

**SOCIO – ECONOMIC IMPLICATIONS
FOR TEACHERS RETRENCHED IN
QWAQWA, 1996 – 1999**

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SOCIO – ECONOMIC IMPLICATIONS FOR
TEACHERS RETRENCHED IN QWAQWA
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ABSTRACT

The purpose of this research was to investigate the socio – economic effects of teacher retrenchments in Qwaqwa – Free State. The administration of the survey method generated information that was analysed using both qualitative and quantitative techniques. The findings indicate that retrenchments severely affected the income and social status of teachers in the study area.

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DEDICATION

This research is dedicated to the following people:

- ❖ My father, the late Reverend Thabo Majorson Phakisi, the man in whose light I am walking.
- ❖ My mother, Nkoma Paulina Phakisi, for ensuring that all her children (Lerato, Lehlomela, Limphe and Lebohang) receive some education.
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LIST OF ABBREVIATIONS

COSATU	- Confederation of Southern Africa Trade Unions
DC	- District Circuit
ELRC	- Education Labour Relations Council
GEAR	- Growth, Employment and Redistribution Programmes
NAPTOSA	- National Professional Teacher's Organisation of South Africa
PSCBC	- Public Service Co – ordinating Bargaining Council
SADTU	- South Africa Democratic Teachers' Union
SAOU	- Suid Afrikaanse Onderwyser Unie
VSP	- Voluntary Severance Package

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CHAPTER 1: INTRODUCTION

1.1 Background.

For any newly elected government, the public sector is one of the first targets of reform and the South African government is no exceptions to this (Baskin, 1996). Soon after coming to power in the 1994 democratic elections, the South African government was faced with the problem of transforming the public sector into efficient, delivery-oriented machinery. In the education department, the government had the task of integrating the different apartheid education structures to create one outcome-based education department. In order to achieve this, it became necessary to adopt legislation to facilitate the democratic transformation of the national system of education into one, which serves the needs and interests of all the people of South Africa and upholds their fundamental rights (RSA, 1999 a). To recognise the preamble of the national education policy, the national education department was mandated to carry forward the transformation of the education sector.

The government also had to employ relevant skills and personnel that would enhance service delivery, leading to the achievement of the outcome-based vision. Working within the context of the constitution of South Africa, and in line with the Education Laws and Policy of the National Education Department, the provincial education department of the Free State has the function of promoting education interests and needs of the province. It has to render needs and excess analysis of the staff establishment. It also has to develop education efficiency and standards to the national education department's level. Faced with among others, the problem of over-employment of civil servants in the education sector, the Free State provincial education department has had to carry out a needs analysis of staff and make the necessary

adjustment as stipulated in the national education restructuring policy. The restructuring policies and guidelines were negotiated in the Public-Services Co-ordinating Bargaining Council (PSCBC) for resolutions that affect all civil servants, and in the Education Labour Council (ELRC), in the case of education specific matters (RSA, 2000 b).

In 1996, the government signed a three-year agreement with the public service unions that aimed at establishing a smaller but more skilled public service. (RSA, 2000 b). The agreement was based on what Finnemore (1997) has called “strategic planning”, which forms the foundation for the transformation of the workplace so as to achieve its goals. Strategic planning entails downsizing the staff compliment, by making the structure leaner in terms of the number of people in employment. To implement downsizing in the most efficient way, the government agreed with organized labour to conduct service and skill’s audits of the education sector. The audits were aimed at assessing the need for restructuring and, on that basis come up with plans to manage the implications for labour.

The result of these audits was that some jobs were found to be redundant. Progress in the public service entails changes in the function and structure of departments. In consequence, it calls for changes in the numbers and skills of staff. Without the necessary changes, government would not bring about transformation of the broader society and economy. Mechanisms for dealing with redundant positions include voluntary retirement, forced resignation, dismissals for misconduct, redeployment to other public services, staff retraining and retrenchment.

Accordingly the government proposed retrenchment (RSA, 2000 b), which Anstey (1991) explains as terminations owing to operational requirements, and redeployment, which literally means the transfer of employees from redundant jobs to positions in the public or private sectors, and voluntary retirement and resignation. The 1996 three-year agreement established a voluntary severance package (VSP), which was somewhat cheaper than the retrenchment package. The government obtained the unions support by agreeing to freeze employer-initiated retrenchments for three years. The government made renewed proposals for employer retrenchments blaming the freeze on retrenchment for failing to move forward on restructuring. Even though the proposals have not been formally tabled in the bargaining chambers, the government is already suggesting job cuts and pointing out the relevant redundant positions to be phased out.

1.2 Statement of the problem

Since the 1994 democratic elections, the government in collaboration with other stakeholders in education, have been trying to transform and restructure the education sectors to be outcome – based. While the previous homeland governments acted as the major sources of employment, the democratic government found itself faced with the problem of over employment of civil servants, including teachers. In the education department of the Free State, the problem of over employment was made profound by the high number of civil servants in the former Qwaqwa homeland and Thaba-Nchu (part of the former Bophuthatswana homeland). The government decided on an offer of redeployment of the civil servants through right-sizing of personnel.

In the Free State, the problem of over employment was worsened by the fact that many teachers were not properly qualified while some were nearing retirement age. This

situation has prompted the government to aim at employer-initiated retrenchments as a way of cutting down on the number of jobs available. The unions argue that the macro-economic policy of Growth, Employment and Distribution Programmes (GEAR) aimed at job creation, but the implementation of the policy has resulted in massive job losses as the government restructures and privatises the major state enterprises. For the government, retrenchment should ease the pressure of high government spending. Apart from the privatisation of the state owned enterprises, the government also reckons it can save if it can reduce personnel salary costs. That is why the consequences for the individuals concerned should also be studied. Just as the transformation of the society affects individuals in different ways, the transformation of the workplace also has implications for the workers. The problem calls for the investigation of how retrenchments affect the income and status of the affected teachers and their households.

1.3 Research Hypotheses

Two hypotheses are advanced for this study:

H₁ Retrenchments have led to a loss of income for teachers and their households.

The aim of this hypothesis is to investigate the link between a loss of income (Rands) and retrenchments. The act of retrenchments becomes the explanatory (x) variable with loss in income (y), becomes the dependent variable.

The null hypothesis is advanced as follows:

H₀ There is no relationship between a loss of income and retrenchments.

The second research hypothesis is advanced as follows:

H₂ Households standard of living have dropped as a result of retrenchments.

The aim of this hypothesis is to investigate if the household's standard of living has dropped leading to such people becoming poorer than they were before retrenchments. The explanatory variable (x) remains as in H₁, while the standard of living becomes the dependent variable (y).

The null hypothesis for the second hypothesis states that:

There is no direct relationship between retrenchments and the fall in household standard of living.

1.4 Definition of concepts

Employment - all persons 15 years and older who during a specified brief period (for example 7 days) have worked for five or more hours for a wage or salary or for profit or family gain, in cash or in kind. The self-employed are included, as are persons who have been temporarily absent from work but still have a formal job attachment (Barker, 2003).

Globalisation - a process of 'freeing economies', particularly so that trade between countries can take place more easily (ILRIG, 1998).

Privatisation - a comprehensive economic, social, and political strategy designed to increase competitive market forces and reduce or eliminate market imperfections by reducing the role of the state and increasing that of the private sector in the ownership, control, and management of the economy's productive resources (Fox & Meyer, 1995).

Public Sector - that portion of an economy whose activities (economic and non-economic) are under the control and direction of the state. The state owns all resources in this sector and uses them to achieve whatever goals it may have-e. g, to promote the economic welfare of the ruling elite or to maximise the well being of society as a whole (Fox & Meyer, 1995).

Standard of living – a level of material comfort as measured by the goods, services, and luxuries available to an individual, group, or nations. (Houghton Mifflin Co., 2004)

1.5 The objectives of the study

The specific aim of the study is to analyse the government retrenchment process for teachers in the education sector of the Free State province and to evaluate the economic implications for retrenched teachers in Qwaqwa. The specific objectives are as follows:

1. To investigate if retrenchments have led to loss of income for the teachers and their households.
2. To investigate if there is a link between the standard of living and retrenchments.
3. To make recommendations on how to manage the post-retrenchment phase.

1.6 Significance of the study

As the South African education system is being transformed within the context of the national policy of public sector restructuring, the provincial government of Free State has embarked on asset restructuring and retrenchments as a cost-cutting exercise. What this means is that in trying to cut costs, the government sells completely or partly the assets in its possession as well as reducing the size of public sector employment thereby creating unemployment. From an economic point of view of the government, it is necessary to aim at achieving efficiency instead of supporting an expensive bureaucracy. As the state was the major employer in the past, loss of work through retrenchments has led to increasing economic hardships for people out of work.

The findings of the study should contribute towards the growing debate on globalisation and privatisation. Most importantly, it should highlight the human face of the effects of globalisation and privatisation. The findings should guide policy makers and planners in the implementation of asset restructuring. The study should also help negotiators in cases where the government proposes employer-initiated retrenchments such as out-sizing. As negotiations entailing job cuts get under way, the findings should bring increased awareness to the negotiators on what the impact of job cuts has on people. The study is also intended to provide information about the economic conditions of people who applied for voluntary severance packages. It will evaluate the economic implications of retrenchments packages on the applicants as well as generate advice for employees who intend to apply for these packages in future. The data collected should show the direct results of retrenchments, and following the analysis, allow for the implications to be discussed. It is hoped that the findings should contribute in changing the present structure and administration of public sector retrenchments.

1.7 The study area

1.7.1 Location

Qwaqwa (sometimes called Witsieshoek in other publications) covers an area of 655 square kilometres. It is located in the Eastern part of the Free State between latitude 28°30' S and longitudes 28° 45'S, and 28°40' E and 29° E (MediaWiki, 2004). In the south, the Drakensberg Mountains forms the boundary with Lesotho. To the west, Qwaqwa is bordered by the Golden Gate National Park all the way through to the town of Clarens. The eastern boundaries follow the northern continuation of the Drakensberg Mountains range and these; form the border with the province of Kwazulu-Natal.

Qwaqwa is a mountainous area and the average height above sea level varies between 1500m and 3000m. (Vlok & van der Merwe, 1997)

Qwaqwa is mostly an undeveloped rural area made up mostly of villages under the control of tribal authorities. The Tribal Chief and his council are responsible for the tribal area. The tribal chief or any of his officials (through the Chiefs authority) are responsible for the allocation of land. Although there are signs of the installation of water and electricity in the villages, most households still depend on paraffin as the main source of fuel and bucket water consumption. Pit latrines are still the major characteristic of these villages.

Semi-urban development is found at Phuthaditjhaba, which serves as the commercial, legislative and industrial centre of Qwaqwa. Phuthaditjhaba boasts a standard infrastructure of roads, electricity, sanitation, drainage and water supply. Modern roadways combine a network of road transportation that serves the needs of Qwaqwa.

1.7.2 Population

Qwaqwa (Witsieshoek) is a former homeland of the Basotho speaking people of South Africa. It has a population of more than 180 000, mostly Sesotho speaking black people of South African origin (Disclaimer, 2004). After the 1994 democratic elections, Qwaqwa experienced an influx of Asians as well as other foreigners of African descent.

1.7.3 Economic activities and the infra – structure.

Phuthaditjhaba is the heart of both commercial and industrial life of Qwaqwa. Many of the top retail and chain stores found around South Africa are also found in Qwaqwa.

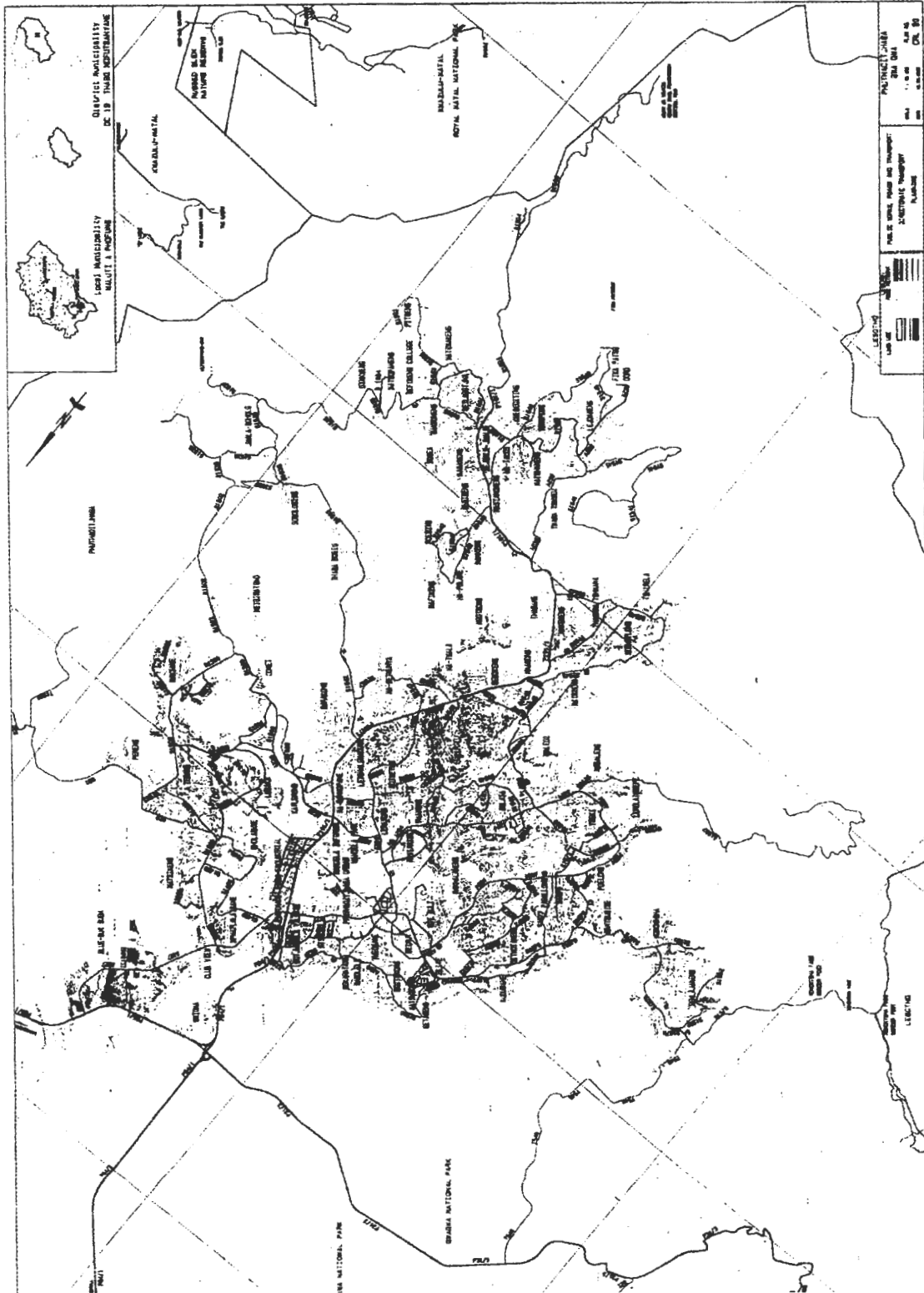


Fig 1: Map of Qwaqwa

They include the grocery shops, clothing shops, furniture shops and a range of franchises although most people do the shopping in the outlying towns of Bethlehem and Harrismith. Also, modern commercial banks are available to meet the banking needs of the residents of the area. The postal services are offered by the postal services found around the country. Public transport by the bus and taxi industry caters for both local and long journey trips.

The area consists of three industrial centres, namely Phuthaditjhaba Industrial Areas I, II, III. The industrial areas are dominated by small scales firms, which employ mostly women on low wages. Production is centred mainly on textile and furniture manufacturing and small-scale engineering. Food production involves mainly bakeries, dairy production, poultry farming, and meat distribution.

The population is mostly educated as Qwaqwa boasts a number of educational institutions including institutions of higher learning. Many people are employed as civil servants by the government as well as Maluti-a Phofung Municipal Council. A sizeable portion of the population is employed at the commercial and industrial centres. Others are self-employed in activities such as street hawkers, do – it – yourself such as backyard motor vehicle repairs, motor panel beating, brick making and bricklaying, welding, carpentry and lots of other odd jobs such as employment as gardeners, laundry and house cleaning. As a result of a general decline in job opportunities, a lot of people are unemployed resulting in high levels of poverty. In the past, a lot of people were employed as migrant labour in the mines and industrial centres around South Africa. The political – socio – economic transformation that followed the democratic elections, resulted in massive retrenchments as the economic activities declined as a result of the

weakening currency as compared to the rest of the world. Also the asset – restructuring undertaken by the government resulted in job losses for the public servants.

Most household are female – led, and faced with high levels of unemployment, are living in poverty. Qwaqwa is regarded as the second poorest former homeland. According to SADTU National Collective Bargaining Conference (1990), the primary indication is that the poorer provinces have a larger percentage of public servants per 100 people in the populations. More significantly, the provinces with higher unemployment figures have a larger number of public servants. With the declining purchasing power of the currency as well as high levels of the inflation rate, most households cannot afford to compete for the satisfaction of basic needs and wants. They cannot take their children to attend schools where the levels of infra – structure for better education are in place like in the former whites only public schools. They cannot provide better health–care for their families. Most of the households depend on programmes designed by the government to alleviate poverty.

1.7.4 Department of Education

The Free State Department of Education is an equal opportunity employer, employing senior managers, educators, clerks, labourers and support service staff. In 1994 when the Free State Department of Education took office after the democratic elections, Free State Department of Education had in its employment approximately 34 000 educators. Most of these were at a pensionable age and a significant percentage was not properly educated. In 1996, there were 701 303 pupils from grade R to grade 12 in 2628 existing schools. Alone, District Circuit 17 (Qwaqwa is part of this District Circuit) had 240 767 pupils in 886 schools (RSA, 1999 a) (See Fig 1 on page 11). Like in the rest of the

country, it was found that there were excess teachers in the Free State Province. Notable high concentration of teachers was observed in the former Qwaqwa homeland (RSA, 1999 a).

1.8 Summary

This chapter has outlined the purpose of this study and explained and defined the key concepts pertaining to the study. It began with a brief discussion of the background of the subject under consideration. Thereafter, the situation as it pertains to the statement of the problem and hypotheses was introduced. This was followed by the aims and objectives of the study. The objectives of the study states clearly what the research wants to achieve. Lastly, it closed with the description of the study area. It specifies clearly where the study will be undertaken, giving a clear description of the area which is significant to the study.

The next chapter on literature review discusses the theories of economic systems. The key areas to be covered include the analysis of labour relations in a capitalist system, socialist system, communist system and public servants under the South Africa's mixed economy. It will conclude with a discussion of public sector retrenchments.

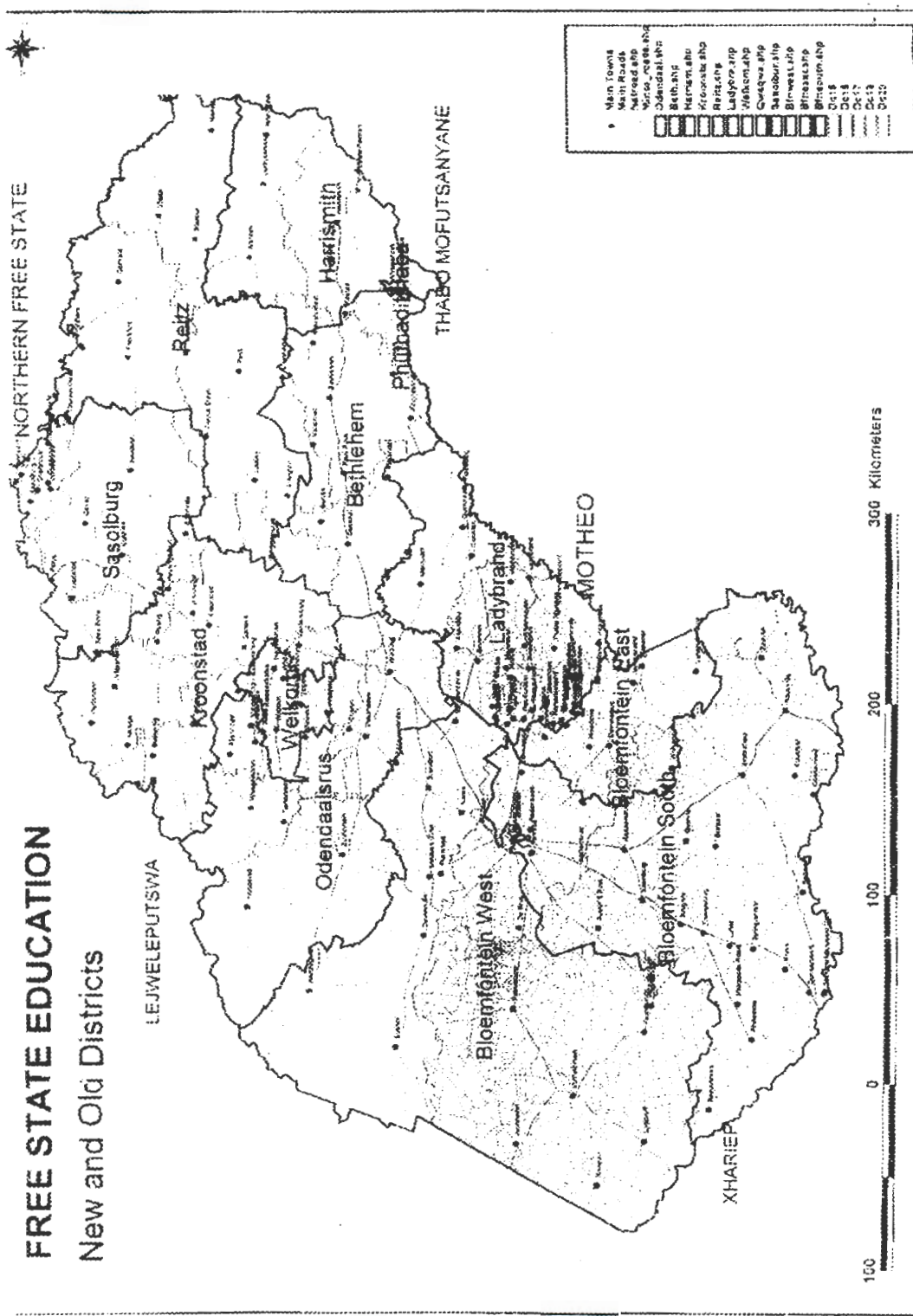


Fig 2: Map of Free State New and Old Districts

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

Economic systems are commonly classified in terms of the extent of the state participation in the economy. Economic systems may be classified as capitalist, socialist, communist or mixed economy. The differences and parallels between the economic systems are manifested in the economic practices and pronounced more by the level of state ownership of resources and participation in production. The regulation of labour practices differs in the different economic systems. It is necessary that we look at labour under these different economic systems.

2.2 Labour in a capitalist system

A capitalist economic system may be defined as a system in which individuals or combinations of individuals compete with each other to accumulate wealth by buying the rights to use land, labour and capital in order to produce goods or services with the intention of selling them in a market at a profit (Saunders, 1995). This type of economy is driven by the profit motive. It aims at wealth creation and accumulation. The basic defining characteristics of a capitalist system are: private ownership of property, profit and the market.

Firstly, it entails private ownership of, and private enterprise with, the means of production. According to Saunders (1995), private ownership of property contains crucial rights which are enforceable such as: the right of exclusive control and use of property; the right exclusively to benefit from the exploitation of the property, and the right to dispose of the property as one sees fit. Under a capitalist system, anyone who owns money can enter into any form of business as long as it does not violate the laws

of the country. Anyone can buy land and use it for any means that will generate wealth for them.

Secondly, the other defining feature of the system is the profit motive. According to Davis & Scase (1985), capitalism is driven by the production of goods and services for profit. This profit is then used for further production in order to obtain further profits. In order to realize these, entrepreneurs minimize their costs and expenditure and maximise their income. Capitalism, then, is a process of accumulation. What is distinctive about capitalism, however, is that everyday activities is structured around the methodical pursuit of ever-renewed profit (Saunders, 1995). A capitalist system gears individuals towards competition in the production and supply of goods with the ultimate aim of out-witting each other in terms of profit.

Lastly, the capitalist system is endeared towards reliance on market and price forces to allocate resources and distribute income. According to Saunders [1995], “capitalism is a growth machine”. The search for new markets has always driven it outwards. Markets are important in a capitalist system since they give information and knowledge essential for economic growth. Capitalist systems depend on the expansion of markets to foreign countries, hence the spread of multi-nationals to most countries of the world and the dumping of excess production to most Third World countries.

If the capitalist system is characterized by the production of commodities for sale in the market at a profit, it is also distinguished from other modes of production by the existence of free labour (Davis & Scase, 1985). For the capitalist system to work, the owners of capital must also own the means of production. By owning the means of

production, it entails buying labour on a free market. Labour becomes a commodity. The worker sells the capacity to produce commodities in order to obtain wages. Concisely, owners of capital will only buy labour as long as it creates value and thereby profits. Since the broad aim of the capitalist system is the maximisation of profit, labour bought can be easily discarded as a measure to save costs. Therefore, unemployment, retrenchments and job losses are the social effects of rampant capitalist practice.

2.3 Labour in a socialist system

The word “socialism” usually conjures up a number of meanings: public ownership of economic enterprise, subjugation of individual’s freedom, elimination of private property, conscious direction of economic activity and so on. In practice, socialism is rarely the clear-cut alternative to capitalism it is often held out to be (Davis & Scase, 1985). Whenever socialist economic planning has been practiced, it has been negated and made out to be inhuman. It has been associated with dictatorship and human suffrage. Although in practice, socialism has failed to emulate capitalism, it nonetheless has been a mobilising theory of the working class in most Third World countries.

According to Gillis, et al (1992), a socialist economy can be defined as one where government owns and control the means of production. Under this system, the state owns and controls basic key industries and allows private ownership of small enterprises. The motive of state owned industries is not to make profit but to render services and produce basic goods at an affordable price. Unlike in the capitalist economic system where prices are determined by the market forces, under a socialist

economy, the state determines prices on basic products supplied from the public sector. Competition is not allowed between state owned enterprises and private enterprises.

What distinguishes the socialist economic system from other types of economies is the control of production factors in certain key industries owned by the state. It is different from a mixed economy because in the case of the latter case there is a limited state intervention in the economy. The government has an interest in the economy by virtue of its ownership of some certain basic key industries. It allows the market to guide the prices and competition within the private sector. Blackburn (1991) refers to the work of Ludwig von Mises and Friedrich von Hayek, who argued that centrally planned economies could not allocate the resources adequately. They argued that decision – making would be difficult without the timely access to information from the markets.

Since the socialist economic system is based on the concept of “worker emancipation”, it strives to maximise employment for a fair wealth distribution. Workers have a free choice of employment although the state influences job opportunities. The system aims at full employment and the government creates employment through state owned enterprises. Socialist programmes are aimed at ending universal adult suffrage. Job losses, unemployment and retrenchments are seen as social defects, which causes social pathologies such as poverty, crime and alliteration. According to Davis & Scase (1985), planning mechanism for reconciling the supply and demand for labour circumvent the problem of unemployment as it is experienced in the capitalist countries. However there are other related problems such as low levels of production and technology, low levels of productivity and over–manning.

2.4 Labour in a communist system

Communism is the positive abolition of private property, of human self-alienation, and thus, the real appropriation of human nature, through and for man (Bottomore & Rubell, 1961). As a command economic system, the state controls all the factors of production with the elimination of the profit motive. The state determines the prices and the standards of living.

As a command economy, economic planning is left at the hands of a central planning bureau. This economic system is based on the premise that information obtained through market practices could not be relied upon to guide production. Allocation of resources, which would otherwise depend on signals from the market under capitalism, depends on the bureaucrats. Under communism, central planning requires trained experts to manage complex tasks of guiding the economy. The advantage of the command system is that it gives central planners a high degree of control over the economy and, with that control, the power to restructure key sectors (Gills et al, 1992).

Since communism is a societal progression towards the dictatorship of the proletariat, the communist economic system is a labour driven economic system. According to Ekeland & Hebert (1990), Marx already expressed in the manuscripts the idea that labour is the source of all wealth. As a conscious overthrow of the capitalist system by the labour forces, communist systems break the alienation of labour from the labour process. Each worker is measured by the use-value of labour he/she produces. As communist economic systems are based on the centrality of workers to the system, job losses, unemployment and retrenchments are seen as war on human nature.

2.5 Public servants in South Africa's Mixed economy

Although most real economies are usually between the extremes of a market economy and an economy where there is state intervention, most countries have a system, which blends both. South Africa is one of such countries, which have a mixed economy.

During the past apartheid system, the South African economy had the task of promoting economic stability and growth as well as establishing and maintaining infra structural services. In order to promote economic stability and growth, the government had to develop various policies such as monetary, fiscal, industrial, labour, exchange rate, trade, health and education policies to achieve maximum economic growth together with stable prices and exchange rates. The government also produced goods and services, which the private sector could not afford to provide. These services included roads, railways, and airways, telephone and telegraph services, postal services, radio services and water supplies. The government provided these services because large amounts of capital are needed to start their service based institutions and they usually do not show a profit for a long time. As a result the public service like the private sector, became the major employer of workers.

The dawn of the new democratic dispensation heralded the transformation of the mixed economy in South Africa in 1994. The new democratic government aligned itself with the new economic order of globalisation and began to institute the key policies of globalisation through a macro – economic policy of Growth, Employment, and Redistribution Programmes (GEAR). These policies included privatisation / restructuring of most state – owned enterprises, deregulation and trade liberalisation. With privatisation and deregulation, the government committed itself to fiscal discipline

(Bond, 1997). This implies that the government through the policy of GEAR, promoted cutbacks in government spending. The cutbacks are undertaken to reduce the participation of the state in the economy as the producer and in other cases the cutbacks are undertaken simply to reduce government expenditure through measures such as reducing the state wage bill.

As indicated in this discussion, the former apartheid regime acted as the major employer. In spite of being the major employer, the apartheid government did not allow public servants to organise themselves into labour unions. The Labour Act of 1956 and the preceding amendments did not include these workers into the legislation. The government decided the basic conditions of employment for these workers as well as their remuneration unilaterally. It was not until the beginning of the 1990's that public servants of South Africa began forming labour unions, and only in 1996 that they were covered in the Labour Act.

2.6 Public sector retrenchments

The study and analysis of industrial relations is not a relatively new area of research. Even though most writers overlook the role of people at work, works of the Webb's, Commons, and Marx criticised that classical economic laws of supply and demand were applied in much the same way as they were applied to other factors of production (Dalton in Barling et al, 1993). The Webb's reasoned on the concept of trade unionism and collective bargaining. With organised labour, workers could gain a platform to present demands in a capitalism system. The Commons held the view that the interest of workers, management and the wider society can be brought together through

compromise. The basic premise of Marx was the overthrow of the capitalist economy to be replaced by the dictatorship of the proletariat.

The function of the industrial relations system is to establish a set of rules for the work place and work community, just as the function of the economic system is to produce goods and services (Blain & Gennards, 1970: pp 395). The common set of ideas and belief defines the role and place of each actor in the system. The role of the state is to provide a framework of rules within which collective bargaining can take place. To do this, the government must enact a Labour Relations Act, which provides a framework of rules to facilitate collective bargaining and the resolution of disputes. The Labour Relations Act 66 of 1995 was thus enacted after the democratic elections of 1994 in South Africa. This Act provides for the establishment of bargaining councils. For the South Africa public services, a Public Services Co-ordinating Bargaining Council (P.S.C.B.C) was established to deal with collective agreements in the public service. This council also provide for sectors within it such as the Education sectors of the public services.

The functions of the bargaining council includes the following:

- To conclude collective agreements;
- To enforce those collective agreements;
- To prevent and resolve labour dispute and may deal in respect of those matters that are:
 1. regulated by uniform rules, norms and standards that apply across the public service or;

2. apply to term and conditions of service that apply to two or more sectors;
or
3. assigned to the state as employer in respect of the public service that are
not assigned to the State as employer in any sector (RSA, 1995 c)

It is in the P.S.C.B.C that negotiations are taking place between public services union and the government for the transformation of the public service. The government through its micro-economic policy of GEAR is proposing restructured public services, which is more cost effective. According to Republic of South Africa (1996 d), in implementing the three-year public service salary adjustment and right – sizing programme, affordability consideration, maintenance of public services and macro – economic consistency are paramount.

Accordingly, successful implementations of the agreement would lead to a real increase in the government wage bill of approximately 2 percent per annum over the next five year. In essence, what the government was proposing is the retrenchment of public servants for operational requirement. According to Anstey (1991), retrenchments refers to situations where a temporary decrease in jobs occurs as a consequences of economic circumstances and for Finnemore & van der Merwe (1989), this may occur because of reduced economic activity and the need for management to cut back on production, organisational restructuring of the company, or technological redundancy.

The employer cannot undertake retrenchments unilaterally. They must be negotiated through bargaining councils and steps should be decided on how to approach retrenchment.

According to the Republic of South Africa (1995 c), Section 189 (1) of the Labour Relations Act of 1995 stipulates that the dismissal based on operational requirement should include:

- when an employer contemplates dismissing one or more employees for reasons based on the employers' operational requirements, the employer must consult—
 1. any person whom the employer is required to consult in terms of collective agreement
 2. the consulting parties must attempt to reach consensus on appropriate measures
 3. to avoid the number of dismissals
 4. to minimise the number of dismissals
 5. to change the timing of the dismissal and
 6. to mitigate the adverse effects of the dismissals
 7. the method for selecting the employees to be dismissed and
 8. the severance pay for dismissed employees

When proper consultation has been concluded, management must ensure that they adhere to the agreement; as failure to comply with the terms thereof may be construed as unfair labour practice.

The process of retrenchment has not been without criticism. According to Finnemore & van der Merwe (1989), retrenchment can have far-reaching and even disastrous effects for a worker and his family. This cannot be alleviated where there are no alternative means of employment such as when teachers loose their jobs. Teachers have been trained in a one-way skill practice where the employer is mainly the government and when they loose their jobs, there are few alternatives to their type of skills training.

Retrenchments can also lead to skills losses. According to City Press (2001), the problem with the public services was not its size but poor distribution of skills. With the shortage of skilled teachers in mathematics, science, technology and the economic and management sciences, retrenchments would leave the education system more depleted with regard to those fields if not managed properly. This calls for the government to be selective on whom to offer severance packages to.

Job losses contribute to poverty, misery and deepening inequalities (SACP, 2000). Job losses in South African mostly affect workers from the poorest families, communities, regions and rural areas. On average, every worker supports about 10 people on their salary. In essence job losses hurt the poor and unemployed the most as without the income to support retrenched workers, food, clothing, health care, transport and education become expensive.

Retrenchments are also seen as resulting because of the capitalist system. COSATU Campaign Bulletin (2001 a) argues that since the government proposed assets restructuring / privatisation, there has been increased retrenchments. Privatisation often leads to retrenchments as privatised institutions restructures and goes on cost-cutting measures. For the South African Communist Party (2001), capitalism aims for maximum profits and not for a living wage. Companies cut costs and retrench workers to make profit and without alternative options to retain workers and avoid job losses. Companies also create worsening work conditions through casualisation of labour, contracting out, out – sourcing and growing arrogance from management.

2. 7 Summary

In this chapter different economic systems have discussed. The purpose of this chapter was to analyse how labour relations are regulated under different economic systems. Under the capitalist system, labour relations are regulated under collective bargaining and governed by the labour relations acts. Socialist systems are more workers oriented and culminate in more protection of workers' basic conditions of employment. Central planning under the communist system limits the participation of workers in decision-making as central planners take all decisions pertaining to the work process. The mixed economy combines the practices of both capitalism and socialism and is characterised by a lot of regulation, as the government is also a major employer. Labour relations under capitalism are characterised by conflict, as the interests of the workers are not often compatible with those of the employers. This is usually indicated by negative consequences such as job losses through retrenchments, which affects workers severely.

In the next chapter we discuss the research designs and research method that were used. How the respondents were sampled from the general population will be discussed followed by the instruments that were used to collect data; the sources of data; and finally the planning of the study.

CHAPTER 3 RESEARCH METHODOLOGY

3.1 Introduction

Since the purpose of this study was to analyse teacher retrenchments and evaluate the consequences of retrenchments in Qwaqwa, the focus of the research was on analysing the economic implications for teachers who are already out of work through retrenchments. How did retrenchments affect their income status and how has their socio – economic position changed? It also focused on the households of the teachers who received retrenchment packages. It is necessary to establish if they were still able to support their families, meet their obligations, such as maintaining the health needs, education needs and insurance needs of their families?

3.2 Research design

A cross sectional study was conducted in order to evaluate the economic implications of teachers who applied for the packages. According to Bless & Higson - Smith (1992: pp 66), when all data is collected at the same time, research design is cross sectional. A cross-sectional design can accomplish the aim of explanation and/or description of the analysis, and retrospective data can be related to current statuses and current statuses to future expectation and aspirations. This study aims to describe the economic implications of the respondents. In order to achieve the goals of this research, the program shown in table1: Research design was developed. The aim of this program was to guide every step of the research as well as to indicate when every step of the research has to be achieved with the purpose of describing the conditions of the respondents. It indicates the activity that has to be done and the deadline on when what has to be done. It also breaks the whole research into steps that are workable each at a

time. The advantage with this is that it allows one time to work at a certain concept at a particular time.

	ACTIVITY	DEADLINE
Phase 1	Survey of ideas and problem formulation	October / November 2002
Phase 2	Objectives, Hypotheses and significance of the study	December 2002
Phase 3	Literature survey to establish state of knowledge	January / April 2003
Phase 4	Conduct pilot survey and decision on variables / unit of analysis.	May 2003
Phase 5	Formulation of the research budget, decision on sample size / decision on sampling techniques	August 2003
Phase 6	Decision on the type of data to be collected, instruments to be applied and collection methods	September 2003
Phase 7	Design of Questionnaires	October 2003

	and interview	
Phase 8	Administration plan and information dissemination	November / December 2003
Phase 9	Administration	January / March 2004
Phase 10	Data analysis and testing the hypotheses	April / June 2004
Phase 11	Discussion	July / October 2004
Phase 12	Conclusion and recommendation	November 2004
Phase 13	Working on the draft dissertation	December 2004
Phase 14	Submission, Corrections	January/ March 2005

Table 1: Research design

Both close-ended and open-ended questions were asked in a questionnaire (Appendix), and as a result, qualitative and quantitative data were collected. This implies that the data handled was presented both in numeric analysis and qualitative evaluations. According to Creswell (1994: pp 1 – 2), “ ...a qualitative study is designed to be consistent with the assumptions of a qualitative paradigm. This study is defined as an inquiry process of understanding a social or human problem, based on building a complex, holistic picture, formed with words, reporting detailed views of informants, and conducted in a natural setting. Alternatively a quantitative study, consistent with the quantitative paradigm, is an inquiry into a social or human problem, based on testing a theory composed of variables, measured with numbers, and analysed with statistical

procedures, in order to determine whether the predictive generalizations of the theory hold true”.

A survey researcher asks people questions in a written questionnaire or during an interview, then records answers. The researcher manipulates no situation or condition. People simply answer questions in a short period. The research typically summarises questions in percentages, tables, or graphs and is compatible with quantitative data collection. Historical research examines aspects of social life in a past historical era or across time. This kind of research combines theory with data collection. Researchers often use a mix of evidence including existing statistics. Historical research is compatible with qualitative data collection.

3.3 Pilot study

During the initial stages of the implementation of the retrenchment process, it was observed that the retrenchment of teachers had led to job losses and as a result loss of income. It usually took a long time before the retrenchment packages were paid out to the teachers who applied for them. A pilot study was undertaken in May 2003 with seven respondents (five males and two females) to test if the questionnaire will collect the desired data. Changes were made to the initial questionnaire, as it did not have provision for the collection of data on the economic and social difficulties experienced by the respondents as well as their suggestions on how the retrenchments can be handled in the future to ensure prosperity for the retrenched individuals. Also the pilot study indicated that it was important to collect data on whether the respondents did find work after taking the retrenchment packages or not.

The next step was to identify the population. The population included all those teachers who applied for the retrenchments packages between 1996 and 1999. The process of identifying the population was done in August 2003.

3.4 Sampling

Sampling was done in January 2004. The population identified in November 2003 was used for sampling frame. The population sampled was obtained from Thabo Mofutsanyana District (District Circuit 17, Department of Education, Free State). As, most of the variables studied were each represented on the population, a simple random sampling was conducted. Each individual in the population was assigned a number, which was tossed in a box. The numbers were thoroughly tossed and mixed and after each toss and mix, a number was drawn out in a lottery technique until half the numbers were drawn out.

The unit of analysis were the teachers who took voluntary severance packages and early retirement packages, which was drawn from a population obtained from the Humans Resources offices of Thabo Mofutsanyana District offices. Due to the fact that the population to be sampled was limited, the sampling frame consisted of all the teachers who applied for retrenchments packages in Qwaqwa. Thus Leedy (1989) sees survey sampling as the process of choosing, from a much larger population, a group about which we wish to make generalized statements so that the selected part will represent the total group. It derives from this statement that a population must be clearly defined and the major characteristics clearly stipulated. For sampling to be representative of the whole population the probability of each being represented must be determined. The methods for probability sampling includes simple random sampling, interval or

systematic sampling, stratified sampling, and cluster or multi – stage sampling. In this study a simple random sampling was applied.

Using the simple random sampling, there is an equal opportunity of selection for each characteristic represented in the population. Anyone of the defined population can be sampled and the characteristics observed would be found in the individual who was not sampled. As already stated, the lottery method will be used. According to Bless & Higson-Smith (1992), the lottery techniques is used when a symbol for each unit of the population is placed in the container, mixed well and the lucky symbols drawn that constitute a sample. The assigned symbols such as numbers are tossed thoroughly so that they are well mixed and then a number is drawn in such a way that the selector does not see the pool. This is done so as to ensure that each individual has an equal chance of being selected as any other individual who is in the population. The selection goes on until the desired sample size has been drawn. If the same symbol is drawn twice, the second draw is ignored and the tab bearing it is placed tossed back into the container. The advantage with the lottery method is that it gives everyone in the population a chance to be sampled and when the population is small, no sophisticated equipment is required to undertake the lottery selection. This method was applied to the list of retrenched teachers in Qwaqwa. A sample size of 39 respondents was selected.

3.5 Sources of data.

The study used both primary data and secondary data sources. Primary sources are defined by Baker (1998) as the record of eyewitnesses to events. This type of data is collected through questionnaires from the teachers who took retrenchment packages. The following variables are of interest in this study: age, sex, monthly salary,

experience, employee benefits, number of dependents, school going children, asset ownership, type of severance packages, reasons for taking packages, monthly domestic expenses and hardship status. Only three of these are qualitative in nature. The rest are quantitative variables measurable through standard units.

Secondary analysis sources, which Bless & Higson – Smith (1992) defines as data collected by other investigations in connection with other research problems, are written materials which describes and / interpret some past event either close to the time it occurred in latter years. Often historical research is not concerned so much with the collection of new information but with what is already known. Historical work thus generally centres on the study of written material. These may be archival material such as records, letters, or periodical diaries, hand-written manuscripts or printed books and pamphlets. Thus the data using this method came from the library, the archives, government records and the Internet. This type of data accounted for information on the retrenchment packages offered by the forms of industries other than the public service, the implications of retrenchments on workers in those industries, the nature of retrenchments packages offered by the government and the mechanism which the government wish to implement to restructure the public service. A letter requesting information (clarifying the purpose of the study) was sent to the department of education, labour unions, labour and newspaper editorials. The responses to the requests were expected to arrive within twenty-one days, after which follow-up mailing was done to those who did not respond. The research also used data collected from the Internet.

3.6 Instruments

In September 2003, the decision about which method to apply for data collection was taken. This was done after a careful consideration of all the modes of observation such as experiments, survey research, qualitative field research, unobtrusive research, and evaluation research. Libraries were visited during this period and a comparative analysis of the modes of observation was studied in order to decide on the best instrument for data collection. The method selected must be able to provide the kind of data desired.

The study used survey research method to collect information on the implications of retrenchments of teachers who took retrenchment packages. Survey research is suitable for research where individuals are the units of analysis. They are also suitable in studies where original / data is collected to describe a population too big to observe directly. Although surveys do not provide a feel of the real life situation as field research provide nor are they flexible (enabling the modification of the observation) as with experiments, they are nonetheless an excellent vehicle for collecting data on attitudes and orientations in a large population.

There are two primary ways of administering a survey: using questionnaires, or giving interviews. Questionnaires may be administered to a group or sent to individuals to be filled out on their own. Self-administered questionnaires are cheap and easy to administer. A researcher with limited resources can administer a survey alone. This method is also better in that although respondents may find it difficult to talk about other subjects in a face to face interview they may find it easy to express their opinions in an anonymous self-administered questionnaire. Self-administered questionnaire also make large samples feasible. With clear instructions, a self-administered survey is one

of the best instruments to collect data on individuals scattered over a large area although there is a problem of the return rate of completed questionnaires. This is usually overcome by conducting follow-up mailing and by organising your questionnaire in such a way that it causes as little inconvenience to the respondents as possible. A neatly packaged questionnaire with an extra panel with the return address on it, (which can be unfolded and wrapped in a certain way to provide cover for return mailing) allows the respondent to return the questionnaire without the inconvenience of having to look for an envelope and queuing at the post office to buy postage stamps. In this research, questionnaires were hand-delivered and collected after being filled individually by each respondent.

Face – to – face interviews [Appendix B] were conducted to supplement the self-administered questionnaire. The aim with this instrument was to get more elaboration on variables that required qualitative analysis. This method is an important tool that is used to probe for more elaboration where open-ended responses are required. Also few uncompleted questionnaire can be found when using this instrument. Face – to – face interviews also allowed the researcher ample opportunity to make direct observations on the conditions of the respondents as well as on the characteristics of the neighbourhood. It can allow the researcher to observe the attitude of the respondent at the time when the interview is conducted-whether the respondent was giving an honest opinions, or hostile and uncooperative. The chief shortcoming of the face – to - face interview was the time it takes to conduct. More often, the respondents were usually unavailable even if they knew the interviewer was coming to see them.

3.7 Administration of collection instruments

Actual data collection was conducted between the months of January 2004 and March 2004. After carefully considering the modes of observation and deciding on the forms of instruments to be employed for data collection, the instruments were administered to the sampled population in order to collect data. A longer period was required in order to allow for more observation and also to make adjustments to the instruments if the observation so required. Since primary data sources and secondary data sources were collected, both questionnaire and archival records were used. Questionnaires were administered to the respondents. The questionnaire included both close-ended and open-ended questions. Open-ended questions aimed at collecting data on the opinions of the respondents. Close-ended questions included both contingency and matrix questions. These questionnaires were hand-delivered and hand-collected as the respondents live within the area of the research. The respondents were informed by a covering letter about the purpose of the research asking them to respond to the questionnaire and also the researcher explained the purpose of the study. The researcher went through the questionnaire with the respondents on collection in order to ensure that the questionnaire was fully completed and without errors. The respondents were given seven days to respond to the questionnaires. Where the respondents wished to add something which was not part of the study, but which may help the study, such additions were taken as notes and the information was used as part of the data depending on the suitability of the information to the study. Short interviews were conducted during the discussion of the data to give clarity on first hand information about the consequences of retrenchments.

3.8 Summary

This chapter has presented the research design and methodology. The rationale for the choice of the sample, units of analysis, specification of individuals and instruments has been discussed. How the data was collected in the field has been described. The next chapter presents the results and analysis.

CHAPTER 4: RESULTS AND ANALYSIS

4.1. Introduction

Thirty-nine respondents were selected as the units of analysis. The number of respondents includes twenty-two males and seventeen females. In this chapter, data collected in the field is presented and analysed. The data will describe the findings and the findings would be discussed with regard to the hypotheses. The questionnaires were designed into two sections. The first section was meant to collect data on Employment History and the second section on Personal Details After the Packages. The first section aimed at collecting data that would describe the lifestyles of the respondents before they applied for packages. The second section aimed at collecting data that would describe the lifestyles of the respondents after the packages were taken.

4.2 Presentation and analysis of data.

4.2.1 Age and Sex of Respondents.

The intention was to collect data on the age of the respondents at the time they took packages. The results of Age – Sex distribution appear in Table 2:

Table 2: Age and Sex of Respondents

Age group	Responses	Responses	Total	%	%	%
	Males	Females		Males	Females	
21-30	2		2	5.1		5.1
31-40	9	5	14	23.1	12.8	35.9
41-50	4	6	10	10.3	15.4	25.7
51-65	7	6	13	17.9	15.4	33.3
Total	22	17	39	56.4	43.6	100

The data shows that the highest percentage of teachers who took the severance packages is in the age group 31-40 years. The cumulative percentage of educators in the age groups 41-50 and 51-65 years is larger than the cumulative percentage of educators in the age group 21-30 and 31-40 years. The age group 31-40 usually represents a group whose income is usually committed to paying housing mortgage bonds; car finance; hire purchases; school fees and household expenses. Also 56.4% of the respondents in all age groups who took severance packages were male. This also represents a large percentage of male teachers whose income is important to household stability.

4.2.2. Monthly salary Ranges (Rands) of Respondents

The intention was to find out what the respondents were earning before they took the packages and how this changed after they took the package (if they found work). Results are shown in table 3.

Table 3: Monthly Salary Ranges (Rands) of Respondents

Salary ranges (before tax)	Respondents (Before)	%	Respondents (After)	%
Less than 2500	0	0	3	7.7
2501-4000	4	10.3	2	5.1
4001-5500	19	48.7	2	5.1
5501-7000	6	15.4	1	2.6
7001-8500	7	17.9	0	0
8501-11000	3	7.7	0	0
11001-and above	0	0	1	2.6
Total	39	100	9	23.1

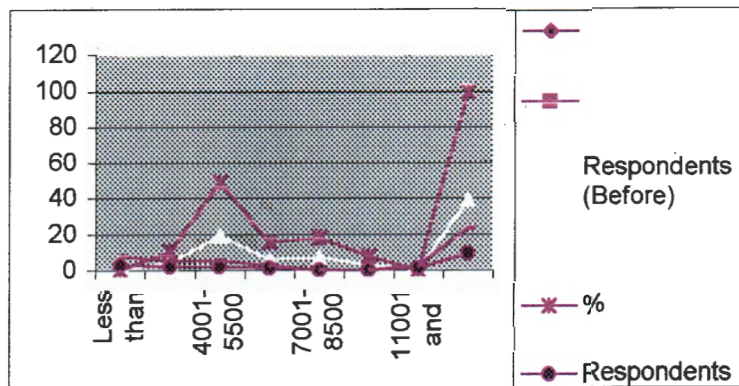


Figure 3: Monthly Salary Ranges (Rands) of Respondents

The results shows that in the salary range, less than R 2.500 per month, there were no teachers before the packages were taken while 7.7% had fallen into this salary range. This shows that where there were no educators earning in the salary range less than R 2.500 before, now 7.7% of the respondents had lost their earning power to less than R 2.500. The data also shows that before the packages were taken, 10.3% of the respondents had earnings in the salary range of R 2 501 to R4.000. The number fell to 5.1% of the respondents after the packages were taken. The largest drop was in the salary range R 4 001 to R 5.500. While before the packages were taken there were 48.7% of the respondents in this salary range, the number dropped to only 5.1% of the respondents. Another significant drop was in the salary range of R 5 501. to R 7 000 where 15.4% of the respondents fell in the salary range before the packages were taken compared to 2.6% after the packages were taken. While after the packages were taken no respondents are indicated in the salary range R 7 001-R 8 500 and the salary range R 8 001-R 11.000, 17.9% and 7.7% are indicated respectively in the salary ranges before the packages were taken. An increase in the numbers is observed in the salary range above R 11 001 where 2.6% of the respondents are now earning in the salary range after the packages were taken compared to no teachers before the packages were taken.

Therefore 76.9% of the respondents had lost their monthly incomes since taking the packages.

4.2.3 Teaching experience (in years) of Respondents

Respondents were asked to indicate their teaching experience (in years) at the time they took the severance packages. The results appear in Table 4.

Table 4: Teaching experience (in years) of Respondents

Teaching experience	No of respondents	%
1-5	2	5.1
6-10	4	10.3
11-15	17	43.6
16-20	5	12.8
21-25	5	12.8
26-30	6	15.4
Total	39	100

Teachers who had 11-15 years experience were in the majority of those taking the packages. The data indicates that the cumulative percentage of the teaching experience categories 1-5; 6-10; and 11-15 was 60% while the cumulative percentages of the teaching experience categories 16-20; 21-25; and 26-30 was 40% of the respondents who applied for packages. The first three categories indicate educators who are in the threshold of their teaching experience. Educators in these categories are still expected to contribute to the development of the education system during the period of transformation. On the other hand the last categories indicate educators who are within the pensionable age.

4.2.4 Employee Benefits of Respondents

The respondents were asked what their employee benefits were before the packages were applied for. These are presented in terms of numbers and the corresponding percentages in Table 5.

Table 5: Employee Benefits of Respondents

Pension Fund		Medical Aid		Housing Subsidy		Bursary		Travelling Allowances	
No	%	No	%	No	%	No	%	No	%
39	100	34	87.1	21	53.8	5	12.8	2	5.1

The data shows that 100% of the respondents were members of the pension fund scheme. The pension fund is a scheme that invests part of the workers salary (which is subsidised by the employer) until the worker goes into retirement. Such a scheme means that in the event that an employee is incapable of earning an income through death or disability, or in the event where an employee has retired, there is a fund that can be used to support the dependents. High scores are indicated for both medical aid and housing subsidy. Finally, the data shows that 12.8% of the respondents were beneficiaries of the employer bursary scheme and 5.1% of the dependents had access to travel allowances.

4.2.5 Number of dependents of Respondent

Respondents were asked to indicate the number of dependents who were dependent on their income before they applied for the packages and the number of dependents they were still having after taking the packages.

Table 6: Number of dependents of Respondents

No of dependents	Respondents (before)			Respondents (after)		
	No	%	Cum %	No	%	Cum %
1 - 2	7	17.9		5	12.8	
3 - 4	31	79.5	97.4	14	35.9	48.7
5 - 6	1	2.6	100	1	2.6	51.3

The data shows that the number of respondents who had 1-2 dropped by 51% from 17.9% before packages were taken to 12.8% after the packages was taken. Massive reduction in percentages is observed in respondents who had 3-4 dependents. The number dropped by 43.6% from 79.5% before packages were taken to 35.9% after the packages were taken. The number of respondents who had 5-6 dependents stayed the same before the packages were taken and after the packages were taken. There is cumulative drop of 48.7% to the number of respondents who had dependents before the packages were taken to after the packages were taken. A significant number of respondents appear to have been dropped following retrenchments.

4.2.6 School going children of Respondents

Respondents were asked to indicate the number of school going children they were supporting before and after the packages were taken. The data shows that 74.3 of the respondents had school going children before the packages were taken while 56.4% of the respondents still has school going children after the packages were taken. This indicates a reduction of 17.9% to the number of respondents who had school going children before the packages were taken and after the packages were taken.

4.2.7 Ownership of assets per family

Respondents were asked to indicate what they owned before and their assets after they took the packages.

Table 7: Ownership of assets per family

House				Car				Furniture			
Before	%	After	%	Before	%	After	%	Before	%	After	%
25	64.1	19	43.7	16	41	14	35.9	35	89.7	35	89.7

The data shows that 64.1% of the respondents possessed houses before packages were taken while 43.7% of the respondents possessed houses after the packages were taken. This indicates that 15.4% of respondents lost the ownership of houses as a result of packages. The data also shows that 41% of the respondents possessed cars before the packages were taken while 35.9% possessed cars after the packages were taken. This indicates a reduction in ownership of cars of 51% as a result of packages. Finally the data shows that 89.7% of the respondents had furniture before the packages were taken and after the packages were taken.

4.2.8 Type of packages taken by Respondents

Respondents were asked to indicate the type of packages they applied for.

Table 8: Type of packages taken by Respondents

Type of packages	Number of respondents	%
VSP	26	66.6
Early Retirement packages	7	18.9
Resignation packages	6	15.4

The data shows that 66.6% of the respondents applied for voluntary severance packages while 18.9% applied for early retirement packages. Finally 15.4% of the respondents applied for resignation packages. The voluntary severance packages appear to have been the most popular. The largest % of educators appear to have taken packages long before they were due to retire

4.2.9 Reasons for taking the packages

Respondents were asked to state reasons why they applied for packages.

- The data indicates that almost 19% of the respondents applied for packages because they were within the retirement age
- The data also indicated that 5.1% of the respondents applied for packages because they had found work in the private sector
- The data also indicated that 13.7% of the respondents applied for packages because they were disillusioned with the new conditions of employment that were being introduced in education
- One important finding was that 38.2% of the respondents applied for packages because they wanted to operate small businesses
- The data also indicated that 9.1% of the respondents applied for packages because they wanted to further their studies
- Finally the data also shows that 15.9% of the respondents who applied for packages had hoped to find employment in the promised economic boom spearheaded by industry.

Overall teachers took packages for a variety of reasons. The highest percentage at 38.2 was for those who were tired of the public sector and wished to be their own bosses in the private sector.

4.2.10 A breakdown of monthly household expenses

Respondents were asked to state what had happened to their monthly household expenses before and after taking the packages. The results appear in Table 9.

Table 9: A breakdown of monthly household expenses

Household Expenses (Rands)	Respondents (Before)	%	Respondents (After)	%
+ - 2000	0	0	1	2.6
+ - 3000	16	41	29	74.4
+ - 4000	11	28.2	7	17.9
+ - 5000	8	20.5	2	5.1
+ - 6000	3	7.7	0	0
+ - 7000	1	2.6	0	0
Total	39	100	39	100

While no household had a monthly expense of +- R 2000 before the packages were taken, 2.6% of the respondents fell within this monthly expense category. The data also shows that 41% of the respondents had a monthly expense of +- R 3000 before the packages were taken while the percentages of the respondents who had a monthly expense +- R 3000 had escalated to 74.4% after the packages were taken. The data also

shows that 28.2% of the respondents had a monthly expense of +- R 4000 before the packages were taken while the percentage had dropped to 17.9% after the packages were taken. While the percentage was 20.5 on the monthly expense of +- R 5000 before the packages were taken, there was a decline to 5.1% after the packages were taken. The monthly categories of +- R 6000 and +- R 7000 had the percentages 7.7 and 2.6 respectively before the packages were taken and the data indicates no entries after the packages were taken.

4.2.11 Social hardships experienced by respondents and their families

Respondents were asked to indicate the nature of economic and social hardships they are currently experiencing as a result of taking the packages. With reference to economic hardships, the data indicates that 89.7% of the respondents said that medical treatment for their families had become expensive since they took the packages as the loss of work meant that they lost the employee benefits of the medical aid subsidy. With the loss of the medical aid subsidy as a source of income the respondents could not afford medical expenses anymore and had to depend on medical treatment from the public health care facilities.

The data also shows that 56.4% of the respondents indicated that with the loss of the source of income, they could not afford the schooling expenses of their school going children any more. The data also shows 69.2% of the respondents indicated that paying monthly instalments on household credit accounts has become difficult as a result of the loss of income. The result is that it had become expensive to clothe the family, replace old household gadgets such as electrical appliances and keep up with monthly insurance

premiums. At least 18.5% said that they have had to cancel their insurance policies because they cannot afford the monthly premiums.

The data shows that 92.3% of the respondents had lost their social status and respect because their standard of living had dropped. In order to make ends meet, some 39.9% of the respondents resorted to selling second hand motorcar tyres, transporting school children to school, transporting food packages to school, delivering school stationery and selling insurance policies. The results also showed that 51.2% of the respondents said that they could no longer afford to take their families on holiday. Most said that they have had to cancel their membership in clubs such as health/fitness clubs, sports supporters clubs, fishing clubs and racing clubs. At least 5.1% of the respondents complain that they sold their cars because they could not afford to keep up with car maintenance, repairs and escalating fuel prices

4.2.12 Findings with regard to the hypotheses

The research aimed at testing two research hypotheses, which formed the basis of the study. The first hypothesis advanced the view that retrenchments have led to a loss of income for the individual teachers who took the retrenchments packages. Table 2: Salary Ranges on page 36 indicated that there is a loss of income as a result of retrenchments. While all the respondents were earning an income in the form of salaries before the retrenchments were taken, only 23.1% of the respondents were earning an income in the form of salaries after the packages were taken. This indicates a 76.9% reduction in income earning capacity for the respondents. Also in Table 4: Employee Benefits on page 38 it was shown that the respondents lost other forms of income such as medical aid, housing subsidy, bursaries, and travelling allowances. The

data shows that 87.1% of the respondents lost on medical aid, 53.8% lost on housing subsidies, 12.8% lost on bursary allowances and 5.1% of the respondents had lost on travelling allowances. The two tables indicate a link between loss of income and retrenchments. On the basis of these results, we can say that the hypothesis is confirmed while the null hypothesis is rejected.

The second hypothesis stated that household standards of living had dropped as a result of retrenchments. Table 7: Ownership of assets on page 40 indicated that some respondents had lost ownership of assets such as houses, cars and furniture. While before the retrenchments packages were taken, 64.1% of the respondents owned houses after the packages, 43.7% of the respondents possessed houses. This indicated a 20.4% reduction in ownership of houses. The table also shows that before the retrenchments packages were taken, 41% of the respondents owned cars while after the packages were taken 35.9% of the respondents possessed cars. This indicated a 5.1% reduction in ownership of cars. Also Table 9: Monthly household expenses on page 46 also showed that monthly household expenses in Rand's had dropped to a low mean after the packages were taken. The findings on social hardships reported in 4.2.11 indicated that 89.7% of the respondents were no longer having access to medical aid as before the packages were taken. Also, 56.4% of the respondents indicated that it is difficult to maintain the schooling expenses of the school going children. Also, keeping up with monthly instalments has become difficult, while 18.5% of the respondents indicate that they have had to cease their insurance policies because they cannot afford their monthly premiums. The above data indicates a drop in the standard of living of the respondent's household's standard of living. Cumulatively, it can be concluded that the effect of retrenchments has been to lower the standards of living of respondents. Hypothesis II is

therefore confirmed. While it's null hypothesis, which claimed the absence for any link is neglected.

4.3 Summary

This chapter has reported the results following analysis of important variables. The next chapter discusses these findings by focussing especially on implications for individuals, their families and the local economy.

CHAPTER 5; DISCUSION CONTEXTUALISATION AND CONCLUSION

5.1. Introduction

It has been indicated from the previous chapter that retrenchments do indeed lead to loss of income and as a result of the loss of income the households of the people who took severance packages or are retrenched encounter economic hardship and find it difficult to maintain the lifestyles they were used to before the severance packages were taken. In this chapter, discussions revolves around the analysis of the human face of retrenchments in general as well as suggestions on how the retrenchment process can be handled in the future so as not to have adverse economic and social implications on the retrenched individuals and their households. Discussions will aim to address the general consequences of retrenchments.

5.2 The Human face of retrenchments

The process of retrenchment affects all forms of labour in all countries. Retrenchments as a result of privatisation are common all over the world as observed in countries such as Haiti (Bond, 1997) and some African countries such as Cote d' Ivoire, Guinea, CAR, Mali, Senegal, Guinea-Bissau, Djibouti, South Africa (Bayliss & Hall, 2000). Described earlier in this research, retrenchments are effected due to operational requirements of the employer. These requirements may include factors such as lack of economic activity, factory closure, factory relocation, organisational restructuring and technological redundancy. The operational requirements are determined by the employer, and according to Manuel & Quiambao (2001) the sad part about retrenchment is that it comes as a surprise and on short notice. Employers compound the workers' misery by putting off the information as long as it could, thinking it to be prudent to advise employees only at the last minute as a precaution against the harm

they could possibly do to the company's property. When it is inevitable that retrenchments cannot be avoided, employers consult with the employees that could be affected through unions where collective bargaining is in place and individually where no such bargaining is in place and rarely negotiates with the employees about the pending retrenchments and how they could be avoided. When retrenchments are implemented, little consideration is given to what actually happens in the lives of the employees and how the employee's lives are going to be affected by the loss of jobs. Retrenchments happen during periods when the economic markets are finding it difficult to create and sustain employment. According to Bokhari (2001), the voluntary separation schemes are not properly timed. These steps are being enforced during recession and not at the time of high economic growth, when alternative jobs are created.

The focus on the process of retrenchments has often been on job losses and the implications of job losses on the economic activity. Seldom has the focus been on the implications of retrenchments on human lives. Retrenchments affect individuals in a number of ways. The effects of retrenchments on people include psychological, emotional, economic, legal and social factors. A study by Manuel & Quiambao (2001) reveals that the reality of preparing people to accept the eventuality of losing their jobs can be a traumatic process. Usually individual who are affected by retrenchments have an experience of more than ten years in the service. A cumulative percentage of the respondents who took the packages were 84.6%. These individuals had spent their time building friendship. They were not just educators who were involved in the teaching and learning of the learners, but they were colleagues, who were sharing their lives with their colleagues, learners and the community. Retrenchment breaks the lifetime commitments of these individuals. Work to them has been a way for them. Their

places of work are places where they spend the better parts of their lives. They share moments of achievements, happiness, sorrows, depressions at their work places and retrenchments often destroy these individuals' most cherished moments. They break these individuals' pattern of life. According to one of the respondents during face of face interview, "the first day you are at home and knowing that you are not going to work is traumatic. I was awake at the usual time I go to work and by the time everyone was gone and I was left with the housemaid, I knew that retrenchments had taken away my life". Another remarked that, "what I miss most is the staff room chat. Talking and discussing about a range of issues that affect us. Now, all one can do is to sit at home and brood except when one has a household errand to take." This indicates living your life without a sense of purpose. Terminations take away whatever gave meaning to these individuals' daily activities.

The most difficult experience these individuals encounter is making adjustments to their lives. As most often these adjustments are economic, the families of the individuals who have lost their jobs are themselves traumatized. The loss of income deprives the family of the security they were used to before a member of the family lost the job. Quite often, the drop in the standard of living results in the drop in the social status. Traditionally, the government was the major employer and job losses in the education field are difficult for teachers because employment for the teaching profession is scarce outside the department of education. Teachers who lose their jobs are forced to seek employment in careers in which they were not trained for. The income in the new jobs is usually far lesser than when they were still teachers. The loss in income becomes a burden for the victim's family as it is accompanied by loss in benefits such as pension funds, medical aid, and housing subsidy.

Medical aid and housing subsidy are especially crucial. Medical aid is an insurance that covers the medical expenses of the principal member the dependants and covers all the health needs of the family. Medical aid gives the family access to first class medical attention. The family can consult with the best specialist depending on the availability of funds in their scheme account. They can also go for treatment in private hospital. Loss of this income associate benefit means that the family has to consult general practitioners and go for treatment in public hospital. In the words of one of the victims: "Public hospitals have a feeling of sickness. To receive treatment one has to queue in long rows with people of different illness. The service delivery is slow and one gets depressed just thinking of going to public health care utilities". This is difficult for patients who are used to receiving medical attention in private hospitals. You receive treatment at the hospital through your medical specialist. Reception at the hospital is personalized and you are wheeled to your ward irrespective of what your ailment is. There is a medical attendance at your call at all times. The atmosphere in the wards is relaxed and fresh unlike in public hospital where there is stench of medicines and patients. Loss of medical aid assistance as a result of retrenchments renders the family incapable of affording medical bills at the private hospital and thus family members have to receive medical treatment in public hospitals. cursory discussions with people waiting their turn to see the doctors in public hospital reveal the extent of the level of medical care with comments such as they are wasting their time waiting to receive painkillers and a prescription to collect the medicines at the pharmacy.

Due to high hardware costs of building a house, most workers buy their houses through mortgage bonds. The government subsidizes mortgage bonds for public servant. The housing subsidy is a scheme in which the employer pays a certain percentage towards

the mortgage repayment by the employee. In the face of high mortgage bonds, the housing subsidy enables the workers to take mortgage bonds at a lower repayment from themselves. As a result of retrenchment, workers lose the benefit of a housing subsidy and this results in loss of houses for the retrenchment workers. Most often retrenchment results in loss of income, which means that the retrenched workers cannot keep up to date with the mortgage bond repayments. In most cases where the severance packages are not enough to cover the mortgage bond balances, the financial institutions repossess the houses and most families are left homeless. In a country such as South Africa where there is a backlog of housing amounting to million houses, getting a house when you lose your house is a traumatic experience. For housing allocation under the Reconstruction and Development Programmes (RDP), the waiting list is enormous and people wait for many years before they get a house. In the meantime people have to live in squatter areas or lease for those who can afford to rent a backroom in someone's yard. Homelessness is a problem that affects many people in South Africa. Most homeless people stay in the shacks in informal settlement. These settlements are not properly planned and they lack basic infrastructure such as roads, water supply, sewerage service, electricity supply, schools health facilities and sporting and recreational facilities. When these families lose their homes, they not only forsake a house, but also friendships built with neighbours, friends, club associates, school mates and church mates.

Young children are traumatised when they leave the situation they are used to and begin a new life with few opportunities for their development. In their new places of residences, schools are far for school going children and these children use public transport to travel to school. Often, the vehicles they use are not roadworthy which

results in accidents. Since these settlements do not have sporting and recreational facilities, the children's development is hampered because they grow up without taking part in sports and culture. These children are denied the opportunities to learn life skills. Often, children from these settlements are into drugs, alcohol, cigarettes, gangsterism and unsolicited sex. Retrenchments break family ties and values, standards and morals of the family degenerates.

Loss of income in the family also affects the education of children. According to one of the respondents interviewed, "I have had to remove my children from a good former model C in town because I could not afford the school fees anymore, and placed them in a cheap township public school where the level of education standards is low due to a lack of proper teaching and learning facilities'. Most of the public schools in the township have a poor history of discipline. The teachers do not have access to such facilities such as libraries, laboratories, computer centres and teaching and learning is still textbook based. Learners cannot do research because they have no libraries. Their only source of information is their teacher and the textbook. The learners cannot do experiments because there are no laboratories and technological centres. As the school fees are low, the public schools in townships cannot afford to acquire most of these facilities on their budgets. This leaves the learners with low competencies like learners in former model C and private schools. Learners in public township schools are often not exposed to career opportunities and subject selection is based to career opportunities and subject selection is based on what subjects the school offers. Often the subject chosen do not include technical subjects. As a result of the system of colour bar, which placed restrictions on certain types of jobs, most teachers in township public schools are not property trained in these subjects. The subject chosen limits career opportunities for

the learners in township public schools. These learners cannot register for engineering studies as a result of failure to receive training in related subjects. Also, because the pass grades at these schools are poor and the quality of the marks are low, the learners find difficult to obtain bursaries and scholarships. This, results in a lot of learners who have matriculated but cannot further their studies. This, further fuels the cycle of jobless as these learners cannot break into the job market as a result of lack of proper skills.

Income loss creates a financial strain on the budget of the family. This is even worse where the retrenched individual was the breadwinner in the family. Often before the individual is retrenched, the family can afford certain expenses depending on the income in the family. More often monthly household expenses (Shown in Table 9) include buying groceries and cosmetics, paying off clothing accounts, hire purchase or even car financing charges, paying service charges, water, maintenance services and electrical services. Some families included entertainment costs, travelling costs and holiday finances on their budgets. With the loss in income the family has to prioritise on the usual monthly household expense and the current expense are drastically reduced. This results in the standards of living of the family being reduced. Members of the family cannot anymore afford to buy the nourishing healthy food and now depend on staple diet. Some families reduce on the ration per serving while others reduce the number of meals per day. This denies the family to have the recommended calorie intake per day. Sometimes the family cannot afford the intake of basic foodstuffs. The energy levels of the family members drops and their health is put at risk and the immune resistance is affected by the loss of proper nutritional diet.

As the families make adjustments to their monthly household expense, they cut out on monthly instalment such as clothing accounts, car finance charges payments and furniture hire purchase payments. This means that the family cannot afford the trendy dress wear they are used to. Most people are brand conscious and often choose expensive dress wear. The loss of income leads the family to change their dress wear style and is often difficult on the young members of the family as peer pressure is too much if you are unable to keep up with style. Demand for in-style dress wear often add more strain on the dwindling financial situation of the family and leads to unnecessary conflict on the family. The family cannot afford to make payments on hire purchase. Families cannot afford to replace the furniture that suffers from wear and tear. As a result the quality of the household looks old and dilapidated. This is also the case with motor vehicles, which do not receive regular maintenance and upkeep. The vehicles will eventually looks shabby and rundown. It ends up being a liability to the owner because it requires regular repairs as a result of lack of maintenance and upkeep.

Lack of reliable and properly maintained motor vehicles reduces the number of travelling the family usually undertakes. Without a reliable motor vehicle, families depend on public transport for their travelling. They use public transport to do the shopping, visiting, learners going to school and running general family errands. This becomes costly for the family because public transport charge fees per head unlike when the family uses the family car and fuel and maintenance re-changed to a family budget. Lack of reliable motor vehicle and loss of income also means that the families cannot attend entertainment and also going on holiday becomes expensive for them. Usually holidays are undertaken for relaxation and entertainment. While on holiday, children as well as adults also get the opportunity to increase their general knowledge

and information. The families cannot go out and enjoy as a family. They cannot go out to see new places and meet new people. Lack of transport also means that families cannot visit the extended members. The ties that bonded the families and their extended families are broken. The children grow up not getting acquainted with their grandparents, uncles, aunts and the rest of extended family. The children grow up not knowing their kith and kin.

Loss of income does not only affect the individuals and their households. With the South African economy failing to create enough employment and with the unemployment high rate, the extended family of the individuals often suffers as a result of the individual's loss of work. Studies indicate that the individuals often supports close to eight other households on his / her income. These families include the families of the housemaid, gardeners, neighbours, siblings of the individuals, parents and grandparents. These families depend on the individuals for foodstuffs, clothing, health care expense, schooling expenses and money. Loss of income increases the need of these families including the family of the individual. This often leads to poverty and the cycle of poverty increases as a result of job losses and the failure of the economy to create enough or alternative employment. This becomes more compounded when retrenchments occur in most economic sectors. It is difficult for young members of these families to break into the job market. As discussed earlier, retrenchments often happen during periods of economic redundancies. This leads to high levels of unemployment.

Loss of income also affects the local economy. Findings indicate that general household expenses decreased as a result of retrenchments. This means that the local

economy cannot sell the amount of goods per month as they often did before the people were retrenched. Lower sales targets per month for the business, means that at the end of the financial year there will be a lower turnover rate and therefore lower profits. If the business makes low profits, it means that the business cannot re-invest a lot of money and can therefore not afford to expand the business. Failure to expand the business means that the business cannot create further employment. Also, when the business fails to reach their budgeted profit targets, they often restructure their business and design new business goals and objectives. The new plans often include retrenching workers increases the levels of unemployment. Sometimes when business has stagnated, alternatives include business closure, which affects the capacity of the local economy to supply goods and services. As big business closes shop, small business in the forms of general dealers and spaza shops erupts. These forms of business are usually family businesses and often employ a small number of workers on low income, the income of these workers is so low it cannot maintain and support families adequately.

This discussion has arisen primarily out of the results of analysis in chapter 4. The two research hypotheses were both confirmed in 4.2.12, indicating that retrenchments have created socio – economic hardships for people.

5.3 Recommendations.

Job losses as a result of retrenchment are common all over the world. Studies indicate that job losses as a result of economic restructuring are common in most Third World countries. Most Third World countries share the common characteristics of unemployment, poverty, excessive debt and low gross domestic product. These

conditions further increase the underdevelopment of the Third World countries and the capacity of these countries economies is lowered. Their income distribution is unequal. In a country where the unemployment is as high as 30 % (COSATU, 2004 b) such as South Africa, job losses increases poverty and income inequality between black and white people and the managers and floor workers. Retrenched workers often go back to their families with very little money and join the millions of unemployed who live in poverty (COSATU, 2000 d). Public sector retrenchments affect mostly black people. An analysis of public sector retrenchments affect mostly people in the former homelands where the governments were the major employers. Job losses in the mining sector affect unskilled migrant workers from these former homelands. Even job losses in the manufacturing sector, and which are the direct consequence of trade liberalisation, affects mostly black people.

The result is that the majority of black people live in poverty. According to The Educators Voice (2004, a), income inequality is widening in South Africa. This situation is likely to degenerate the nation's values and morals and lead to crime and lawlessness as solidarity is replaced by crass materialism and the survival of the fittest. Many workers are unskilled and this leads to shortages of skilled labour. Wages are often low and below the poverty level. Governments of these countries are unable to generate income and depend on foreign debt for their operation. South Africa is no exception to this.

In order to reduce poverty and unemployment, government in Third World countries further increase their debt burden by taking more loans from the World Bank and International Monetary Funds (IMF). Often these countries cannot afford to pay back

the loans as their balance of payments indicated a negative balance, as the income generated by the government cannot pay off all their debts. For the World Bank and IMF to continue monetary assistance to these countries, they design structural adjustments, which are aimed at helping these countries to generate income that will pay off their debts. These structural adjustments include privatisation of the state owned enterprises, liberalization of domestic markets as well as opening the markets to global invasion.

The implementation of these structural adjustments often has adverse effects on the labour force of the country. In order to accommodate these structural adjustments, the governments restructure the economy with the implementation of new economic policies. The key to economic restructuring is the withdrawal of the state in production through the privatisation of state enterprises. Privatisation of state owned enterprise leads to massive job losses. In South Africa, privatisation has resulted in a lot of job losses for civil servants including teachers. The most severe of these job losses occur in the municipal services and the telecommunication parastatal (TELKOM), where outsourcing has resulted in the services being provided through the tender boards and in TELKOM where asset restructuring has led to the private ownership of this enterprise. Although the policy of GEAR has promised to provide sustainable job creation, continued retrenchment and threats of retrenchment in almost all the major economic sectors, has resulted in the growth of unemployment. This is due to the fact that GEAR places a greater responsibility on the private sector for the success of the policy (Molebatsi, 1998). Simply, the South African economy has failed to live up to the desired economic growth and has thus failed to create sustainable jobs in order to accommodate most of the young and enthusiastic job seekers while keeping the core of

the workers already in employment. The situation is likely to increase as a result of the 1 January 2005 end of worldwide textile quotas that limited competition from cheap Asian exports to the United States and European Union (Daily Sun, 2005).

As indicated previously in this discussion, retrenchments do indeed affect people negatively and they contribute to the cycle of poverty that is observable in most Third World countries. Is it possible to avoid retrenchments and if not what can be done to ease the effects of retrenchments? The most difficult part is the employers who stall to announce retrenchments until the last minute. This gives people who take retrenchments little time to prepare themselves for the process of being without a source of income. Although the Labour Relations Act stipulates that the process of retrenchments should be transparent and consultative, it nonetheless fails to give clarity on how long negotiations should take before retrenchments are implemented. Individuals to be retrenched need a cooling off period of at least a year to sort out their financial affairs, social relationships as well as psychological conditions before they are actually put out of work as a result of retrenchments.

South Africa is faced with a challenge of developing policy that will lead to economic growth based on labour-intensive production. In dealing with the issues of job losses, the Labour Relations Act must be amended to make retrenchments an issue of negotiations rather than consultation (COSATU, 2000 d). Employers and employee' representatives should engage and negotiate strategies to avoid retrenchments. The strategies may include:

- Negotiating salary cuts and salary freezes as a means of cutting costs and avoiding retrenchments;

- Improving productivity through employee-based incentives;
- Introducing “short-time, where employees are rested during the time of economic slow-down;
- Working a reduced week;
- Partial or wholesale purchase of the industry by employees.

The individuals identified for retrenchments should be given training in entrepreneurial skills. In the case of teachers, often individuals who take severance packages have different skills and aptitudes. With proper training, these individuals can learn skills such as food processing, metal engineering, wood manufacturing, building, carpentry, welding and confectionery skills. This would give them an opportunity to invest their packages in a profitable way. Owning a business will give the retrenched individuals a source of income in the form of profits and also create employment for the lot who will be unemployed. Training people in entrepreneurial skills will benefit the economy because it will lead to economic growth and will also generate enough income for the government in the form of taxes. It will also ease the pressure on the government as the government will spend less money on social welfare and instead the government will be able to channel the money towards the fight against HIV-Aids and health care for the needy and poor.

The key to good investment lies with the professional guidance these individuals would receive regarding their financial investment. Cameron (2004) argues that sound financial planning can make your retrenchment package work a lot harder for you. In the case of retrenched teachers, the government must sub-contact financial consultants to help these individuals to design a financial profile detailing the individuals expected

expenditure, income, level of debt, emergency savings, realizable assets and preservation of retirement savings. This will help the individual to know what the financial future will be after the retrenchments. It will also help them to know what to do with the retrenchment packages. If the individuals decide to invest in a business, they should be guided properly towards investing in a business that is not likely to fail but that will yield good returns and be able to employ a sizeable number of people as not all people can succeed in business, those individuals who are unable to find employment must be placed on the employment placement agencies in order to enhance their chances of finding employment.

While it is important to prepare the individuals for the time when they will be out of work, it is also important to make timeous payouts of the retrenchment packages. Presently, the government takes a long time before the retrenchments packages are paid out. This leads most individuals to fall victims to cash loan operators who charge high interest rates. Most people who are retrenched had not provided for emergency savings and when they are retrenched, they find themselves without any source of income and they have nowhere to fall on. For those first months before the retrenchment packages are paid out, the individuals and their families find it difficult to make ends meet, especially for those families where the retrenched individual was the breadwinner. Timeous payouts of the retrenchments packages would allow the individuals the opportunity to adjust without facing financial difficulties. Also timeous payouts will not derail the financial planning of the retrenched individuals. If retrenchments are not handles dramatically by announcing them unexpectedly, and if the retrenched individuals are allowed a cooling off period, the retrenchments packages can be worked

out and finalised so that the individuals can be paid out within the first month of taking the packages.

As South African is a newly democratised and an all-inclusive government, which has inherited anomalies from the past segregationist regime, the idea of implementing the structural adjustments soon after coming to power is both burdensome to the government and poverty creating in general. While these structural adjustments are designed to influence foreign investment confidence, they should be implemented specifically to improve the social welfare of the inhabitants of the country. The government should aim at job creation targets, which are attainable. Instead of compromising the status of the present employment profile through retrenchments, the governmental could aim at promoting internal job opportunities that are not dependent on foreign investment. By urging for the liberalization of the markets, most foreign countries do not invest in production-oriented enterprises, but dump finished goods from their countries at unbelievable low prices. Locally based production cannot compete with these prices and in the process most businesses collapse and close shop. This further increases the potential for job losses.

Promoting internal investment aimed at massive job creation will decrease the level of unemployment and increase the potential for job creation. Promoting internal investment aimed at massive job creation will decrease the level of poverty and increase the social well being of the inhabitants of the country. While imported investments will go a long way towards alleviating the job crisis in South Africa, their investment probability cannot be dependent upon because the criteria for most multi-nationals has been to operate their production centres in countries where they can obtain cheap

labour. Most multi-nationals export finished or semi finished products instead of opening industries in countries where the products are sold.

As the government still depends on civil servants in order to provide good quality service to the citizens of the country, the government should try to distribute labour according to the skills needs of each department through redeployment. All government labour needs should be negotiated in the Public Sector Co-ordinating Bargaining Council where excess labour from one department could be moved to a department where labour is needed. The government should retrain redeployed workers, as it will still require the government to train the labour it will recruit from outside the government salary system. Redeploying labour within the system will save the government the cost of paying on unworked time as severance packages include housing or accommodation allowance, motor vehicle, allowance, annual bonus, employers contribution to a medical aid scheme, pension fund and employers contribution to funeral or death benefit scheme calculated in terms of Section 35(5) of the Basic Conditions of Employment Act (No 75 of 1997) (Cameron, 2004). Labour needs change from time to time and the government can expect to hire more labour if more labour is needed after parting with exorbitant amounts through severance packages. Although redeployments have psychological effects on individuals and their families, the psychological pressure is not further increased by the loss of income as the individual and their families, the psychological pressure is not further increased as individuals will still be able to take something home in the form of a salary at the end of the month.

The South African government can save the declining levels of job losses by freezing the public sector retrenchments. According to Baskin (1999), the public service has lost about 170 000 jobs between 1996 and 1999. Such job losses have a far reaching implications on the economy because job losses in the public service affects jobs in the retail industry which in turn affects jobs in the primary industries. Estimations indicate that 8 million dependents benefit from the salaries of the public servants (COSATU, 2002 c). Public service job losses will increase the destitution of black people as more industries promise to loose more jobs. The mining industry has lost 11 079 jobs (Bain & Ntuli, 2005) already and promises to loose more. According to (COSATU, 2004 b), more than 20 000 jobs are at stake with TELKOM threatening to lay off 12 000 workers, East Rand Property Mines shedding 5 000 jobs, while Old Mutual will put 5 000 workers into the cold as it joins the profit frenzied trek to the London Stock Exchange.

The key to the eradication of loss of income and poverty is through job creation and retention. Job losses must be the last strategy that is implemented by employers. Employers should negotiate the position of the company or employment with the workers individually or with the representation of the workers about the possibility of reducing the monthly income or imposing a freeze on annual increments for the workers. Most job losses occur during high inflationary periods when the value of the currency is devalued when compared to other currencies. High-income levels and pressure for increments have led many employing institutions to retrench workers or close shop as the cost for keeping labour becomes top expensive for the institutions.

Another strategy related to the above pertaining to job creation and retention is establishment of the Job Creation Fund. Such a fund was established in the past and it helped the government to create employment through the Reconstruction and Development Programme (RDP) and the Masakhane Projects. All employees in all sectors of the economy should contribute an agreed monthly fee to the Fund. According to the Educators Voice (2004 a), COSATU argues that the government should consistently pursue economic and trade policies that should include interest rate cuts, keeping exchange controls in place-reinforced by speed bumps' to protect the economy from the disruptive effects of speculation on world financial markets. Promoting the development of key economic sectors will lead to economic development, which is important to the sustainability of job creation and growth.

Although globalisation has difficult consequences for labour in South Africa, there is more to be learned from the success of other countries. Netherlands's and Ireland have made a success story of their globalisation transition (Barker, 2003). They both introduced a number of measures to improve their economic and labour market performance. The measures included:

- Introduction of wage restraint.
- Cutting and eventually freezing minimum wages.
- Cutting public spending sharply.
- Reducing the social security contributions of employers.
- Making part – time work popular by permitting part-time to be paid less than full-timers for the same job.
- Reducing unemployment benefits and making it harder to qualify for such benefits.

- Promoting work experience through unemployment benefits.
- Radically reforming sickness benefits to ensure that they are more cost-effective and placed emphasis on prevention.
- Linking wage increases to productivity.
- Enabling environment for job creation by bringing government expenditure under control.
- Trading tax reductions in wage negotiations.
- Channelling substantial resources in education.
- Increasing the number of young people combining work and training.
- Stabilising industrial peace, which together with other policy initiatives attracted foreign multi-nationals.

The major recommendations may be summarised as follows. In order to ease the socio – implications of retrenchments and sometimes avoid them, employers may:

- ❖ Train retrenched individuals in skills that will empower them to invest in small – business development.
- ❖ Give professional guidance regarding financial planning which includes designing a financial profile detailing the individuals' expected expenditure, income, level of debt, emergency savings, realizable assets and preservation of retirement savings.
- ❖ Timely payouts of retrenchments will help victims of retrenchments to avoid cash loans operators.
- ❖ Promoting internal investment aimed at massive job creation will decrease the level of unemployment and increase the potential for job creation.

- ❖ In order to avoid retrenchment, retrain employees in other skill for possible redeployment within the institution and outside.
- ❖ Negotiating with the employees individually or through employee representatives about the possibility of reducing monthly income or freezing annual increments.
- ❖ Creating the Job Creation Fund aimed at creating jobs and in order to protect the created jobs, the government should consistently pursue economic and trade policies that should include interest rate cuts, keeping exchange controls in place – reinforced by speed bumps’ to protect the economy from the disruptive effects of speculation on world financial markets.
- ❖ Stabilising industrial peace, which together with other policy initiatives will attract foreign multi – nationals.
- ❖ Introducing “short – time”, where employees are rested during the time of economic slow – down.
- ❖ Partial or wholesale purchase of the industry by employees.

5.4 Conclusion

The purpose of this study was to investigate the socio – economic impacts of retrenchments in Qwaqwa. Data was collected through questionnaires and interviews. This was analysed using both qualitative and qualitative techniques. The findings allowed for the testing of the research hypotheses, both of which were confirmed. The study was premised on the twin issues of the relationship between retrenchments and the loss of income and the drop in the living standards of people.

Through analysis and discussion, the objectives of the study were addressed. The first was to investigate if retrenchments have led to loss of income for the teachers and their households. The second objective was to investigate if there is a link between the drop in the standard of living and retrenchments. The third objective allowed for several recommendations to be advanced. These recommendations have been presented as guidelines for both the provincial and national government that could help in managing the retrenchment process better.

Overall, the research problems have been addressed and it has been shown that there is a consistent relationship between retrenchments on one hand and, both a loss of income and a drop in the standard of living.

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APPENDICES

APPENDIX A

QUESTIONNAIRE

Socio – Economic Implications of Teacher

Retrenchments in Qwaqwa, 1996 – 1999

A EMPLOYMENT HISTORY

1. Age group when applying for packages

21 – 30	31 – 40	41 – 50	51 – 65
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2. Salary scale (Gross per month) before applying for the package

2500 – 4000	4001 – 5500	5501 – 7000	7001 – 8500	8501 – 11 000
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3. Number of years teaching experience

1 – 5	6 – 10	11 – 15	16 – 20	21 – 25	26 – 30	31 and above
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4. Employee Benefits

(i) Member of pension fund YES/ NO

(ii) Member of medical aid YES/ NO

(iii) Member of housing subsidy YES/ NO

5. Other employee Benefits

Please list if any

(i) _____

(ii) _____

(iii) _____

6. Number of immediate dependents

1	1 - 2	1 - 3	1 - 4	1 - 5	1 - 6	1 - 7	1 - 8	1 - 9	1 - 10
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7. No. of other dependants

(i) _____.

8. Personal success

(i) Did you have a house? YES/ NO

(ii) Did you have a car? YES/ NO

(iii) Did you have furniture? YES/ NO

B DETAILS AFTER THE PACKAGES WERE TAKEN.

1. Why did you apply for the packages?

Voluntary Package	Severance	Early Retirement Package	Resignation Package
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2. What did you find wrong with the package?

Give reasons

3. Did you find another employment? YES/ NO

4. If you found work, how much is the salary range per month?

Less than 2500	2501 4000	– 4001	– 5500	5501 7000	– 7001	– 8500	8501 11000	– 11001 and above
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5. How many dependents were affected by the loss of work?

1	1 – 2	1 – 3	1 – 4	1 – 5	1 – 6	1 – 7	1 – 8	1 – 9	1 – 10	Above
---	-------	-------	-------	-------	-------	-------	-------	-------	--------	-------

6. How much are your basic expenses every month?

1000	2000	3000	4000	5000
------	------	------	------	------

7. Do you own a house?

YES/ NO

8. If the house was bought through the mortgage bond, did the package cover the balance?

YES/ NO

9. Do you own a car?

YES/ NO

10. If the car was bought through credit finance, did the package cover the balance?

YES/ NO

11. Do you own furniture?

YES/ NO

12. If the furniture was bought through hire purchase, did the package cover the balance?

YES/ NO

13. Are your children still at school?

YES/ NO

14. If your children are still at school, is the package enough to cover tuition fees until they graduate?

YES/ NO

15. Do you still afford the medical expenses?

YES/ NO

16. Is the package enough to last you a lifetime?

YES/ NO

17. Are there any difficulties you face in your life after the packages were taken which you never faced before?

Economic difficulties

Social difficulties

18. Suggestions on how the retrenchment packages should be handled in the future to ensure prosperity.

APPENDIX B

FACE – TO – FACE INTERVIEW – QUESTION SCHEDULE

1. What do you find most difficult about being retrenched?
2. What have you missed most as a result of retrenchment?
3. How has retrenchments affected you and your family?
4. What do you suggest should be done to make retrenchments more accommodating for retrenched individuals?

APPENDIX C

P. O. Box 14944

WITSIESHOEK

9870

Cell: 082 254 6648

District Manager

Thabo Mofutsanyana District Office

Private Bag x 817

WITSIESHOEK

9870

Sir/ Madam

Re: Request for information to be used as data in a research.

I hereby wish to request for information on retrenchments offers presented by the Free State Department of Education to be used as data of the research. The research topic is: SOCIO – ECONOMIC IMPLICATIONS OF TEACHER RETRENCHMENTS IN QWAQWA, 1996 – 1999. The information requested is as follows:

1. The names of teachers who took retrenchments packages between 1996 and 1999. The list is to be used for sampling frame.
2. The retrenchment packages guidelines document.
3. The 1996 three-year agreement document.

I hope this request will be granted and also hope to hear from you in the near future.

Yours sincerely

L. S. Phakisi (Mr)

APPENDIX D

P. O. Box 14944

WITSIESHOEK

9870

Cell: 082 254 6648

SADTU Branch Secretary

P. O. Box 14357

WITSIESHOEK

9870

Sir/ Madam

Re: Request for information to be used as data in a research.

I hereby wish to request for information on retrenchments offers presented by the Free State Department of Education to be used as data of the research. The research topic is: SOCIO – ECONOMIC IMPLICATIONS OF TEACHER RETRENCHMENTS IN QWAQWA, 1996 – 1999. The information requested is as follows:

1. Literature and statistics on retrenchments in South Africa as a result of privatisation.
2. The retrenchment packages guidelines document.
3. The 1996 three-year agreement document.

I hope this request will be granted and also hope to hear from you in the near future.

Yours sincerely

L. S. Phakisi (Mr)

APPENDIX E

P. O. Box 14944

WITSIESHOEK

9870

Cell: 082 254 6648

The Editor

The Educator's voice

P. O. Box 260888

EXCOM

2023

Sir/ Madam

Re: Request for information to be used as data in a research.

I hereby wish to request for information on retrenchments offers presented by the Free State Department of Education to be used as data of the research. The research topic is: SOCIO – ECONOMIC IMPLICATIONS OF TEACHER RETRENCHMENTS IN QWAQWA, 1996 – 1999. The information requested is as follows:

1. Literature and statistics on retrenchments in South Africa as a result of privatisation.

I hope this request will be granted and also hope to hear from you in the near future.

Yours sincerely

L. S. Phakisi (Mr)

APPENDIX F

P. O. Box 14944

WITSIESHOEK

9870

Cell: 082 254 6648

The Editor

The Shopsteward

P. O. Box 1019

JOHANNESBURG

2000

Sir/ Madam

Re: Request for information to be used as data in a research.

I hereby wish to request for information on retrenchments offers presented by the Free State Department of Education to be used as data of the research. The research topic is: SOCIO – ECONOMIC IMPLICATIONS OF TEACHER RETRENCHMENTS IN QWAQWA, 1996 – 1999. The information requested is as follows:

1. Literature and statistics on retrenchments in South Africa as a result of privatisation.

I hope this request will be granted and also hope to hear from you in the near future.

Yours sincerely

L. S. Phakisi (Mr)

