


The impact of changes in labour broking on an integrated petroleum and chemical company



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Orientation: This article focuses on the changes to section 198 of the *Labour Relations Act* (LRA).

Research purpose: The purpose of this study was to explore the perceptions of employees regarding the changes to section 198 and the potential implications of these changes for the company and its employees.

Motivation for the study: The changes to section 198 of the LRA are new and the impact of the changes to a company and its employees is still unclear.

Research design, approach and method: The qualitative exploratory study was conducted with six employees of a large integrated petroleum and chemical company making use of labour brokers, until data saturation was reached. The data were collected by means of individual interviews and telephonic interviews.

Main findings: The results indicated that the changes to section 198 have positive and negative implications for the organisation as well as its employees. The negative implications for the organisation are higher costs, new policies and guidelines, and less employment flexibility. The negative implications for the employees are unemployment, negative attitudes, poor employability, and a situation where the permanent employees have to do all the work.

Practical / managerial implications: The outcome of the study can be used to develop an employment policy and dispute resolution to minimise the negative implications for the organisation and its employees.

Contribution / value-add: The study represents original research, extending the current body of knowledge on the perceptions of employees in the human resources department regarding the changes to section 198 of the LRA.

Introduction

The workplace and the employment relationship are governed and supported by three fundamental pieces of South African labour legislation: the *Labour Relations Act* 66 of 1995 (LRA), the *Employment Equity Act* 75 of 1997 and the *Basic Conditions of Employment Act* (BCEA) 55 of 1998. Although South African labour legislation is complex, it is the only legislation that can be changed to accommodate specific employment relationships (Basson et al. 2005). South Africa's labour history can be traced back to 1652 and the beginning of colonialism. At this time, slavery was introduced as the first form of labour broking (Venter et al. 2012).

More recently, South African labour legislation has undergone some changes, specifically to section 198 of the LRA, which deals with labour broking. Labour broking is defined in the LRA as an institution or person who renders out the services of an individual to his or her client for a fee. These proposed changes caused much debate regarding the impact they might have on employment rates, company expenses, international competition and the free labour market system, which is very similar to the system operating in Namibia, one of South Africa's neighbouring countries (Botes 2013; Van Eck 2010). Namibia had a very active labour broking sector, which was characterised by harsh treatment of employees and poor working conditions. This prompted major changes, resulting in strict regulation, then outright banning and, finally, a return to more moderate regulation (Botes 2013).

Similar conditions exist in some sectors of South Africa. Cosatu organised a nationwide strike to abolish labour broking because of the exploitation of temporary employees (Sapa 2012). The Labour Relations Amendment Bill of 2012 included an alternative proposition to introduce a

new Employment Services Bill and replace section 198 of the LRA, which would force labour brokers to register with the Department of Labour and notify them of vacancies, thus introducing a form of strict regulation (Venter et al. 2012).

There are arguments both for and against the changes in labour broking. Such changes in labour legislation will have implications for companies making use of labour broking, as they will have to adapt to stay competitive and legally compliant (Barker 2011; Nel et al. 2013). The aim of this study was to explore the perceptions of employees in the human resources (HR) department of an integrated petroleum and chemical company with regard to the changes to section 198 of the LRA and the impact these changes will have on an integrated petroleum and chemical company making use of labour brokers. Because of recent changes to section 198 of the LRA, no studies have been performed in this field, which makes this study unique. This study will give organisations making use of labour broking a broader view on how the changes to section 198 of the LRA can affect the employees and the organisation.

Labour broking in South Africa

Labour broking in South Africa started as early as 1652. Labour broking became an important form of employment for businesses wishing to increase their profits by employing few or no skilled workers (Swanepoel & Slabbert 2012). World-class manufacturing and globalisation also forced businesses to become more competitive and reduce high labour costs; thus, labour broking became a popular source of cheap employment (Ferreira 2005; Swanepoel & Slabbert 2012).

Namibia has experienced much trial and error with regard to labour broking, because labour broking is a primary form of employment in Namibia (Botes 2013; Van Eck 2010). The legislation regulating labour broking did not change much in the early 1900s and was characterised by unfair labour practices. It was only later, when Namibia joined the International Labour Organization (ILO), that the country came under fire. As a result, Namibia was forced to introduce a distinct body of legislation that ensures all employees are subject to fair labour practices (Botes 2013).

A similar situation has arisen in South Africa. According to ADCORP (2014), labour broking is a primary form of employment and is growing continuously. If South African companies wish to win international contracts – beating their competitors from China, Brazil and India, who make use of cheap labour – they must avoid using expensive permanent employees and opt for cheaper temporary workers (ADCORP 2014).

After the demise of apartheid and the birth of a new democracy, South Africa joined the ILO, which meant that it had to comply with international labour legislation (Swanepoel & Slabbert 2012). The LRA made provision for labour broking in section 198. This section was ultimately

introduced to regulate labour broking, but companies and labour brokers found loopholes in the legislation. As the demand for contract workers increased, so did the number of temporary employment services (TESes) providing temporary or contract workers to clients (Swanepoel & Slabbert 2012; Van Eck 2010). Given South Africa's high unemployment rate, labour broking seems to be a suitable option for people who cannot find permanent employment: at least they earn some income. Thus, it is a form of job creation (Harvey 2011).

However, with the increase in temporary workers and the difficulty of organising union membership among such workers, unions have increasingly called for the abolition of this type of employment (De Lange 2014; Finnemore & Joubert 2013). The Labour Relations Amendment Bill was introduced in 2010 and the National Economic Development and Labour Advisory Council (NEDLAC) process was concluded in 2012. The amendments to section 198 of the LRA were debated at length and strongly opposed by Business Unity South Africa (BUSA), but the government went ahead and passed the Bill, following an overwhelming 248 votes in favour of it versus only 81 against it. The contract period of six months was also reduced to three months, just before the conclusion of the NEDLAC proceedings (Finnemore & Joubert 2013; Nel et al. 2013).

The government's rationale for amending section 198 of the LRA was mainly to prevent the exploitation of workers earning below the minimum wage and being subjected to inhumane working conditions (Harvey 2011). BUSA argued that only a handful of TESes are guilty of such exploitation and that labour broking is a major form of job creation. ADCORP (2014) has confirmed this increase in the employment of blue-collar workers (Finnemore & Joubert 2013).

TESes and companies have found loopholes in the amended legislation and ways to adapt to the amendments, as labour broking activities continue to grow (ADCORP 2014; Gericke 2010; Harvey 2011).

Changes to section 198 of the *Labour Relations Act*

The African National Congress's (ANC) 2009 manifesto states that laws must be introduced to prevent worker exploitation, ensure decent work for all workers and protect the employment relationship; it also stipulates that laws must regulate contract work, subcontracting and outsourcing (Brand, Todd & Laubcher 2012; Grogan, Maserumule & Govindjee 2015).

The Labour Relations Amendment Bill of 2012 included a few changes to section 198 in support of the ANC manifesto. The changes to this section were aimed at regulating labour broking and preventing worker exploitation. Section 198 retained its key components, for example, a TES that procures a person's service for work at a client company is still

regarded as the employer of that person. However, the changes allow the employee to hold the TES and the client company jointly and severally liable for contravention of bargaining council and collective agreements, arbitration awards and BCEA regulations (Brand et al. 2012; Grogan et al. 2015).

The Amendment Bill added four new sections to section 198 (section 198A–D) to deal with the different types of atypical employment. Section 198A focuses on temporary services. A temporary service is a service provided by a person who does not work for more than three months for a client company, where the person works as a substitute for an absent permanent employee, or where a sectoral determination or collective agreement permits a determined period as temporary. According to section 198A, the TES is deemed to be the employer of the temporary employee, except where the employee works longer than three months or is not a substitute worker. A temporary employee may not be appointed on less favourable terms than those permanent employees who are doing similar work (Brand et al. 2012; Grogan et al. 2015).

Section 198B focuses on fixed-term contracts. Such a contract will have a specific end date or is subjected to a specific project. Employees excluded from section 198 are those earning above the threshold of R205 433.30 and employees who work for a business that employs fewer than 10 employees, as well as a new business less than two years old that employs 50 employees. Where a fixed-term contract exceeds three months, the employer must provide a valid reason to allow a longer contract provided the work that needs to be performed has a limited period. Section 198B also stipulates that persons working longer than three months must receive the same opportunity to apply for a permanent position as a permanent employee; they may not be treated less favourably than a permanent employee (Brand et al. 2012; Grogan et al. 2015).

Part-time employees are regulated in terms of section 198C. Such employees are considered to be persons who are paid per hour and work fewer hours than a permanent employee who does the same type of work. These employees may also not be treated less favourably than those who are doing the same type of work, and are subject to the same jurisdiction as per section 198A and 198B. Part-time employees working less than 24 hours per month do not fall within the scope of section 198C (Brand et al. 2012; Grogan et al. 2015).

In the past, a contract worker could only approach the Labour Court for unfair labour practices. But section 198D now enables contract workers to take their case to the Commission for Conciliation, Mediation and Arbitration (CCMA) for arbitration. Labour inspectors may also enforce legislative compliance on both the labour broker and its clients; moreover, those employees who are hired must be provided with written particulars of their employment that comply with section 29 of the BCEA (Brand et al. 2012; Grogan et al. 2015).

Arguments against labour broking

The ILO and South Africa's Bill of Rights provide for fair labour practices and, according to Harvey (2011), labour broking is contrary to these provisions, because temporary workers do not enjoy the same benefits as permanent employees.

Harvey (2011), Finnemore and Joubert (2013) and Anderson and Paton (2012) all confirm that temporary employees earn lower wages than permanent employees and are unable to participate in union activities to demand better wages. They often have very few or no benefits, such as a pension and medical aid, and they also work long hours under harsh conditions. Moreover, the fact that temporary or contract workers work for short intervals, such as one or two months at a time, prevents them from developing proper skills and opportunities to improve themselves.

Numsa and Cosatu are some of the unions that are strongly opposed to labour broking; the abolishment of labour broking is always on their list of demands during a strike. Finnemore and Joubert (2013) refer to Cosatu's address at the National Press Club on 06 March 2012, in which they explain why they intend to have labour broking abolished. The unions claim that TESes trade with humans as if they were a commodity and that they are only placing temporary workers in existing jobs, not actually helping to create new employment. These workers also work for only a few months at a time and therefore cannot improve their skills. Numsa and Cosatu also stress that temporary workers are paid lower wages so that the organisation can boost its profits; in addition, when companies make use of temporary workers during strikes, they reduce the effectiveness of those strikes (Finnemore & Joubert 2013).

The argument against labour broking is directly related to the welfare of contract workers. Political influences and union membership play a role, as can be seen from the sudden reduction of the six-month employment contract to a three-month employment contract at the National Assembly during June 2013 (De Lange 2013).

Arguments in favour of labour broking

When South Africa became a democracy, it opened the door to the world, with many international investors and businesses hoping to gain a foothold in this resource-rich country. South African companies were introduced to world-class manufacturing and globalisation, which resulted in stiff competition in the form of quality, quantity and production costs (Barker 2011; Finnemore & Joubert 2013).

BUSA argue that labour broking is an important form of employment and is needed for businesses to compete with the low wages paid by countries such as China and Brazil. They also argue that only a handful of TESes are guilty of exploiting contract workers. Permanent employees are a significant expense for a company and, with the stringent labour

legislation and union demands, it is becoming increasingly difficult to retain permanent employees (Finnemore & Joubert 2013; Venter et al. 2012). This fact was confirmed by ADCORP (2014), which showed that permanent employment had decreased and temporary employment contracts had increased. Labour broking can thus be seen as a remedy for poverty and the poor economic growth in South Africa (Finnemore & Joubert 2013).

The argument for labour broking is largely focused on improving the country's economic growth and unemployment situation. It also supports the right of a company to do business, as can be seen from the experience of the Namibian government. When the latter tried to prohibit labour broking through legislation, it was opposed by the Supreme Court of Appeal of Namibia, which was guided by the ILO conventions and provisions, concluding that such a prohibition interferes with a company's right to manufacture and do business (Botes 2013; Van Eck 2010).

Namibia's current position on labour broking

The Namibian labour broking industry has a long history of slavery and unfair treatment. The natives in Namibia were coerced into accepting harsh working conditions with low wages, no benefits and no protection from unfair labour practices. With those wrongs in mind, the Namibian government decided to ban labour broking outright (Bösl, Horn & Du Pisani 2010; Van Eck 2010).

Section 128 of the *Namibian Labour Act* of 2007 does not recognise labour hire or a third party in the employment relationship. And in 2007, in the case of *Africa Personnel Services v Government of Namibia and Others* (A 4/2008), the Namibian High Court ruled that it is illegal to conduct business as a labour broker because the employment contract has only two parties, labour hire is based on Roman law and is not applicable to the Namibian common law and section 21(1)(j) of the Namibian Constitution does not include labour brokers (Bösl et al. 2010).

Africa Personnel Services, one of the largest employment agencies in Namibia, contested the ruling in the Namibian Supreme Court of Appeal, in *Africa Personnel Services v Government of Namibia and Others* (SA 51/2008), claiming that it is unconstitutional to deprive a company of economic activity and the right to conduct business and provide employment. The court subsequently ruled that section 128 of the *Labour Act* is unconstitutional and that current labour hire activities cannot be compared with labour hire during colonial times. The ruling also mentions that labour hire is a major part of economic activity and should rather be regulated, as prescribed by the ILO's Private Employment Agencies Convention (Convention No. 181 of 1997) (Bösl et al. 2010; Van Eck 2010).

According to Van Eck (2010), Namibia's Labour Commissioner introduced regulations for labour hire that allow contract workers to receive the same wages and benefits as those with

written contracts, making their situation more comparable to that of permanent employees.

The future of labour broking in South Africa

The changes to labour broking came into effect on 01 January 2015 and businesses had until March 2015 to comply with the new legislation (De Lange 2015). The CCMA is expecting a large increase in cases brought by contract workers regarding unfair dismissals and discrimination because the changes to section 198 of the LRA mean that these cases can be heard by an arbitrator, and not just the Labour Court (De Lange 2015).

Harvey (2011) suggests that future changes to section 198 should be drafted to support the triangular relationship between employers, labour brokers and employees. These changes should include employment security for all, bargaining council access, regulated labour broking structures and freedom for employers to make use of subcontractors for specific needs.

Given the arguments for and against labour broking, it is clear that labour broking is a form of employment that is here to stay, because everyone has a right to work and to improve their living standards, and temporary employment provides more opportunities for employment than permanent employment (Gericke 2010).

Research design

Research approach

An exploratory qualitative approach was applied in this study. Qualitative methods were used to interpret the participants' views regarding the changes to section 198 of the LRA; this would have been difficult to achieve if the researchers had used only quantitative methods (Padgett 2016). New ideas and insights are encouraged through qualitative research designs. The interpretive paradigm approach was followed in this research study because the researchers needed to understand how employees in the HR department of an integrated petroleum and chemical company perceive the changes to section 198 of the LRA in the workplace and the impact that these changes will have on their company, which makes use of labour brokers (Saunders, Lewis & Thornhill 2009).

Research procedure

Six participants from a large petroleum and chemical company were approached to participate in this study. According to Elo et al. (2014), trustworthiness can be improved by spending adequate time with the participants. One of the researchers works for an estate agent that arranges rentals for TESes in the integrated petroleum and chemical industry; consequently, this researcher has personal experience of and informed opinions regarding the effect that the changes to section 198 of the LRA will have in the workplace. This fact enhanced the trustworthiness of this study, because the researcher's experience promoted a good

working relationship with the participants. After the interviews, further telephonic discussions were held with some of the participants to clarify any misunderstandings and to ensure that the participants and the researcher were in agreement over the responses obtained during the interviews. Data saturation occurred after the sixth interview and there was no need to gather more information.

Population

Employees working in integrated petroleum and chemical companies and making use of labour brokers constituted this study's research population. Six participants from one large integrated petroleum and chemical company were selected for this research. A purposive sample was used because the participants served a very specific purpose – one of the criteria of the participants was to have knowledge about the changes in labour relations (Robinson 2013).

Sample

A purposive sampling technique was used to identify six participants for this study. The criteria to participate in the study were as follows: participants must have worked in the HR department of an integrated petroleum and chemical company, and the company must have made use of labour brokers. Individual face-to-face interviews were conducted with four participants; the remaining two participants were interviewed telephonically because they were based at a satellite branch of the company more than 200 km away from the main branch.

Data collection

Qualitative research can be conducted through words (Tesch 1990) because every person uses words to communicate through language. In this study, words were used to interpret the information. The researchers used tape recordings so that they could later transcribe the interviews verbatim. The data obtained from the interviews were typed in one-and-a-half spacing with wide margins, which enabled the researchers to add written notes and comments. The researchers were able to identify important concepts, as well as recurring themes and ideas, from the transcripts. Individual interviews were used to explore and describe the participants' knowledge and experience. A specific time was set and the interviews were conducted in a private room at the participants' workplace to ensure there were no disturbances. Each interview took approximately an hour (Rice & Ezzy 2002).

The interviews were semi-structured and consisted of broad objectives, which were reflected in the questions asked. The participants were encouraged to explain their views and experiences in a specific situation and the researcher explored matters that arose therefrom (Charmaz 2014). This balanced type of interview enabled the researchers to reach the research goal, namely to ascertain whether the changes to section 198 of the LRA will have an effect on an organisation and its employees. Open-ended questions were asked, which gave

the participants the opportunity to express themselves freely (Chan, Fung & Chien 2013). The researchers used audio recordings rather than video recordings because participants tend to find video recordings more distracting than audio recordings (Grbich 1999). A reliable tape recorder was used in a quiet environment (Kvale 1996). Field notes were made, which contained information about the interviews, the researcher's personal feelings, impressions and the setting (Saldana 2016).

The questions asked during the interviews, which enabled the researchers to collect the necessary data for this study, were as follows:

- What positive impacts do the changes in labour broking have on your organisation?
- What are the benefits for the employees?
- What negative impacts do the changes in labour broking have on your organisation?
- What negative effects will the changes to labour broking specifically have on the employees?

The same questions were asked during the telephonic interviews with the two participants who were based at a satellite branch of the company more than 200 km away from the main branch.

Data analysis

Tesch's (1990) data-gathering process was applied. Important concepts, as well as recurring themes and ideas, were gathered from the transcripts, which ensured that themes could be identified and categorised. The transcripts were then reviewed to identify any additional concepts or themes that had not been noted initially. Variations and similarities between the different interviews were noted (Saldana 2016). One of the researchers stored the data at his office or home and the electronic data were stored on the researcher's computer in a password-protected format. The participants remain anonymous.

Ethical consideration

To meet ethical requirements, the researchers obtained written informed consent from each participant prior to each interview. The interviews were conducted in a private boardroom and confidentiality was guaranteed by making sure that the data were available only to the researchers. The participants remain anonymous and no one had access to the data except the researcher. University of South Africa (Ref #: 2014_HRM_003).

Characteristics of the participants

Table 1 indicates that the sample in this study comprised 83% White participants and 17% Indian participants. There were more White participants in this study because the main branch of the company has more White employees in the HR department; this resulted in a larger percentage of White participants. One-third of the participants were aged

TABLE 1: Biographical characteristics of the participants in this study.

No.	Race	Age	Gender	Language	Religion	Marital status	Job designation	Number of years' service in the HR department	Types of interviews
1	White	60	Female	Afrikaans	Christian	Married	HR manager	28	Individual interview
2	White	54	Male	Afrikaans	Christian	Married	Procurement manager	31	Individual interview
3	White	28	Female	Afrikaans	Christian	Married	HC specialist	5	Individual interview
4	White	56	Male	English	Christian	Married	Maintenance manager	26	Individual interview
5	White	31	Female	Afrikaans	None	Single	HC specialist	2	Telephonic interview
6	Indian	27	Male	English	Hindu	Single	HC specialist	8	Telephonic interview

HC, human capital; HR, human resources.

between 20 and 30 years, 17% of the participants were aged between 31 and 40 years, whereas 50% were aged between 51 and 60 years. Of the participants, 50% were men and 50% were women. Two-thirds of the participants were Afrikaans-speaking and 33% were English-speaking. Two-thirds of the participants belonged to the Christian faith (religion), 17% belonged to no religion and 17% belonged to the Hindu religion. Two-thirds of the participants were married and 33% were single. Of the participants, 17% were HR managers, 17% were procurement managers, 17% were maintenance managers and the remaining 50% were human capital (HC) specialists. The participants' job designation was important in this study because the participants play a vital role in ensuring that the organisation complies with labour legislation in terms of policies and procedures. Therefore, the participants could provide expert information for this study, as they are all involved in labour broking; this enhances the trustworthiness of the study.

Owing to the fact that this study involved a small sample group and was conducted at an integrated petroleum and chemical company making use of contract workers, the findings of this study cannot be generalised to other organisations that use labour brokers (Flick 2009).

Findings and discussion

Positive impacts on an organisation and its employees resulting from changes to section 198 of the *Labour Relations Act*

The participants all concurred that the main positive impact on the organisation resulting from the changes in labour broking was an increase in productivity. Another positive impact was that the organisation would have an opportunity to identify high-quality employees. Below are some of the answers obtained in response to the question: *What positive impacts do the changes in labour broking have on your organisation?*

'[They] will definitely improve the employees' morale in their work performance and such which will make the organisation more productive.' (Participant 5, White, female, HC specialist)

'Quality of the people from the labour brokers is very poor, so what do we do now? If you need a boilermaker or welder then we pay very high rates for a guy that has a boiler shop and we hire his best employees to do the job and he goes away when he is finished. With the changes we can see that contract workers become more productive to try and become permanent.' (Participant 4, White, male, maintenance manager)

'If they see that a certain employee is actually a good contractor then they keep them on.' (Participant 5, White, female, HC specialist)

The participants also agreed that the changes to section 198 of the LRA will have a positive impact on the employees in that such changes will protect the lower income employees and will provide permanent employment and better dispute resolution procedures. Below are some of the answers obtained in response to the question: *What are the benefits for the employees?*

'I see something positive for the guy who has been cheated for 10 years not being able to get permanent employment ... for him it is prime time as he will now get benefits that he did not receive for the past 10 years.' (Participant 2, White, male, procurement manager)

'... We had a few temporary workers or labour broker employees that had worked on our site for a long time, maybe three or four years and now at least we make them permanent. It will definitely improve the moral in their work performance and such. So we see the benefits, yes.' (Participant 5, White, female, HC specialist)

'...An employee that is currently employed by a labour broker will be deemed to be a permanent employee after three months. Before the changes in labour broking, the client company and the labour broker are jointly and separable liable for any dispute. The contract employee can now, after the changes in labour broking, approach the client company directly with any dispute or grievance.' (Participant 5, White, female, HC specialist)

'With the new changes we will need to follow disciplinary procedural steps with contract employees as we will not be able to just dismiss contract workers as we did in the past.' (Participant 2, White, male, procurement manager)

These findings support the views of the following authors regarding the positive impact that the changes to section 198 of the LRA have on an organisation and its employees.

Grogan et al. (2015), Brand et al. (2012) and Botes (2013) all concede that the employee will have more benefits because contract employees may not be treated less favourably; moreover, they will enjoy better disciplinary procedures regarding fair treatment and grievances. Harvey (2011) suggests that the amendments to section 198 of the LRA will improve the rights of the contract worker. Finnemore and Joubert (2013) are of the view that employers are reluctant to employ contract workers because of the strict regulations and that the amendments to section 198 will show that companies prefer to employ permanent employees. ADCORP (2014) and

Nel et al. (2013) concede that atypical employment is a cheaper form of employment and that, following the changes to section 198 of the LRA, many will opt to become permanent, as they will be entitled to better treatment and better opportunities as permanent employees.

Negative impacts on an organisation and its employees resulting from changes to section 198 of the Labour Relations Act

The data gathered during the interviews clearly indicated that the changes to section 198 of the LRA would have negative implications primarily in terms of the cost involved. Some of the participants' responses were as follows:

'It is going to have an impact and we will need to review our temporary contracts ... so it has cost implications.' (Participant 1, White, female, HR manager)

'...It is going to cost you a lot more on training because we need to employ a new worker every three months and these employees must be trained and supplied with safety wear and gear.' (Participant 3, White, female, HC specialist)

Other disadvantages of the changes to section 198 of the LRA are that the organisation will have to draft new policies and guidelines. Employment flexibility was also cited as a negative impact. Below are some of the answers obtained in response to the question: *Are there more examples of disadvantages that the changes in labour broking will have on the organisation?*

'We will have to actually draw up a new policy/guideline for managers so that they can understand that a temp person cannot work longer than three months. For example in your recruitment policy you will add that if there is an internal vacancy that the temp employee will have to be included and seen as an internal candidate and not an external candidate.' (Participant 6, Indian, male, HC specialist)

'...And if there have to be any temp worker or work needed, it needs to be cleared with the human resource department so we can give the guidelines in terms on how to apply the temp contracts so that we are always on the right side of the legislation.' (Participant 5, White, female, HC specialist)

'...After three months the project must be completed and when the project is not completed then you must make a decision if you are going to employ that person and if that person is not a good candidate then you must again look for another person.' (Participant 6, Indian, male, HC specialist)

Changes to section 198 of the LRA will also have negative effects on the employees. The participants concurred that some negative effects on the employees might include the following: unemployment, employees will have a negative attitude towards the organisation and they will not be readily employable and current or permanent employees will do all the work. Below are some of the answers obtained in response to the question: *What negative effects will the changes to labour broking specifically have on the employees?*

'You are not going to create jobs, but rather take away jobs. The employee knows that we are only going to take him for a certain time, where he now ... every time hopes that you are going to

renew and renew and renew, and now we say to each other that he must leave after a certain period so he is not going to do his best and it is going to have an impact.' (Participant 1, White, female, HR manager)

'Work security will be affected and I also think it will influence the employability, job satisfaction, autonomy etc. which will influence the employees' attitudes towards the organisation.' (Participant 2, White, male, procurement manager)

'The amendments will negatively influence the employability of the contract workers because each time you conclude a new temporary contract you conclude it with a new contract worker.' (Participant 2, White, male, Procurement manager)

'...Sometimes you need somebody quick and if you don't use labour brokers anymore you have to do everything yourself.' (Participant 6, Indian, male, HC specialist)

These findings support the views of the following authors regarding the negative impact that the changes to section 198 of the LRA have on an organisation and its employees. Brand et al. (2012) stress the strict regulation, which will influence the employment flexibility, because the organisations will not be able to just appoint a person to perform a job and then let him or her go. Harvey (2011) refers to the regulation of labour broking, resulting in new policies and guidelines. Venter et al. (2012) are of the view that businesses in South Africa make more use of labour broking because it reduces labour costs; this helps them to remain competitive. The changes in labour broking legislation will result in higher labour costs, thus increasing the cost to the company. Nel et al. (2013) claim that small businesses will not be able to afford high wages and other financial burdens; this will result in business closures and job losses.

Figure 1 summarises the conclusions drawn from this study. It illustrates both the advantages and disadvantages of the changes to section 198 of the LRA for an organisation and its employees. Employees will become more engaged trying to become permanently employed, which will increase their productivity and in turn will lead to a more productive organisation. The changes will also allow the organisation to identify the most competent employees to employ permanently. Employees earning a lower income will be protected because they will also receive benefits and their rights with regard to unlawful termination of their employment contracts will be protected. A contract employee would be afforded an opportunity to take up permanent employment as the organisation will employ permanent employees and not make use of labour broking because of the impact of the changes to section 198 of the LRA. However, the changes in labour broking will increase the expenses of a company. Permanent contracts give rise to benefits or if new contractors are appointed every three months, other expenses such as training, induction expenses and safety wear will increase the cost to company. Changes to section 198 of the LRA will oblige the organisation to rewrite its policies and guidelines for their operations such as disciplinary procedures, code of conduct and recruitment policies. Employee flexibility will be restricted as organisations cannot

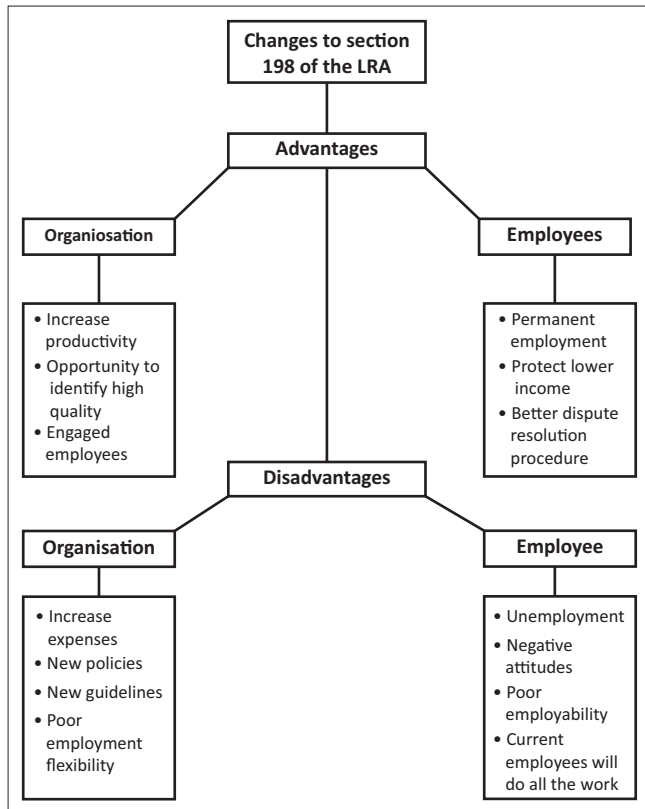


FIGURE 1: Summary of the impact of changes to section 198 of the LRA on an organisation and the employees.

employ temporary workers to help out in certain areas for indefinite periods. Changes to section 198 of the LRA would also result in unemployment for contract workers as fewer contract workers will be appointed because of the rise in company expenses and stringent regulations. Therefore, extra work will be divided among current employees which could lead to burnout, stress and negative attitudes. A three-month contract will affect the contract workers' employability because they would not have sufficient time to learn new skills to enhance themselves, which in turn would influence the employees' attitudes negatively towards the organisation.

Conclusion

The objective of the study discussed in this article was to explore the perceptions of employees in the HR department of an integrated petroleum and chemical company with regard to the changes to section 198 of the LRA in the workplace and the impact that these changes will have on a company making use of labour brokers.

The results indicated that the changes to section 198 will have both positive and negative implications for organisations and employees. The positive impacts on the organisation will include better and more productive employees. For employees, the positive implications include more job protection, more benefits and fair treatment.

However, organisations will also experience negative implications in the form of higher costs resulting from more

benefits to the employees, as well as the need to employ new temporary employees every three months, with the associated costs of training them and providing them with gear. Furthermore, policies will have to be amended to reflect the changes. Negative implications for the employees may include job losses, because companies might decide not to use contract workers anymore, which in turn will have a negative effect on the employees' employability, as well as their attitude towards the company.

Therefore, according to the employees in the HR department of the integrated petroleum and chemical company, the changes to section 198 of the LRA will have both negative and positive implications for an organisation and its employees.

It is recommended that this study should be repeated to involve other organisations to also include a larger and more diverse sample group of employees. Another recommendation is that further studies should also take into account the views and perceptions of contract workers.

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Competing interests

The authors declare that they have no financial or personal relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

Y.T.J. acted as supervisor and was involved in the analysis of the data. B.L. collected the data, conducted the literature review, analysed the data and wrote the report.

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