

Issues Paper No 23

Employment Relations and Human Resource Management in Small Firms: An African Perspective

by Tayo Fashoyin

ILO Sub-Regional Office for Southern Africa

Copyright © International Labour Organization 2006

First published May 2006

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorisation, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered in the United Kingdom with the Copyright Licensing Agency, 90 Tottenham Court Road, London W1T 4LP [Fax: (+44) (0)20 7631 5500; email: cla@cla.co.uk], in the United States with the Copyright Clearance Centre, 222 Rosewood Drive, Danvers, MA 01923 [Fax: (+1) (978) 750 4470; email: info@copyright.com] or in other countries with associated Reproduction Rights Organisations, may make photocopies in accordance with the licences issued to them for this purpose.

ISBN: 92-2-118778-0 and 978-92-2-118778-3 (print)

ISBN: 92-2-118779-9 and 978-92-2-118779-0 (web pdf)

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: pubvente@ilo.org

Visit our website: www.ilo.org/publns

Cover design and typeset by Fontline International

Printed in Mauritius

ILO Sub Regional Office for Southern Africa Paper Series

1. Labour Standards in Export Processing Zones: A Southern African Perspective
Joost Kooijmans, David Tajgman and Aurelio Parisotto, 1996
2. Shaping a Labour Market Based Training Policy for Lesotho
Torkel Alfthan and Theo Sparreboom, 1997
3. The Social Protection of Migrant Workers in South Africa
Elaine Fultz and Bodhi Pieris, 1997
4. Labour Migration to South Africa in the 1990s
ILO/SAMAT, 1998
5. Industrial Relations in Southern Africa: The Challenge of Change
Tayo Fashoyin, 1998
6. Definitions and Legal Provisions on Child Labour in Southern Africa
Joost Kooijmans, 1998
7. Employment Injury Schemes in Southern Africa: An Overview and Proposals for Future Directions
Elaine Fultz and Bodhi Pieris, 1998
8. Occupational Health and Safety in Southern Africa: Trends and Policy Issues
Rene Loewenson, 1999
9. Agriculture, Employment and Poverty in Malawi
Thandika Mkandawire, 1999
10. Improving Labour Market Information in Southern Africa
Theodore Sparreboom, 1999
11. Social Security Schemes in Southern Africa: An Overview and Proposals for Future Development
Elaine Fultz and Bodhi Pieris, 1999
12. Enclavity and Constrained Labour Absorptive Capacity in Southern African Economies
Guy C.Z. Mhone, 2000
13. The Impact of Globalization on Local Communities: A Case Study of the Cut-Flower Industry in Zimbabwe
Robert Davies, 2000
14. Strategies to Combat Youth Unemployment and Marginalisation in Anglophone Africa
Godfrey Kanyenze, Guy C.Z. Mhone and Theo Sparreboom, 2000
15. Wages through Booms and Recessions: A Case Study of Zimbabwe
Mkhululi Ncube, 2001

16. Microfinance in Mozambique: Are Donors Promoting Regional Feminisation of Poverty?
Pion de Vletter, 2001
17. Female Itinerant Maize Traders in Southern Mozambique: A Study of a Higher-End Informal Sector Activity and its Potential for Poverty Reduction
Pion de Vletter and Emilia Polana, 2001
18. Coping with Extreme Poverty through Traditional Skills: The Case of the Xirundzu Basket Makers of Mozambique
Pion de Vletter, 2001
19. Gender Equality in Employment: The Legal Framework in the Case of Zimbabwe
Lovemore Madhuku, 2001
20. SAMAT Strategic Planning Paper and Success Stories
ILO/SAMAT, 2003
21. Addressing the Decent Work Deficit in African Agriculture: Priority Issues
Mohammed Mwamadzingo, 2003
22. Giving Voice to the Unprotected Workers In the Informal Economy in Africa: The Case of Zimbabwe
Godfrey Kanyenze with Tariro Chitiyo, Tafadzwa Mahere, Tapiwa Makwavarara, Precious Mbire, and Emmaculate Moyo, 2004

Contents

Contents	iii
1. Introduction	1
2. The issues and research	3
About the study and methodology	5
3. Trade union representation and the consultative process	7
Workers and trade union organization	7
Employee relations and the consultative processes	8
4. Employee involvement, grievances and discipline	11
Participation and labour-management cooperation	11
Grievance and disciplinary processes	12
5. Compensation and Wage Determination	13
Benefits and other conditions	14
The determination of wages and conditions	15
6. Conclusion	17
Bibliography	19

1. Introduction

There is an increasing awareness of the great potential of small- and medium-scale enterprises (SMEs) as engines of growth and development in developing economies. In general, such enterprises tend to be more employment- than labour-intensive as well as more dependent on domestic input resources, thereby providing greater linkage effects. In Africa SMEs can be found in all sectors, from extraction, manufacturing, construction, and wholesale and retail trade to transportation and communications, producer services and personal services. SMEs are defined in various ways, with the definition varying according to national conditions. However, in many developing countries a “medium-sized” – could have as many as 100 or more workers- firm is in fact relatively large. In addition, firms with highly seasonal demand can be difficult to classify. For example, a firm such as a food processing plant with few permanent employees may triple its number of employees during harvest season.

SMEs are a major source of current employment and job growth. However, they are also vulnerable to volatile markets and have low survival rates. Firms of this description generally lag behind larger enterprises in areas such as employment rights, wages, conditions of work, job security, health and safety, training and consultation. Moreover, the way in they organize and manage productivity improvement not only affects their profitability, competitiveness, social performance and contribution to the economy and society, but also, and ultimately, their survival.

Productive and competitive enterprises are essential for advancing the decent work agenda, i.e. ensuring minimum standards for workers’ safety, security and well-being and respect for their rights at the workplace. Those enterprises that are able to survive, expand and grow are able to create and sustain jobs. In other words, decent work is a prerequisite for enterprises to sustain and continuously improve their productivity and competitiveness in order to remain viable.

Although productivity is a major concern of all enterprises, it is particularly important for the survival and expansion of small firms. It is a fundamental measure of a company’s performance and profitability, and a key indicator of a firm’s survival prospects. Higher productivity assures a company’s competitiveness and growth, and in turn, has a positive effect on employment conditions.

Understanding how the labour-management partnership develops in SMEs, as well as the forces encouraging or deterring that development, is an important first step in helping these enterprises become more productive and competitive.

How the entrepreneur-manager and workers see themselves and each other as key stakeholders in the business and to what extent they combine efforts to achieve enterprise productivity and profitability for their mutual benefit and the benefit of other stakeholders is crucial. The labour-management partnership is an as yet unacknowledged strategy for enterprise performance, productivity and competitiveness, even though it is key to creating a virtuous circle between productivity and decent work in any enterprise.

Harmonious labour relations are essential to an enterprise's competitiveness and sustainability. The role of employment relations and human resources management, whether in large organizations or small enterprises, has attracted considerable academic attention, and the aim of this paper is to contribute to this debate from the African perspective.

2. The issues and research

Until the recent outpouring of literature on the employment relationship in small firms and SMEs, most research in this area had focussed on large organizations, even though the findings suggested that employment practices of the latter have limited application in the former.¹ The increased attention on the nature of the employment relationship in small firms has not only highlighted these differences but also placed considerable attention on the extent of the voice mechanism and the implications for organizational and employment rights, as well as the role of workers in organizational performance. This orientation is important when dealing with the preconceived notion of the employment relationship in small firms.

The debate on the nature of the employment relationship in small firms falls into two divergent compartments. The bone of contention is the degree or extent of the social harmony presumed to exist between the owner-managers of and workers in these enterprises. The first of these perspectives is the 'small is beautiful' view of SMEs (Bolton in Dundon, et al., 1999; Roberts et al. 1992; Schumacher 1974) that describes a context 'in which close, friendly and harmonious relationship between owner-managers and employees is facilitated through informal communication flow and greater flexibility'. In such firms, the accessibility of workers to managers, the familial social relations between the owners and workers, creates either an environment that facilitates the resolution of grievances or a communication mechanism that enables workers to freely relate to managers on a host of employment and work-related issues. Typically, in such firms, there is less conflict and less need for collective relations.

The second, and opposing, perspective, as argued by Rannie (1999), puts forwards the opposite view, namely that a presumed harmonious relationship merely obscures the exploitative tendencies in small firms, or 'black hole' organizations (Dundon 1999; Guest and Conway, (1997). It paints a negative picture of small firms where workers are exploited and authoritarian control reigns, resulting in poor working conditions and an unsafe working environment. Such workplaces are typically non-union with managers and workers deluding themselves as to the prevalence of a conflict-free work environment (Sisson 1993; Edwards 1995).

Several explanations are given for the harmonious employer-employee relationship in small firms. Considerable weight is given to the absence of representation and trade union activity, as well as the paternalistic familial managerial practice. It is also argued that the informal and flexible pattern of relation tends to facilitate greater interaction between management and workers, leading to easy communication, trust-building and cooperation. Indeed, there is little doubt that small firms do offer considerable opportunity for closer relationships between managers and workers, which might make trade union activity less appealing to the two parties. Moreover, the ownership structure and size of such firms tends to less hierarchical management, which in itself may promote productivity. In such structures, it is presumed that there is the likelihood of greater involvement of workers in operational decision-making, greater interaction and consultation between managers and

¹ For a fairly comprehensive recent assessment of the growing interest in the human resources and employment relationship in small firms, see the special issue of *Employee Relations*, Vol. 21 No. 3 1999 and the summary by Adrian Wilkinson – "Employment relations in SMEs" pp. 206-217

workers, thus creating a more relaxed worker-sensitive work environment. The ease of access of workers to their supervisors and managers can also facilitate good communication and receptivity to new ideas.

The academic research that focuses on the human resource management (HRM) approach appears to strongly support this perspective on a harmonious relationship in small firms. Some literature has examined these concepts from the perspective of the HRM strategy, and has identified a series of normative employment practices that are regularly described as 'strategic' or 'best practice'; concepts that are integral to or in alignment with overall business strategy (Guest 2001; Marchington and Grugulis 2000; Boxall, P. 1996). Among the key HRM practices commonly identified are harmonious employee relations, discipline and grievance procedure, flexibility in the employment relationship, performance and reward system, selection processes and internal promotion (Boselie et al., 2001). Whether these practices or activities are carried out with or without the union is a subject of debate, although the notion of 'best practice' is often presented in a non-union work environment framework (Ramaswamy and Schiphorst 2000; Beaumont 1995, Guest 1997; Abbott 1993).

Unfortunately, several papers and publications on this subject are based on the example of large organizations (Guest 1997; Wood 1995; Capelli and Crocker-Hefter 1996). Because of this orientation, there are doubts about their applicability to and in small firms. However, as I have already mentioned, there is growing interest in exploring these concepts and practices in small firms (see Horstman 1999). Our examination of these perspectives is limited, but they nevertheless reveal one distinguishing feature, namely a strong emphasis on informality and flexibility in a whole range of HRM practices (Matlay 1999; Ritchie 1993). Indeed, all the cases in this study exhibit this. At best, there is in some cases a mixture of formal and informal approaches, while some informal processes are in the process of transformation to formal HRM policy. This occurs particularly when the owner-entrepreneur focuses more attention on strategic issues, leaving functions such as HR to line managers, or hired.

The contrasting perspectives have adherents, and backed by research evidence (Currant et al., 1993; Wilkinson 1999; Wray 1996; Rannie 1999). To a large extent, the compartmentalization of 'good' and 'bad' small firms is an over-simplification of the otherwise complex and dynamic market, and the operational and public policy environments in which small firms operate. Thus, to categorize small firms in this way may distort their real nature. If this study does in any way contribute to this debate, it is by demonstrating that small firms have various features and characteristics that makes their compartmentalization into 'good' or 'bad' adventurous at best. Small firms have their own unique characteristics that are often dictated by changing circumstances, some of which are beyond their control. Therefore, as this study makes clear, it is safe to see small firms as operating in a dynamic evolutionary process. As Nick Kinnie and his collaborators (1999) stress, external pressures such as changing market conditions have a significant effect on the nature of the employment relationship in small firms.

This study deals with elements from both perspectives, but crucially also points to others that affect the ways in which small businesses operate. For example, the export promotion policy of both countries examined in this study impacts on the fortunes of the enterprise and directly influences the employment relations in the workplace. In Kenya, because of the instability in the export business in recent years, management has tended to take a conservative position on HRM issues and workers' demands, making little effort at consultation, tacitly discouraging unionism, adopting an informal wage policy and a flexible approach to a whole range of working conditions.

Furthermore, as this study mentions, the role and influence of public policy, and its enforcement, on the employment relationship of small firms can easily be underestimated.

The regulatory regime plays an important role in creating standards in the employment relations system in these enterprises. For example, prevailing wage payment regimes are based on its national minimum wage policy, just as employment conditions are sensitive to the labour code that prescribes minimum standards in terms of non-wage conditions such as leave, holiday and payment for overtime. By incorporating these provisions into their HRM system, small firms do adhere to a set of employment standards. And to the extent that the labour code is the subject of tripartite negotiation, trade unions and employers' associations do influence, even if indirectly, the evolving employment relations system in small firms.

About the study and methodology

This paper reports on five case studies in the food sector in two African countries; three cases in Kenya and two in Botswana. The study is descriptive in that it assesses and interprets labour-management relations in small firms. It is also exploratory because it seeks to contribute to unravelling new approaches and perspectives on employment relationship in small firms. To do this the paper explores a number of employment relations and human resource themes, namely consultation, union representation, compensation and wage determination, grievance handling, labour-management cooperation, staffing and employee involvement. The study is part of larger ongoing intercontinental research focussing on the effect of labour management cooperation on enterprise productivity and competitiveness in SMEs (Fashoyin, Sims and Tolentino, 2006). Data for the research paper was obtained from secondary and primary sources. A purposive selection method was used in the selection of enterprises for the study.² This involved consultation with employers' organizations and relevant government departments, as well as informal networks of local researchers. A case study approach, which allows extensive probing of the effect of the social and cultural setting on the employment relationship in small firms, was used. The research design allowed a contextual analysis of a limited number of enterprises in the two countries.

As shown in Table 1 below, the enterprises employed a total of 385 workers, averaging 77 workers per enterprise, most of whom were core workers. Nearly half of the workers were women.

Table 1: Employment in Small Firms

	Male	Female	Casual	Total
Botswana				
Tebe mill	60	60	23	143
Twikki Meat	34	31	-	65
Kenya				
Maziwa	19	7	8	34
Mchuzi Safi	39	51	9	99
Ugali Tamu	17	3	24	44

Without exception, these five businesses are family-owned and operate in local or rural communities. Partly on account of ownership and partly because they are community-based, employment policies in these small firms are influenced by traditional and community values. Entrepreneurs see themselves as community leaders with a sense of

² For a detailed elaboration of the research methodology.

social responsibility, needing contribute to local economic development. Evidence of this abounds in each of the five enterprises. Apart from the normal profit motive, the businesses were all set up as a 'gesture' towards promoting community development. In Kenya, for example, the owners of Maziwa and Ugali Tamu stressed that the creation of an outlet for local dairy farmers was a motivating factor for going into business. Also, the recruitment policy in all the firms is targeted at the community labour market primarily because entrepreneurs saw providing jobs for people in the community as their contribution to the development of the area. This sense of social responsibility may thus have tremendous influence on worker loyalty and welfare and reinforce the employer-employee relationship. These characteristics promote informal relations and, combined with values that are rooted in family undertakings and the community, gives small firms the flexibility to operate in a business environment in which they have little or no influence.

What can be described as a formal HRM approach in small firms is the common introduction of an *Employee Handbook* or similar. This exists, with varying degrees of detail, in the enterprises covered by this study. The implicit objective of the handbook (or the HRM policy) is the 'acquisition' of competent employees with relevant skills, knowledge and attitudes. Typically, an employee handbook provides guidance to workers on the terms and basic conditions of employment, their rights and obligations, and company rights and obligations to them. It also sets out the procedures for recruitment, probation and discipline. With regard to the latter, there is small evidence of a shift in owner-manager orientation to professional management in the small firms in the two countries. This involved, for example, the owner-manager conceding some of the operational functions to line managers, in order to concentrate on other strategic business areas. In some cases specialists are entrusted with responsibility for coordinating HRM issues.

3. Trade union representation and the consultative process

Workers and trade union organization

As a starting point, the size of employment in small firms, and particularly the relatively large size of women workers and the use of a non-standard workforce, does create a challenge for the unionization drive. Women are less interested in unionism, while contingent workers are generally not suitable for unionization. The exclusion of the latter from an array of employment rights clearly reduces their attachment to the business and dampens the enthusiasm of the union organizer. This consideration is particularly strong in a labour-surplus economy, as is the case in the two countries covered by this study. Yet the notion that small firms inherently dislike unions is neither a universal position nor has any strong support in the study. This is borne out by the experience of Maziwa in Kenya. In this unionized firm, a recognition agreement was signed with the food industry union in the 1990s, but it was later revoked in 2001 because workers 'withdrew from the union' due to its perceived inability to provide effective representation on grievances and negotiations.

Workers in this firm had divided views on the issue of unionization. Generally, they held the view that unions are capable of championing workers' rights and boosting their bargaining power. However, this point of view is moderated by the equally strong view that unions employ a confrontational approach and their actions can lead to industrial unrest, reprisal and job loss. In Mchuzi Safi, also in Kenya, 40 per cent of the eligible workers were in union membership, but acrimonious labour relations appeared to have doused the interest of workers and management in fully embracing union activity. In obvious reference to the importance of the informal relationship, several workers in the enterprise stated that they would rather have direct dialogue with management on terms and conditions of employment rather than going through the union. In reference to the prevailing sense of community values, the workers argued that the union was not best placed to represent them because it lacked effective democratic structures for promoting good labour relations.

These perspectives notwithstanding, entrepreneurs in the three non-union enterprises in our study were somewhat indifferent to the issue of unionization. In Tebe mills in Botswana, the union idea was introduced to the workers by a visiting union organizer in 1994. The workers were somewhat receptive to the idea, but the union representative made no further follow-up and the idea died a natural death. During our interview with the workers, they expressed disinterest in unionism, as they saw no benefits derivable, particularly when joining the union would require deductions from their income. Similarly, in Twikki Meat, Botswana, a union organizer also but made no follow-up, and the workers were left unsure as to what benefits they could derive from up. Finally, in the non-unionized Ugali Tamu, Kenya, both the workers and management claimed that no union had ever approached them, although management insisted that it 'related well with the workers'. The workers confirmed this view, and when asked about the union, 17 of the 20 workers eligible to join the union said they did not know the relevance of unionization or its benefits to them. They also expressed the fear that unionization might lead to industrial action and joblessness.

This evidence at best presents conflicting views of the role of unions in small firms, where there are competing beliefs and values shared by workers and management. To a large extent, owners of small firms hold the view that they could operate without the union,

although it is conceivable that unionism can be tolerated, partly because the legal framework favours it, and partly because workers desire unionization. Entrepreneurs, however, are circumspect, because they see unions as anti-productivity and infringing on their right to management. They argue that when workers are unionized, they develop divided loyalty and pay more allegiance to union leaders than to management, which tends to create mistrust and disharmony between labour and management.

The foregoing account points to complex factors influencing whether or not unionization is feasible in small firms, the uncertainty among workers of the role and value of the union, and the prevailing social and community values; the 'look-warm' attitude of entrepreneurs is not favourable terrain for unionization. This is also complicated by the indecisiveness of the relevant union. Overall, this points to what appears to be the failure of union organizers to push unionization with determination, a point that may be due to the cost-effectiveness of such exercise, or simply a failure on the part of union to muster successful organizing drive.

To conclude, despite the limited presence of unions in small firms, they are important because of their indirect influence on employment relations in these firms. This influence is demonstrated by the application in small firms of the provisions of the labour code, particularly with respect to the minimum wage and several conditions of work. In the two countries represented in this study, the labour code represented the joint tripartite determination by government and workers and employers' organizations. Therefore, to the extent that small firms adopt provisions of the labour code on wages, benefits, safety and health and so forth, unions could also be said to have had an equally instrumental effect on the employment relationship in small firms. Finally, partial evidence suggests that a properly organized union is of important instrumental value to unionized workers in small firms, as indicated by their superior wage compensation.

Employee relations and the consultative processes

Employee relations sustained through consultation, communication and information sharing are interrelated processes in small firms. The approach to these processes ranges from highly informal mechanisms to a mixture of formal and informal modes. Very often, the degree of formalization is a function of the issues, circumstances and, in some cases, whether modern management is practised in the enterprise. Generally, when modern management principles are used, there is a tendency to introduce formal mechanisms, such as a consultative committee or similar. Although little formal consultative mechanisms existed in the small firms of our study, the prevailing pattern of relations is through periodic and regular meetings at various levels to discuss and communicate among workers on issues pertaining to work and working conditions.

Even in the relatively formalized consultative mechanism at Twikki Meat (Botswana), it is safe to describe the prevailing arrangement as a mixture of formal and informal approaches. Consultative meetings are regularly held at three levels. Top management meetings are normally held among family members and are usually not pre-scheduled. At this meeting issues concerning the business are discussed. The second approach is the monthly meeting between the factory manager and supervisors, essentially to plan output, taking into consideration customers' orders and existing stock levels. The third is among workers and is also not pre-scheduled. At this meeting the issues discussed are mainly on work itself, but there is always room for employment-related issues, such as wages and salaries, disciplinary issues such as absenteeism, drunkenness, productivity, customer complaints, payment for overtime work and victimization by supervisors. Workers did complain that there was no synergy between their own meeting and the higher level ones, as they were often not consulted by managers/supervisors before they were held.

These formal and informal mechanisms are also evident in Tebe mills, Botswana. Here meetings are held at four levels, namely between management and supervisors, management-workers, supervisors-officers and among workers. In general, meetings are not scheduled but are held as and when occasions demand.³ Agenda items are usually solicited from workers for the general meetings between management and workers. Issues discussed in these meetings include salary increases, absenteeism, health and safety (such as protective clothing, use of dust masks, etc.), transport of late-shift workers, fraud and fraud management. Occasionally, the managing director and functional managers attend the workers' meetings. Where necessary, action plans are developed for implementation.

The three cases in Kenya contrast with the aforementioned practices in Botswana. Maziwa and Mchuzi Safi present the least evidence of any meaningful form of consultative mechanism. Neither firm has formal mechanisms for labour relations, problem solving or joint decision-making mechanisms. However, there are informal efforts to involve workers in some aspect of operation, but this is entirely *ad hoc* and at personal levels and therefore lacks the critical elements for institutionalizing and enforcing participatory approaches to decision-making. This differs from the practice in Ugali Tamu, where there appears to be a formal management system in key operational areas, even though it also lacks an organized institutional mechanism for joint employee and management consultation. In this enterprise, major decisions on corporate, marketing, HRM and investment are made at board and management level. Any decisions and changes agreed by the board are then passed down to supervisors and operational staff for implementation. However, at not one of these levels is there consultation with the operational staff. Formal consultation with line managers and supervisory staff occurs at monthly where the board receives reports and returns from line managers. Issues relating to quality, productivity, performance, sales and marketing and other operational issues are also discussed.

In other words, a mixture of informal and formal consultation exists in small firms, which explains the ease with which workers can relate to managers and top management. The flexibility in organizing the consultative and communication system in small firms allows for the facility with which issues of business, personnel and welfare of workers can be interchangeably discussed. Irrespective of the approaches, a central feature of small firms' employee relations is the free of flow of communication between managers and workers. In most cases, workers have access to all levels of management, including the owner. In such cases, the consultative, communication and information-sharing processes are designed to achieve several purposes, including improving work processes, employment conditions, welfare, grievance handling and productivity improvement.

Overall, the situation in these two countries presents two dilemmas. The first is, notwithstanding the ease with which consultation takes place in small firms, it is clearly difficult to determine the extent of workers' influence on policy. What appears to be certain is the enormous potential for employee contribution to operational processes in small firms. The second is that the presence of a union does not guarantee the use of the consultative mechanism. By the same token, the lack of a union does not obviate the use of the consultative process. In fact, as the evidence shows, there is a reasonable degree of consultation in the non-union firms. In any event, it is probable that the personal nature of relationships in small firms, as well as the ability of management in these firms to attend promptly to the individual and collective grievances of workers may give credence either to the view that unions are not welcomed in small firms or, on the other hand, reinforce the notion of the exploitative nature of the prevailing employment system.

³ However, the newly recruited HR specialist was working on programmed meetings..

4. Employee involvement, grievances and discipline

Participation and labour-management cooperation

The prevailing point of view is that the involvement of workers in decision-making gives them a sense of self-worth and importance, which enhances their job satisfaction and may impact positively on productivity. The personalized relationship between workers and managers may foster bonds of loyalty, cooperation and commitment to the organization, with a likely beneficial effect on productivity and product quality. Employee involvement and feedback mechanisms assure the worker that the enterprise sees him/her as an asset to the organization. Although there were no formal approaches to employee involvement in the small firms in our study, there existed policies and processes that encourage and nurture employee involvement and labour management cooperation, particularly as this aspect of human resource management is associated with the consultative mechanisms in the enterprises. In both cases, the existing open door policy, as well as the accessibility of all categories of staff to managers, including the entrepreneur for the discussion of personal or work-related problems, strengthens the bond of loyalty between management and workers.

In the two enterprises in Botswana, the system of involvement and participation in the enterprises takes its cue from the country's tradition of kgotla, which serves as the medium of consultation and involvement in decisions, as well as the dissemination of information in the community setting. This facilitates community ownership and implementation of any decisions made. Accordingly, consultation is intrinsically a cultural characteristic. Less hierarchical and more like a family structure, under kgotla everyone is free to make a contribution to the issue under discussion and decision-making is based less on an individual's position in the organization and more on contribution to its overall wellbeing. This is certainly true of Twikki Meat, where position does not limit direct access to communication between workers and management or among them. Instead, this arrangement allows workers to communicate directly with top management in a way that does not necessarily adhere to the reporting line in the enterprise.

This approach to employee involvement can also be illustrated by two important areas of management policies and processes in Tebe mills, Botswana. Firstly was the problem of absenteeism, which occurred most often immediately after payday. It appeared that workers needed time to enjoy their pay, commonly through extra-ordinary recreation, such as drinking alcohol. The hangovers arising from this practice result in many workers failing to report for work the following day. Others still may take even longer to return to work, coming back after nearly exhausting their pay or perhaps simply to earn enough for the next drinking spree. This problem was resolved through discussion between management and the workers. It was agreed that paydays would only fall at the end of the working week, so as to provide workers free weekends to enjoy their pay. The result was a significant reduction in the rate of absenteeism. The second illustration of employee involvement was the plan to increase the automation of production operations so as to reduce dust levels and thereby protect workers from inhaling dust with or without the mask. Although workers were provided with masks, they hardly wear them. Management came up with the idea and then shared it with the workers, explaining the benefits to both management and workers. This discussion also allayed the concerns the workers might have on job was a result of automation. Workers were fully satisfied and the innovation was put in place.

Grievance and disciplinary processes

Although formal and informal grievance procedures coexist in small firms, informal means are by far the most common method of grievance handling, irrespective of whether the grievance is individual or collective. This route fits the overall philosophy of management to promote a sense of belonging and loyalty to the enterprise. Like the procedures in use in large organizations, the grievance machinery in small firms is individualized and operates through the various hierarchies of managers and supervisors all the way to the owner-entrepreneur. The value of this machinery in most small firms is its informality, speed and promptness in rectifying mistakes or problem solving.

At Twikki meat, Botswana, where a formal grievance procedure exists, the *Employee Handbook* specifies the appropriate disciplinary procedure; workers can in fact co-counsel themselves out of behaviour that negatively affects performance and productivity. In such a process, one or more workers may advise to erring co-workers against offences such as drunkenness, late coming or absenteeism. If, however, a worker remains recalcitrant; the case is reported to supervisors, who may take the first disciplinary measure as detailed in the Handbook. Persistent offences are reported to section managers, who then have to take disciplinary measures beyond written warnings (a reduction in pay or termination of appointment, for example). The Handbook also lists specific offences – as well as specifying the penalties, ranging from ‘verbal warning’ to ‘termination of employment’ with or without notice. The level of the supervisor authorized to impose each discipline is specified.

In the case of Tebe mills, Botswana, grievances are dealt with at the individual level. Normally, a grievance, whether arising from conditions of employment or any problems other than disciplinary action, must be raised with the immediate supervisor within fourteen days of them becoming aware of such problem. The supervisor should settle the grievance within seven working days, failing which the worker may raise his grievance with his Section Manager. If the latter fails to settle the grievance to the satisfaction of the worker within another seven days, he may then raise the grievance in writing with the Managing Director, whose decision is final and has to be conveyed to the employee within 30 calendar days.

In a similar context of this formal approach, a fairly elaborate disciplinary procedure also exists at Mchuzi Safi, Kenya. It starts with the immediate supervisor, who conducts an investigation and discusses the issue with the concerned worker. If the matter remains unresolved, it is referred to the next level, where the line manager takes it up. Where the line manager fails to provide an amicable resolution, board members usually intervene to make a final decision. In contrast to the foregoing, the disciplinary procedure at Ugali Tamu, also in Kenya, is highly informal. In this firm supervisors usually issue verbal warnings before offences are reported to line manager for action. Any physical confrontation, smoking or drinking on the job would, for instance, attract instant dismissal.

As might be expected, grievance handling in unionised firms such as Maziwa, Kenya, is different. It operates under the backdrop of a conflict-filled relationship that clouds the labour relations process. This is manifested by the union view that the management lacks transparency, particularly by not showing its books to justify its claim of being in a poor financial state. The union believes that management has something to hide, both from its members and the government authorities. Having said this, it should be noted that this view has evolved from the labour-management relations in larger organizations, and is not always helpful in small firms. However, the union option is what most small firms try to avoid, not only because a conflictual relationship does not help the labour-management relationship, but also because it may be perceived as a threat to the enterprise’s survival. True or not, management in small firms tends to think that union leaders do import practices that they have been accustomed to using in larger firms.

5. Compensation and Wage Determination

Although there is what can be described as a wages and compensation policy in small firms, they hardly operate a formal or rigid wage structure. In fact, there is a high level of informality to the compensation policy, ostensibly a deliberate policy to maintain a certain degree of flexibility that might be required due to the changing economic conditions of the enterprise. What does stand out as a common practice in all small firms is their compliance with the prevailing minimum wage policy of government. Generally, the minimum wage is applied as the going wage rate for the lowest-paid core workers; it also more or less serves as the floor upon which wages for skilled or other higher categories of workers are based. Changes in the wage payment system are usually achieved through a simple performance appraisal system. Thus at Tebe mills, Botswana, a performance appraisal system in which individual workers appraise themselves, and are in turn appraised by their supervisors, exists. A third phase usually comes in the form of a discussion that takes place between the appraised and the appraiser, and the outcome constitutes the official appraisal. Wage increases are awarded in groups or bands on this basis.

At Muziwa, Kenya, entry-level workers are paid according to the prevailing minimum wage, but different wage rates exist for other categories of workers depending on skills. On the basis of profitability the firm normally grants annual percentage increases that may range from six to eight per cent. However, workers are neither told of this determining factor nor involved in the determination of the increase. Second, a common practice among small firms is the choice to set the wages for the non-core category, that is, the various types of contingent workers. In these cases, the minimum wage is not usually applied, as firms exercise full control over what wage is paid to the workers in this group. As might be expected, contingent workers earn less than the core workers.

As indicated in Table 2 below, all firms applied the government minimum wage as contained in the labour code. In Botswana, the minimum wage was P2.60 per hour in 2003 for eight hours a day, or for a full workweek of 48 hours. Neither of the two firms in the country paid over the minimum wage for its lowest paid core workers in 2003. More senior workers, or those with skills, did earn substantially more than the minimum wage.

Table 2: The minimum wage and wages in small firms

Country/firm	Prevailing Minimum Wage	Small firm Minimum Wage	%Difference
Botswana (Pula)			
Tebe mills	500*	500	Nil
Twikki Meat	500*	500	Nil
Kenya (Ksh)			
Maziwa	3518 +	5189	+47
Mchuzi Safi	3518 +	7665	+117
Ugali Tamu	3246 +	3893	+20

*Hourly pay at P2.60/500 per month (2003)

+Applicable monthly minimum wage (2002)

The situation is notably different in the unionised firms in Kenya. At Mchuzi Safi, where there is a collective bargaining relationship at the sectoral/industrial level, the firm's wage is enormously higher than the prevailing minimum wage, with a whopping premium of 117 per cent! It is notable that before the advent of collective bargaining in this firm, the management adopted the prevailing minimum wage, but when the workers became unionised, collective bargaining provisions were applied. However, with the expiration of the collective agreement in 2002, the wages for the operational staff have remained stagnant, while the parties await the outcome of a pending wage dispute at the industrial court. At Maziwa, where the union legacy still exists, the monthly wage was 47 per cent higher than the approved national minimum wage, undoubtedly demonstrating the effect of unionization. Yet at Ugali Tamu, which was non-union, the size of the differential between the minimum wage and the firm's wage was just 20 per cent. In both of the latter two cases it can be concluded that the union wage has had an important demonstration effect on the formation of wages in the non-union firms in the country.

Three conclusions emerge from small firms' wage compensation system. First, the minimum wage is generally the applicable wage rate for core workers, emphasizing a measure of enterprise compliance with the national wages policy. In most cases, non-core workers earn less. Second, where the union wage is applicable, it is often higher than the wages of non-union firms. However, questions arise as to the effect of unionization on the overall employment relationship. Third, in both union and non-union cases, there is limited scope for employee participation in wage-setting in small firms. In the case of non-union firms, employee participation is generally indirect, because participation in wage-setting occurs notionally by the assumed role of unions in the setting of the minimum wage. In the unionised firm, participation is generally by proxy and only because the firm falls within the industrial union's area of direct impact.

Benefits and other conditions

As in the case of wage compensation, a deliberate policy in the small firms in our study was to pay the statutorily approved benefits, as contained in the labour code. However, in all cases statutory employment conditions are selectively applied, both with regard to the workers who qualify and the specific benefits, because firms exercise their discretion as to which elements of the general conditions of employment they will apply and to what category of workers. In other words, while firms apply the statutory provisions, benefits to workers varied among the various types of workers. For example, while most small firms applied the labour code on the payment of overtime during ordinary days and public holidays, they applied their own individual rules on issues such as leave and medical benefits.

At Tebe mills, Botswana, the firm's *Employee Handbook* specifies the categories of workers who qualify for specific benefits, such as annual leave, sick leave, compassionate leave, maternity, study and unpaid leave. While firms generally apply the minimum regulation on leave entitlement, some firms, such as Mchuzi Safi in Kenya, give leave days on the basis of seniority. Other firms, such as Maziwa and Ugali Tamu (both in Kenya) provide medical services to workers, through a health unit located within the organization; dependants were not entitled to these benefits. Variations also exist on the size of medical benefits; female workers are entitled to maternity leave with pay, but for only one month. At the unionized Mchuzi Safi, there is no medical coverage for workers, although the sectoral union had taken the employers in the sector to the industrial court at the time of this study. Also, Maziwa granted 21 days annual leave to workers, which is staggered so as to facilitate continuous production.

The determination of wages and conditions

The approach to wage determination is informed by whether or not a union exists within the enterprise. In the two enterprises in Kenya where a union wage prevails, it and its conditions were set through negotiation with workers' representatives. However, it is noteworthy that in the prevailing sectoral bargaining in Kenya, what exists is merely the application of sectoral negotiated wage; there is no evidence that the local union, particularly at Mchuzi Safi, had engaged in negotiation on this issue with management.

The processes of wage determination in the non-union enterprises are clearly different. Notably, there is no definite formal mechanism, even though some degree of consultation does take place in some firms. In any case, management's decision on the determination of wages is, as previously noted, made within the context of the prevailing minimum wage policy, so the area of management prerogative with respect to variation of wages among various classes is generally limited to higher level and non-core workers. For example, at Tebe mills, Botswana, where workers are periodically consulted on wage payment, this consultation focuses more on the process of payment rather than the actual setting of wages (see absenteeism, above.).

The process of wage determination is markedly different at Twikki Meat, also in Botswana, where it is the prerogative of management to fix wages and set conditions of service. However, it is assumed that workers can indirectly influence these decisions through their suggestions and complaints. Such suggestions are routed through supervisors who often attend meetings with management. If the supervisors fail to achieve favourable result, workers can make their suggestions directly to management. This approach contrasts the common practice in unionized organizations, where workers may embark on various forms of industrial action to press their demand for improvement in wages and conditions, and underscores the peculiar approach to employment relations in small firms.

6. Conclusion

The foregoing analysis can be summarized thus. Informal employment relations that have strong ties with traditional community values characterize human resource management in small firms. This system allows entrepreneurs to operate a flexible HRM system that responds to a business environment in which the former may have little influence. However, the evolving employment relations system is neither wholly insensitive to prevailing public labour policy nor totally unsatisfactory, as is suggested by some analysts. Small firms' employment relations and HRM constitute a complex web of relations that are strongly influenced by cultural and management beliefs, and also by factors that are external to the enterprise. The research on this subject has barely started, particularly in Africa. Therefore a starting point is to launch research and information gathering and dissemination, so as to unravel some of the assumptions about HRM and employment relationships in this critical sector of the African economy.

Two of the outstanding characteristics of employment relations and HRM in small firms are informality and flexibility. These are instrumental in reinforcing both the traditional and the community patterns of relations common in developing countries. Management in small firms has maintained an informal approach to the employment relationship through the personal relationship they have with the workers, and this may have contributed to the non-union status of these enterprises. Flexible and informal processes are also observable in the approach to wages and compensation in small firms. Policies such as these go a long way towards strengthening the bond between owners and workers for they build trust and commitment and promote productivity. Informal relations promote communication and information-sharing, and can make business operation more effective and efficient. In addition, it can strengthen loyalty and the perception of the entrepreneur as a benevolent and caring employer, or not, something that has very important implications for an enterprise's performance and productivity. However, these virtues could be good or bad, depending on the orientation of the analyst.

As pertains to the union status of small firms, there are two broad perspectives. The first is the readiness or otherwise of government to enforce statutory provisions on employment relations in small firms. Although this point is not explored in this paper, it is a well-known fact that the enforcement of public policy in SMEs is virtually non-existent in most developing countries, which hardly suggests that public labour policy is totally in accord with the needs of all small firms. Truly, public policy support for unionism in both countries is unequivocal, but the laissez faire enforcement gives considerable possibilities for management to avoid unionization, or for workers to be disinterested in joining the union. What is desirable is a policy regime that considers the role of small firms, and the development and implementation of policy that is sensitive to small firms' needs.

The second point is that few trade unions have undertaken a determined and aggressive unionization of workers in most small firms, partly because of their own internal shortcomings such as personnel, resource constraints and organizing strategy directed specifically at this type of businesses. Adding to this is the fact that most unions have yet to develop appropriate services that take into account the specific needs and peculiarities of

small firms. Yet the effective organization of small firms must be based on the provision of a clearly defined menu of services that targets this category of workers. Such policies can break barriers and project the union as a partner in the advancement of good employment relations and also contribute to enterprise performance and productivity.

Bibliography

- Abbott, B. (1993) 'Small firms and trade unions in services in the 1990s', *Industrial Relations Journal*, Vol. 24, No. 4, pp. 308-317.
- Bacon, N. et al. (1996) 'It's a small world: Managing human resources in small businesses', *International Journal of Human Resource Management*, Vol. 7, No. 1, pp. 82-100.
- Beaumont, P. (ed.) (1995) *The future of employment relations*. London, Sage.
- Boselie, J. P. and P. Jansen (2001) 'Human resource management and performance: lessons from the Netherlands', *International Journal of Human Resource Management*, Vol. 12, No. 7, pp. 1107-1125.
- Boxall, P. (1996) 'The strategic HRM Debate and the resource-based view of the firm', *Human Resource Management Journal*, Vol. 6, No. 3, pp. 59-75.
- Currant, J., B. Abbott and V. Mills (1993) *Employment and employment relations in the small service sector enterprises*. Centre for Research on Small Services Sector Enterprises. London, Kingston University.
- Dundon, I. G. (1999) 'Looking out of the black-hole. Non-union relations in an SME', *Employee Relations*, Vol. 21, No. 3, pp. 251-266.
- Edwards, P. K. ed. (1995) *Industrial relations in Britain*. Oxford, Blackwell.
- Fashoyin, T., E. Sims and A. Tolentino, (2006) *Labour-Management Cooperation for Productivity and Competitiveness: forms and factors in Small and Medium Enterprises*. Geneva, ILO 2006.
- Guest, D. (1997) 'Human resource management and Performance: A review and research agenda', *International Journal of Human Resource Management*, Vol. 8, No. 3, pp. 263-276.
- Guest, D. E. (2001) 'Human resource management: when research confronts theory', *International Journal of Human Resource Management*. Vol. 12, No. 7, pp. 1092-1106.
- Guest, D. and N. Conway (1997) 'Peering into the black hole: the downside of the new employment relations' Annual Conference of the British Universities Industrial Relations Association. University of Bath, 1997.
- Iyanda, Kunle (2004) *Labour-management partnership in two indigenous, small-scale food processing establishments in Botswana*. ILO, Geneva, unpublished manuscript.
- Kinnie, N., J. Purcell and S. Hutchinson, (1999) 'Employment relations in SMEs. Market-driven or customer-shaped?', *Employee Relations*, Vol. 21, No. 3, pp. 218-235.
- Marchington, M. and I. Grugulis (2000) '“Best Practice” human resource management: perfect opportunity or dangerous illusion?', *International Journal of Human Resource Management*, Vol. 11, No. 6, pp. 1104-1124.

- Machuka, S. M., J. N. Onkunya, N. C. Chune and J. O. Omolo (2004) *Labour-management partnership in small and medium enterprises: The case of Kenya*. ILO, Geneva, unpublished manuscript.
- Matlay, Harry (1999) 'Employee relations in small firms', *Employee Relations*, Vol. 21, No. 3, pp. 285-295.
- Rainnie, A. (1989) *Industrial relations in small firms: Small isn't beautiful*. London, Routledge.
- Ramaswamy, E. A. and F. B. Schiphorst. (2000) 'Human resource management, trade unions and empowerment: two cases from India?' *International Journal of Human Resource Management*, Vol. 11, No. 4, pp. 664-680.
- Roberts, I., D. Sawbridge and G. Bamber (1992) 'Employee relations in smaller enterprises', in Brian Towers ed., *Handbook of industrial relations practice*. London, Kegan Press.
- Schumacher, F. (1974), *Small is beautiful*. London, Abacus.
- Sisson, K. (1993) 'In search of human resource management', *British Journal of Industrial Relations*, Vol. 31, No. 2, pp. 201-210.
- Wilkinson, A. (1999) 'Employment relations in SMEs', *Employee Relations*, Vol. 21, No. 3, pp. 206-217.
- Wray, D. (1996) 'Paternalism and its discontents: A case study', *Work, Employment and Society*, Vol. 10, No. 4, pp. 705-715.

