 local authorities, under which the COJ falls.

This Government Gazette was one of the democratic government's means of transforming the municipal structures. One of the good things that have ever happened to Council employees is that the Council absorbed all seasonal workers so that they could also enjoy the benefits they were deprived of for years.

According to this Gazette, on sick leave, all employees received accumulated 90 working days on full pay. They also received 90 working days on half pay for each leave cycle. For the purpose of this clause, all employees had a five-day working week. This arrangement was different in the past because different broad bands were allocated to different races.

### 2.2.5 The Local Government National Labour Relations Agreement

The Local Government National Labour Relations Forum agreement on Equal Employment Practice and Affirmative Action, which was signed in Durban on 15 August 1994 had the following provisions:

1) Ensuring equal employment opportunity practices in local government;
2) Enforcing the right of fundamental equality and opportunity between men and women in employment;
3) Protecting the right of every person against employment discrimination on the grounds of race, gender, ethnic or social origin, colour, sexual orientation, age, disability, religion, culture or political affiliation; and
4) Transforming local government to a non-racial, non-sexist institution and provide redress to disadvantaged people.

This agreement was between The Municipal Employer's Organisation, The Cape Province Local Authorities Employers Organisation, The Major Cities Employer's Organisation, The South African Municipal Worker's Union,

The Federation of Municipal Trade Unions, The Democratic Integrated Municipal Employees' Society, and The Association of Chief Administrative Officers of Local Authorities.

### 2.2.6 Current COJ Conditions of Service

The clauses of COJ Conditions of service as they appear in the COS regarding leave benefit are as follows:

Annual Leave

1) Subject to the provisions of any law, employees shall be obliged to take during each annual leave cycle, annual leave of 16 working days (five-day week and eleven-day fortnight and/or compressed continuous shifts) or 19 working days (six-day week or 11-day fortnight).

2) For each completed month of employment annual leave shall accrue and may be taken at the rate of one-twelfth of the annual amount to which the employees are entitled. Fractions of a day are ignored.

3) If any leave which employees are obliged to take in terms of section 3.4 is not taken within the leave year in which it accrues then subject to the provisions of any law, it shall be forfeited.

4) Annual leave due to employees that is not taken or forfeited shall be accumulative to a maximum of 48 days the excess of which will be forfeited.

Sick Leave

1) The onus of proving that sick leave granted shall be upon the employees concerned.

2) Except where otherwise provided in these Conditions employees may be granted 80 (eighty) days sick leave per three-year sick leave cycle on full pay.

3) Sick leave with pay shall accrue in advance on the first day of employees' 3-year sick leave cycles. This will be on condition that employees who return to the Service after a break in their service in terms of any applicable legislation shall have their service regarded as continuous. This will be conditional on such break not exceeding any period of paid leave due to them when they left the Service plus any further period of leave without pay that may have been granted to them in terms of section 6.3 when they left the Service.

### 2.2.7 COJ Climate Survey, December 2003

COJ Climate Survey's emphasis is on the importance of creating a healthy work environment through implementing policies and procedures that address employee needs and enhance productivity. Amongst its recommendations is the investigation of fairness and applicability of all HR related policies and procedures.

## 2.3 LESSONS FROM ELSEWHERE

Outside South Africa, examples of leave benefits schemes are numerous. They include the University of Texas Employee Leave Benefits document on "Making the University a Better Place to Work", Middleburg College Employee Handbook that describes the leave benefits for full-time and part-time employees, the US Department of Labour Family and Medical Leave Act. The third one is designed to help employees balance their work and family responsibilities by allowing for reasonable unpaid leave for certain family and medical reasons. There are also surveys done to determine provisions of employee benefits like the Business and Legal Survey on Employee Benefits, which tracks incidence and characteristics of the employee benefit plans in US private and public organisations.

### 2.3.1 The US Department of Labour

The Business and Legal Survey on Employee Benefits tracks incidence and characteristics of the employee benefit plans in US private and public

organisations. Paid leave was the most commonly provided employee benefit in the private sector. However, since leave benefits allow employees to take time off from work, the extent of payment or not at all are generally a matter of agreement between an employer and an employee. Certain types of leaves are required by law whereas others are voluntary incentives provided by the employers and are not regulated by law (The BLS 1995 Employment Benefits in Medium and Private Establishments Survey online).

### 2.3.2 University of Texas

University of Texas's employee benefits scheme highlight the differences in leave benefits in terms of sick leave, family leave, study leave etc. in its Employee Leave Benefits document on "Making the University a Better Place to Work". According to this option, the university provides employees with accrued carry-over leave in terms of hours to another financial year. The remainder of hours on the stipulated hours is transferred to the sick leave credit (University of Texas at Austin Employee Leave Benefits (n.d)).

### 2.3.3 The Middleburg College

The Middleburg College Employee Handbook describes the leave benefits for full-time and part-time employees. Of interest is the sick leave conversion of employees on retirement to insurance. In this strategy, sick leave is not commuted to cash on retirement. Instead, it is converted to insurance to cover the employee for any medical needs at 100%. This option is designed to ensure continued wellbeing after separation, and in the case of employees death, the option is transferred to eligible dependents (Middleburg College Handbook (2003-2004) Employee Handbook online)

### 2.3.4 US Department of Labour Family and Medical Leave Act

The US Department of Labour Family and Medical Leave Act is designed to help employees balance their work and family responsibilities by allowing for reasonable unpaid leave for certain family and medical reasons. This option can be complemented with the State of Idaho strategy on leave benefits (U.S. Department of Labor in the 21st Centrury online).

### 2.3.5 The Employee Benefit Research Institute

The relevant section for the study is the summary on the Annuities and the Poverty Level. Under its model 2 on individual accounts, by 2015, 60% of individuals who would receive retiree benefits would need to *annuitize* some or all of the accounts to have a total benefit that exceeds the poverty level. This could also assist the City in terms of ensuring Financial Social Security on retirement of its employees (University of California New Tax-Advantaged Retirement Savings Plan for Faculty and Staff)

### 2.3.6 Department of Trade and Industry

This study on Work-Life Balance reveals the importance of ensuring work-life balance for employees through adopting policies and procedures emphasising flexible working patterns. The Government is encouraging employers on the growth of flexible working and other work-life balance policies in the UK, of which the employers who used the strategy are said to have benefited from pursuing such policies (Department of Trade and Industry (n.d) Electronic Referencing )

### 2.3.7 The State of Idaho Leave Benefit Code 67-5335

This interesting leave management option provides for the transfer of vacation leave to employees with serious or catastrophic illness or injury in the form of sick leave for the receiving employee where the employee has exhausted all sick and vacation leave (State of Idaho Leave Benefits (n.d))

### 2.3.8 University of California

One of best practices on employee benefits is the University of California's New Tax-Advantaged Retirement Savings Plan for Faculty and Staff. The savings plan is voluntary. It effectively doubles the amount of money the UC faculty and staff may put into tax-advantaged retirement savings. Another attempt at ensuring fruitful money savings for employees by the University is its One-Time Bonus Paid Leave Programme, which gives employees additional paid leave as an effort to recognize employee contributions and continued dedication to the institution (University of California New Tax-Advantaged Retirement Savings Plan for Faculty and Staff n.d)

### 2.3.9 American Benefits Council

An attempt by the American Benefits Council on shaping the world of corporate benefits policy is through its "Ten-Year Plan for Promoting Personal Financial Security." The plan is meant for the security on retirement, active employee health care and retiree, and long-term care and stock ownership programmes. Rather than enforcing employees to use their leave, leave is put on savings for emergencies and retirement purposes.

## 2.4 SUMMARY

The general feeling amongst long service senior citizen employees of the City is that the leave reduction strategy negatively affected them more than other employees. However, the researcher's view is the lower level employees are the most hard heated by the leave reduction strategy because most of them are taking home less than R500-00 (HR debt assessment data).

The employees who are living below the economic belt have to save transportation money from their salaries. They are expected to provide for their families from the same salary.

In as much as the leave benefits are beneficial to employees' psychological needs, they are liabilities to the organisation. They should be managed in such a way that the result is a win-win because organisations need people and vice versa.

People are indispensable resources. Priority to human capital ensures realization of great advantages from other material resources of organisations. The issue of work-life-balance is a frequently cited measure that organisations should seek to maintain.

A lingering worry is whether the City's leave reduction strategy falls within the family of ethical dilemmas, or it is an attempt at global competitiveness. It is true that no culture possesses all the "right" answers to today's complex management and organizational problems. Commitment to global organizational learning can give us fresh ideas while still permitting locally appropriate solutions to be implemented with cultural sensitivity.

Lastly, the City's strategy should put into consideration for past inequalities and injustices that its previously disadvantaged employees experienced.

# CHAPTER THREE

# PRESENTATION OF FINDINGS

## 3.1 LEAVE BENEFITS OF THE CITY'S EMPLOYEES

In the City of Johannesburg, leave benefits fall into five categories:

a) Annual leave that accrues, and can be commuted to cash. This can be used as planned vacation leave and unplanned emergency leave.
b) Sick leave, which accrues, and can be commuted to cash on retirement only. This can be used when booked off for ordinary sicknesses, HIV/AIDS related leave, emergency caused by accident, and for wellness purposes.
c) Study leave, which is made available to employees studying under the Council's subsidised education scheme, according to the Conditions of Services.
d) Special arrangement leave that has to be approved by the City's Executive Council depending on its relevance; whether for purposes of HIV sickness, studying abroad, a medical boarding employee, etc.
e) Family responsibility leave that is also made available according to the employees Conditions of Service.

The researcher focussed on the first two leave categories, namely, annual leave and sick leave that according to the study, have an impact on employee's psychosocial and financial stability.

## 3.2 RESPONSES TO INTERVIEWS

The researcher obtained primary data through interviews with employees, soliciting their views on the loss of their leave benefits. The researcher arranged formal meetings that lasted about one hour with the participants. The researcher used semi-structured questions to probe their

experiences. The researcher assured the interviewees of confidentiality in order to safeguard the privacy rights of participants.

The researcher used a set of twelve semi-structured questions. This was done to accommodate respondents from different backgrounds. The researcher explored the following areas: (a) City's transformation; (b) the leave benefit reduction; (c) recommendations. Some participants responded in vernacular, which was translated in English and summarised for easy identification of common elements. Some participants, especially the managers preferred completing questionnaires at their own leisure and preferred discussions to follow thereafter.

A transcript of the information that emerged as per their responses in the questionnaires indicated the following:

a) The City's Transformation: Transformation is very slow, challenging, not well-planned, unskilled personnel in strategic positions, satisfactory, moving backwards, slow service delivery, benefited on training, procedures and policies' existence.

b) The Leave Benefit Reduction:
   Against the reduction of vacation and sick leave benefits;
   Not aware of any reduction of leave;
   Not informed about negative implications on retirement savings options; against the forced selling of vacation leave days;
   Cash leave on emergencies;
   Rip-off since there is no thirteenth cheque on retirement as well;
   Financial bankruptcy on retirement during waiting period before pay-off.

c) Recommendations:
   - Leave reduction not beneficial
   - COJ should revert to the original leave benefit provisions.

The method of interviewing a diverse target group of 15 employees resulted in a combination of qualitative data (Neuman, 2000). The interactive review yielded subjective and objective data. This indicated common and different views, as well as recommendations from the participants because they have different experiences according to their exposure and involvement in the organisation's transformation strategy implementation process.

## 3.3 SUMMARY

According to the Labour Relations Act of 1997 Section 4, an employer can reduce employees' annual leave to not less than two weeks by means of a collective agreement. In terms of this legislation, the City does have a collective agreement with representative unions that is concluded through the Bargaining Council agreement. The issue of the reduction of leave benefits as a strategy of ensuring that employees do not actually loose their jobs during transformation is normally deliberated at that level. However, the implications on the implementation of the strategy were not exhaustive enough to prepare employees for the loss of benefits.

Even though the City has this agenda, employees on the other hand do rely on leave accumulation as a savings option to encash them for emergencies and on retirement. This argument makes sense considering that the option of a 13$^{th}$ cheque has been discontinued. It is therefore an option to assist them in sustaining themselves while they are awaiting pension payouts.

# CHAPTER FOUR

# ANALYSIS AND INTERPRETATION OF THE FINDINGS

The study finds that the City's financial crisis led to a formulation of different strategies to ensure a sustainable growth and survival of the organisation. Transformation of the whole organisation became the most viable option for a turnaround. Embedded in the transformation strategy were various programmes or projects to facilitate implementation and success of the strategy.

It then emerged that the reduction of all existing employees' benefits would relieve some of the financial burdens that the Council inherited from the apartheid structures. After extensive consultation with all the City's stakeholders on the issue of reducing employee benefits in an effort to retain employees rather than retrenching them, the strategy was communicated to employees and then implemented.

It is only after the strategy's implementation that consequences reviewed here became apparent to the employees. The researcher's analysis of the target group's responses show that the City's strategy will impact most negatively on African employees who form the bulk of low cadre personnel. This is because African employees were mostly unable to have financial savings from their income due to unfavourable socio-economic circumstances.

Pearce and Robinson (1997) argue that the mission statement of a global corporation must reflect the firm's intention of securing its survival through dimensions that extend beyond growth and profitability. Further, it must develop a corporate philosophy that embodies its belief in a bi-directional flow of benefits among the firm and its multiple environments.

Human capital interests are also embedded in the same context, as they are one of the most valuable assets of the organization. Thus, while the

City, as an organization, is striving for survival, the growth dimension of the mission statement embodies both organizational and individual elements with regard to what the organization is willing to offer in terms of benefits and what employees are able to render in terms of services. According to Pearce and Robinson (1997), this requires a holistic view that emphasizes the importance of all the organizational components such that:

a) A change in any component will affect several or all of the other components. This means that employee dissatisfaction as one important component of organizational effectiveness will affect productivity;
b) Strategy formulation and implementation are sequential. This means that in each phase of transformation of the City, all probabilities should be explored at length so that strengths and weaknesses could be identified;
c) The necessity of feedback from institutionalisation, review, evaluation to the early stages of the process
d) There is need to regard it as a dynamic system. Moreover, the dynamic strategic planning process must be monitored constantly as a precaution against implementing an obsolete strategy.

## 4.1 THE RESEARCH FINDINGS

Barritt 1986 (in Leedy, 1997) defines the task of phenomenological researcher as one who “tries to go to the heart of the matter by looking for themes that lie concealed in the unexamined events of everyday life of employees in order to find meaningful, shared themes in different people’s descriptions of common experience.” In addition, the analysis of the transcribed data of this kind of qualitative research is characterised as being initially more open, tentative, and intuitive.

While most senior managers preferred completing questionnaires on their own and discussing issues with the researcher, lower level employees

actually preferred being interviewed and expressing themselves in vernacular. The responses were coded as the respondents mentioned them and the researcher translated them in English, and then summarised the information in the comments section. The analysis below follows three areas of focus, namely, City's transformation; leave reduction; and recommendations.

### 4.1.1 The City's Transformation

On the City's transformation, three elements emerged as follows:

1) The Competence of Management: unskilled personnel are placed in strategic positions, service delivery is slow, and existence of Policies and procedures. This perception might result from the loss of trust in management and their strategies especially on issues that concern employee's needs.

2) The City's Transformation: is very slow, not well planned, challenging; but some feel it is satisfactory. These responses might be based on the actual fulfilment of employees' needs and the benefits of the transformation itself. Clearly, these different responses indicate the levels of satisfaction with the system with regard to opportunities and disadvantages of the current situation.

3) The Culture and Environment: that training is provided; there are procedures and guidelines, and uniformity. This element looks positive amidst the negativity in other areas. This is also an indication that the present system is much organised, as there is some extent of uniformity due to the existence of policies and procedures, which bind everybody irrespective of race and gender as opposed to the past. It appears all races do benefit in the name of equity and equal opportunity for all. What is of concern is whether the playing field was levelled before implementing these strategies; otherwise, the poor will become poorer in the current system.

### 4.2.2 Leave Reduction

On leave reduction, the researcher's aim was to clarify four questions:
1) Was the strategy of leave reduction well communicated to all employees?
2) Were they informed of the benefits?
3) Were the financial implications on the reduction of their leave benefit savings clarified?
4) Is the strategy generally accepted?

On the first question, the responses showed that the City's communication strategy did not reach the lower level employees. This means that the City did not explain in simple and clear terms the leave reduction strategy to prepare them for the loss of leave benefits. On the second and third questions, the responses indicated that the lower levels employees were not aware of its disadvantages or its benefits, and financial implications in terms of their savings options. On the fourth question, the responses revealed a general feeling amongst the interviewees of being against the reduction of leave benefits and forced selling of leave days. They felt that the strategy would impoverish them on retirement, as they normally saved the leave days for emergencies and as retirement savings.

### 4.1.3 Leave Benefits: The Past and the Present

The researcher analysis of the responses is that the leave reduction strategy is not acceptable across the board. Employees favour a return to the old system where employees had a choice on what to do about their leave benefits. Line managers who have vast experience and knowledge of the City's policies and procedures identified the reduction of leave benefits as one of the exact loopholes in the City's policies. They were able to compare the current provisions with the previous policy provisions, and calculate future risks the employees would encounter.

In retrospect, on the Sandton Conditions of services, there was an addition of a 3 days leave for a person who had a service of 15 years, on retirement or termination of service, which meant he would get 35 days leave on full pay. If the person was continuing services, he would be credited with 30 leave days on full pay and this was an added advantage for Whites. On the Black Local Authorities Act of 1982, the delegated powers bestowed upon Chief Executives of the local authorities initiated an opportunity for the creation of disparities between racial groupings, as well as the development of policies that were advantageous to the favoured races of the times. On the agreement in terms of Labour Relations Act of 1956 between the Council and Personnel Association of the Local Government Affairs Council (wishing to substitute the established personnel regulations as proclaimed by Administrators Notice 1258 of December 1968), of most interest is the one of the substituting clauses which came into operation on 1 July 1991. This clause maintains, "In the event of a dispute the Afrikaans text will be followed." This is an indication of the provisions of the laws of oppression, which made it difficult for the disadvantaged groups to receive a fair hearing or justice on their grievances.

On the 1994 Local Government National Labour Relations Forum Agreement, the researcher focussed on the last provision, which talks about transforming local government to a non-racial, non-sexist institution and about redress to disadvantaged people. In the same document, 5.10 on the Rights of Employees maintains, "All existing rights of the employees will be maintained as well as extended to those employees hitherto too disadvantaged to enjoy such rights, bearing in mind the conditions of service pertaining to the various job categories." In pursuance of this agreement, no employee shall suffer loss of employment or benefits because of the application of the principles of this agreement, if this shall not be taken to imply that employment might not be affected on ground of bona fide restructuring or amalgamation, because of an inclusive negotiation process.

### 4.1.4 Importance of the Reduction Strategy

The City's strategy of reducing leave benefits was an attempt at creating uniformity on different Conditions of Service from the erstwhile Metropolitan Local Councils, which created disparities in benefits. Racial discrimination influenced some of the attempts and ended up creating more benefits for other races.

The leave reduction strategy affected negatively lower level employees who were taking home less than R500-00 (HR debt assessment data). As inhabitants of the South Africa, they too need opportunities to ensure that they contribute positively to the economy of the Country.

### 4.1.5 City of Johannesburg as an organization

Transformation of the City required its leadership to carry out the mandate of effecting change that necessitated a review of the organizations strategies and policies. A review of employees benefit structure was another means of effecting change to create uniformity and equity in employee benefits. For Pearce and Robins (1997), the process of strategic management involves the formulation and implementation of strategies that are practicable to achieve an organisation's long-term and short-term objectives. However, for the City, the strategy has several implications on employees, as they perceive it as an abruptly implemented compromise to their financial security.

According to Labour Relations Act (1997), employees are supposed to use their leave benefit to relax, as it is not good for the physique to work indefinitely. If employees decide to accumulate leave and not rest then there are negative implications for the company because when they get sick, the company has to seek temporary assignments.

### 4.1.6 Potential Areas of Improvement

In order to suggest potential areas of improvement, the effects of the reduction of employee leave benefits will be analyzed according to aspects of a number of behavioral disciplines in which organizational behavior is built upon such as psychological, sociological, anthropological, and political science disciplines as discussed below (Robbins, 1983).

The psychological aspect is an effort to understand individual behaviour. For the early organizational psychologists, there were problems that were relevant to working conditions could impede efficient work performance such as fatigue, boredom, learning, perception, personality, training, leadership effectiveness, needs and motivational forces, job satisfaction, performance appraisals, attitude measurement. They focussed on the general shaping of behaviour among organizational members to facilitate repetition of desirable behaviours.

The researcher concentrated on effects of fatigue, boredom, needs, and motivational forces. These elements were indirectly implicated in most of the participants' responses especially with the lower level clerks, administrators and elementary occupations. They said, "We do not know what is happening. Nobody explains anything to us." They went on, saying, "If given a chance we would rather go back to the way we were in terms of leave benefits." Even senior managers shared the latter view.

The sociological aspect tends to understand the social system in which individuals fulfill their roles in terms of group's behavior particularly in formal and complex organizations and the valuable input around group dynamics, socialization process, formal organization theory and structure, bureaucracy, communications, status, power, and conflict.

The historical background of the City requires that the previously disadvantaged be given more attention in terms of their social internalisation and level of economic development to come up with Social

Security Savings plan. One of the major areas requiring change is the removal of barriers to its acceptance with contributions in measuring, understanding, and changing attitudes, communication patterns, and the ways in which group activities can satisfy individual needs. The City's employee's mindset might still be living in the past, the transformation changes could be the cause-and-effect of the problems experienced by Council employees.

The anthropological aspect learns about human beings and their activities and recognition that our behavior is influenced by our culture, and that our priorities and sense of right and wrong will affect our attitudes and behavior at work. It is therefore possible that past culture affects the present culture, for example, salary differences created more suffering and poverty as Black Africans in particular were living from hand to mouth. Loaning from their pensions and selling leave days was another source of living. There is no report of educational information offered to them to make them aware of the negative implications of the reduction in leave benefits.

The political science aspect seeks to understand the behaviour of individuals and groups within a political environment and its topics include structuring of conflict, allocation of power, and how people manipulate power for individual self-interest. The City is also a political structure with operations guided by policies developed from its political structure (Robbins, 1983). Therefore, in carrying out its political mandate, their strategies should also include visible accommodation of previously disadvantaged people, but not only for the organisation's survival.

Behaviourally, the disgruntled city employees end up finding solace in money laundering schemes. This situation worsens their way of living because they are trapped in debt to those money-lending organisations. This leads to absenteeism especially among lower level employees. When they do not have money to carry them through the month, they stay at home, wallowing in alcoholism to drown their sorrows.

A notion by Jeffrey Pfeffer on challenges facing organisations is that “The key to managing people in ways that lead to profits, productivity, innovation, and real organisational learning ultimately lies in how you think about your organisation and its people…. When you look at your people, do you see costs to be reduced? … Or, when you look at your people do you see intelligent, motivated, trustworthy individuals - the most critical and valuable strategic assets your organisation can have? (Schermerhorn/Hunt/Osborn, (2005)).

Demographically, out of 15 respondents, 11 are Africans or Blacks and 4 are Whites. It emerged that lower level Africans or Blacks are a majority of employees that have a long service in the City. The reduction of leave benefits has affected negatively mostly Blacks. Secondly, the resultant behaviour due to unfulfilled needs does not only affect them negatively, it also has negative implications for the City as an organisation in terms of productivity as the staff turnover levels are high.

The researcher wonders whether the City performed a random assessment as to which races and levels would be most disadvantaged by the leave reduction strategy. It appears no such study took place. This omission is serious taking into consideration that the current dispensation calls for organizations through transformation legislations. These transformation legislations ensure that 1) sustainable growth and development initiatives are implemented; 2) previous imbalances are redressed; 3) employees are nurtured with skills to ensure that they contribute to the economy of the country. All these endeavours are a means of ensuring that a certain level of balance in economic growth and development is maintained.

In conclusion, the City’s leave benefits strategy is therefore not designed to accommodate and redress previous socio-economic imbalances in the workplace. It does not and cannot create or maintain a balance in economic growth and development.

## 4.2 LEAVE BENEFITS

According to the research objectives, the study promised four investigations namely, 1) to investigate the reason why were the liabilities unfunded; 2) to investigate as to why did the Council opt for the reduction of leave benefits; 3) to investigate the implications and consequences of leave benefit reduction on employees ; and 4) to make recommendations to the City, to researchers, to academics specialising in human resource, and to the human resource disciplines. The following discussion is based on findings in relation to the research objectives.

**Objective One**

The City of Johannesburg has a staff compliment of about 10 633 employees undergone restructuring from the erstwhile Eastern, Western, Northern, and Southern Metropolitan Local Councils. The city underwent amalgamation in 2001 to form 11 Regions, Utilities and Agencies and a Central Head Office, which is the Unicity. After the voluntary separation approach with retrenchment packages to allow for those who wished to terminate the employment of the Council, the City inherited about 60% of employees from those municipal structures. Employees were located to the new structures according to preference forms they completed, which represented employee's choice of location into positions equivalent to their previous ones.

The City then inherited apartheid municipal structures that were established according to regions to serve the needs of the communities in those regions. This was coupled with different Conditions of Service for Africans, Coloureds, Indians, and Whites of which the City was trying to amalgamate to form uniform conditions for all employees of the Council. In addition to that, the salary structure was replete with disparities and so were employee benefits, which varied according to different Conditions of Services from the previous structures.

The reality of having employees with different conditions of service which were bound by collective agreements made it difficult for the City to quantify the liabilities concluded in those agreements in order to budget for them. The City thus embarked on a strategy of reducing the liabilities on benefits of existing employees as a means of overcoming the problem of unfunded liabilities.

The unfunded liabilities were in the form of bonus years, leave benefits, pension fund, medical aid, and pensioners' 13th cheque. The City never budgeted for these expenditures when it was undergoing transformation in the year 2000.

**Objective Two**

The City's strategy of reducing leave benefits was an attempt to create uniformity on different Conditions of Service from the erstwhile Metropolitan Local Councils, which created disparities in benefits. Racial discrimination influenced the strategy and hence the disparities in benefits between races.

The strategy was a way of ensuring continued sustainability, which practically means survival. In this context, survival does not only imply benefits for the City as an organization only, but also benefits for employees as an alternative strategy to retrenchment. Thus, instead of retrenching employees, the City decided to reduce all employee benefits to yield a win-win situation to recover its debts. Employees would not have to lose their jobs.

**Objective Three**

The existing status on employee leave is that employees have to:

a) Sell half the amount of their leave days.
b) Use the remaining leave days in the form of annual leave or vacation leave, to ensure that by 1 January 2006, each employee has not more than 48 annual leave days.

This implies that they cannot commute leave to cash. It also implies that sick leave falls away by 1 January 2006 should an employee have accrued more than 80 days sick leave.

Implications on Employee Savings Options

For annual leave, the implications are that:

a) Insufficient pension monies because some conditions of service allowed employees to loan on their pensions, for example, under the Benoni Conditions of Service, leave was accumulated as a savings plan.

b) Insufficient savings for old age sustenance during retirement. Leave accumulation was quick cash during the retirement waiting period.

c) No emergency funding, as lower level employees commuted leave to cash for their urgent personal financial needs mostly.

d) No savings plan option as this was sometimes a financial means used by Human Resources instead of affording a loan to needy employees.

Since the 13$^{th}$ cheque benefit was also discontinued, the abovementioned implications have serious consequences especially on the lower level African employees. Thus, during the three months waiting period after

separation, they would not be able to sustain themselves while awaiting pension payouts.

For sick leave, the implications are that:

a) There is insufficient savings for natural encounters like accidents where an employee could be hospitalized for six months or more depending on the severity of the accident.

b) HIV and AIDS might require an employee to be hospitalized or bedridden depending on the stage of advancement of the disease in the person's immune system.

This means that if the employee had already exhausted the 80 days sick leave provided, they would encounter problems, as the City's other leave provisional arrangements, according to the City's HIV Aids Policy, would be time-consuming while the employee urgently needed sick leave.

c) Old age sicknesses like diabetes, stroke, rheumatism, prostate cancer etc might require an employee to go in and out of hospital in a period of a year. 80 days would not be sufficient.

Therefore, also not only potential pensioners between 40 and 55 years of age but all the existing employees would be negatively affected.

**Objective Four**

The reduction of leave benefits was a sensitive issue. Some employees saw it as an unfair strategy, resulting in a win-lose situation, favouring the City. Moreover, it appears the reduction of employee leave benefits has resulted in low morale amongst employees. Employees felt it was a total reap-off, and loss of financial security which affected negatively job satisfaction and productivity.

However, there were valid reasons for the City's leave reduction strategy. The City embarked on transformation. Thus, change dynamics came into existence, some affecting employees positively and others negatively. Negative perceptions were due to uncertainty of their future and security in the new dispensation. This led to dysfunctional behaviour amongst employees, as evidenced in absenteeism, theft, corruption, and lack of loyalty. Moreover, although the leave benefits are beneficial to employee's psychosocial and financial needs, they are liabilities to the organisation. They should be managed in such a way that the results are a win-win because organisations need people and vice versa. As part of fulfilling Objective 4, the researcher wants to suggest recommendations to the City, Human Resource Discipline, Researchers, and Academics specialising in Human Resources as discussed in the following section.

# CHAPTER FIVE

# CONCLUSION AND RECOMMENDATIONS

## 5.1 CONCLUSION

The researcher understands that the City's strategy of reducing employee leave benefit is a means of securing its survival in the global world of competitiveness, hence its vision of becoming "An African World Class City". This however raises concern as to whether, employees are regarded as part of the vision, since according to the researcher, there is no mention of a strategy to ensure accelerated economic growth specifically for the previously disadvantaged employees. The researcher interprets this situation unfavourably.

In an effort to create a balance between organisational growth and employee economic growth and development, the City should extend beyond growth and profitability to develop a corporate philosophy that embodies its belief in a bi-directional flow of benefits among the firm and its multiple environments (Pearce and Robinson, 1997). This notion recognises the importance of human capital interests that are also embedded in the same context, as they are one of the most valuable assets of the organization. This holistic view requires that all the organisational components be emphasized such that:

a) A change in any component will positively affect all of the other components. The researcher feels that, that employee dissatisfaction as one important component of organizational effectiveness will affect productivity;

b) Strategy formulation and implementation should be sequential which means that in each phase of transformation of the City, all probabilities should be explored at length so that strengths and weaknesses could be identified;

c) The necessity of feedback from institutionalisation and review of the evaluation to the early stages of the process will ensure that areas that could hinder progress in the implementation of the strategy can be revisited;
d) The mere strategic planning process is an indication that the environment is dynamic and therefore requires constant monitoring to avoid implementing obsolete strategies.

## 5.2 RECOMMENDATIONS

### To the City

The reality is that the City's leave provision benefit was the only benefit that was used especially by lower levels previously disadvantaged Council employees as a means of financial savings. Taking into consideration their background in terms of their past experiences with the municipality, the leave reduction benefit is unfair to them.

The City's leave benefits were a form of financial savings for lower level, previously disadvantaged Council employees. The reduction of leave benefit was unfair to them. Thus, the City should rethink the employee leave benefits based on the following facts:

a) There is a need for an annual leave and sick leave bank. The alternative of approving a special leave by the Council when an employee's leave cycle of 80 days ends has cost implications. The City has to seek temporary employees for the whole period the employee is in hospital. The current situation is a loose loose for the Council, unless the option of returning the leave benefit system is considered.

b) To have retirees that have been working for the Council for so many years but leave the Council so poor that they join the mainstream in the locations does not portray a good image about

the City. Their paths towards economic growth and development have to be channelled while they are still working. They do not have to wait until they retire so that they join others in looking up to the government's IDP projects. This just becomes a vicious cycle with no improvement or progress in the actual economic growth and development of the previously disadvantaged groups.

c) In the interest of positive discrimination in Employment Equity terms, the strategy should be focused and directed towards redressing the past by enriching the lives of the previously disadvantaged people. When they retire, they should have enough to start viable businesses, for example, import and export, property development, etc.

e) Affirmative action has opened doors for the previously disadvantaged to access opportunities, which were not available to them before. The benefits should not be minimized now when they have to start from scratch even to learn about viable business opportunities.

The City should also *benchmark* its strategies based on the section on best practices by other organisations and countries. The information that was obtained would assist in comparing the provisions of employee leave benefit plans from other countries' organisations with the one for the City for competitive advantage and excellence.

**To Researchers**

More research is required in terms of investigating the impact of the provisions of the employee benefits, especially with regard to the previously disadvantaged, in view of transformation legislations. There is need for restructuring leave benefits in the City, because it is also a reality that senior (in terms of age) non-designated groups are not actually affected in the same way as previously disadvantaged. For example

besides the fact that it is not common for whites to loan from their pension funds, they are much educated about ways of saving money and investments, and because the previous system favored them, they had accumulated so many leave days which when they were forced to sell them, some even mentioned during interviews that, “We sold the leave days and invested the money, and now we are just enjoying the interest”. It is different with African employees specifically to think about investing as the first thing they naturally think of is to improve their living conditions. On the other hand their white counterparts, on retirement, they invest in opportunities like land, property development etc.

**To Academics specializing in HR**

The City’s restructuring and benefits minimizing strategies prompted some white younger generation to take the City’s voluntary separation and early retirement package offers, which were protected by the past regime with loaded packages mostly of which included municipal assets. Those mostly white employees which already occupied better positions in the Municipality opened up businesses and joined the white majority which controls the economy of the Country. On the other hand, their African counterparts were not ready in terms of mindset, financially, skills and empowerment to engage into such opportunities. With BEE strategy also experiencing problems even now, this could also be influenced by the past imbalances.

To say that the previously disadvantaged should be on the same level as other races that were benefiting in the past does not sound fair. There are huge disparities in development and needs satisfaction between the previously disadvantaged and the rest of the races. There should be a strategy focusing on closing the gaps first in terms of employee benefits, training and development, and salary differentials.

**To Human Resource Discipline**

In as much as there is BEE strategies to empower previously disadvantaged entrepreneurs, there should also be a specific BEE strategy to benefit previously disadvantaged employees in organizations. The DOL statistics reveal that both public and private sector organizations still have an abundance of previously disadvantaged employees who are open to exploitation in the presence of all the transformation legislations. The implementation of these transformation strategies is also dependent on the leadership's prerogative.

Besides the fact that other organizations even budget for fines in cases where they are identified as not complying with transformation legislations like Employment Equity, Skills Development and Affirmative Action, their actual implementation obligation is so generic and weak such that they are taken as a nice to have but not an enforceable legislation. Secondly, it leaves much room for hostile practices to monitor progress that is why the researcher feels that the specific BEE programmes should start in offices with employees. The leave provision should be one of the benefits that should be in favor of previously disadvantaged, as well as skills development, remuneration and entrepreneur development in order to restore their dignity.

The Government Gazette issue No. 19614 of February, 1999, maintains that past policies have bequeathed a legacy of massive poverty, gross inequalities in municipal services, and disrupted spatial, social and economic environments in which our people continue to live and work. This is evident in the City, a situation which qualifies for a focused strategy in order to address it.

The researcher wants to conclude by raising the fact that, internal employees are but a part of the community that are in need of these economic growth and development strategies. While the City is assisting the community through IDP projects in order to promote better way of

living, the organization has a backlog of previously disadvantaged individuals and historically disadvantaged individuals who are not assisted to ensuring a self sustainable living after separation with the Council.

It is also mentioned in the Gazette (1999), that while the municipalities have been involved in challenging transition processes in their strides to effect a democratized local government, they need to embark on the final phase of transformation of local government, that which is in line with the vision of a democratic and developmental local government.

To conclude, the researcher feels that COJ as a municipality has a mandate to ensure creation of a working environment which promotes social and economic development. The notion of “Great Leaders treat their employees as their Clients” complements the emphasis of social responsibility as an obligation for organizations to behave in ethic and moral ways, which suggests that members must ensure that their ethical frameworks should extend to the organization as a whole.

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