

**THE ROLE OF TELKOM SA LTD IN THE WESTERN CAPE:  
A CASE STUDY ON THE MANAGEMENT OF ITS  
RETRENCHMENT PROCESS**

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## DECLARATION

I declare that *The role of Telkom SA Ltd in the Western Cape: A case study on the management of its retrenchment process* is my own work, that is has not been submitted before for any degree or examination in any other university, and that all the sources I have consulted and quoted have been indicated and acknowledged as complete references.

Sharon Audrey Kotshoba



Signed: .....  
UNIVERSITY of the  
WESTERN CAPE

May 2005

## ACKNOWLEDGEMENTS

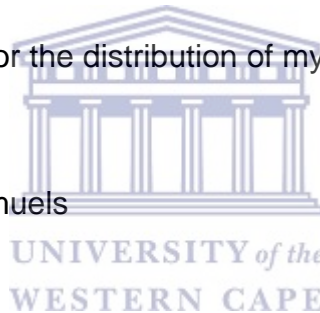
I take this opportunity to express my gratitude and appreciation firstly to Telkom SA Ltd for granting me permission to do this study, and for complying with my requests for information. For this purpose I would like to thank:

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## **ABSTRACT**

### **Nature and Scope of the Study**

Constant organisational change can be attributed to many factors, including competition among peers in the same markets, globalisation, privatisation of public sector organisations, technological advances, and operational requirements. These factors almost always lead to organisations reducing headcount. One such organisation is Telkom, which bi-annually embarks on large-scale retrenchments. Service organisations within the company were chosen at random to participate in this study. Telkom's Human Resource Management, Legal Services, Employee Relations, and the organisation's recognised unions participated in this study.



### **Purpose and Objectives of the Study**

Through an evaluation of Telkom's staff reduction process, the study seeks to:

1. Find out what measures Telkom has in place to ease the necessity of retrenchment within the organisation.
2. Review whether Telkom has looked at other alternatives before planning staff reductions.
3. Investigate whether a social plan within Telkom exists to help incorporate retrenched employees back into the economy.
4. Investigate and examine Telkom's compliance with labour legislation, specifically the Labour Relations Act and the Basic Conditions of Employment Act.

## **Methodology of the Study**

Both primary and secondary data was utilised to complete this study. The primary data was gathered by means of distributing questionnaires to existing Telkom employees, conducting a personal interview with Telkom's Agency for Career Opportunities, and e'mail surveys specifically distributed to Telkom's unions with regards to compliance with labour legislation. This form of data made allowance for opinions and facts from participating candidates. The secondary data gathered originated from internal company information, Corporate Communication Broadcasts, online databases, and commercial publications (business periodicals, journals and newspapers).



## KEY WORDS

1. Downsizing
2. Retrenchment
3. Organisational Restructuring
4. Labour Relations Act
5. Basic Conditions of Employment Act
6. Alternative Strategy and Approaches
7. Agency for Career Opportunities
8. Social Plan Benefit
9. Organised Labour
10. Recognised Telkom Unions



## ABBREVIATIONS



ANC:	African National Congress
ASA:	Alternative Strategy and Approaches
ATU:	Alliance of Telkom Unions
BCEA:	Basic Conditions of Employment Act
CFL:	Centre for Learning
CWU:	Communication Workers Union
DTI:	Department of Trade and Industry
EE:	Employment Equity
ESS:	Employee Self Service
HR:	Human Resources
HRM:	Human Resource Management
ICT:	Information, Communication and Technology Sector
IPO:	Initial Public Offering
ISETT-SETA:	Information Systems, Electronics and Telecommunication Technology - Sector Education Training Authority
IT:	Information Technology
JSE:	Johannesburg Securities Exchange
LIFO:	Last In First Out
LRA:	Labour Relations Act
MOU:	Memo of Understanding
MSN:	Managing Staff Numbers
NQF:	National Qualifications Framework

NYSE:	New York Stock Exchange
PC:	Personal Computer
PEP:	Performance Evaluation Plan
PMS:	Performance Management System
S&T:	Subsistence and Travel
SACU:	South African Communications Union
SAP:	Systems, Applications, and Products
SBDC:	Small Business Development Corporation
SEP:	Strategic Equity Partner
SHCP:	Strategic Human Capital Planning
SHE:	Safety, Health and Environment
SLA:	Service Level Agreement
SMME:	Small Medium and Micro Enterprise
SNO:	Second National Operator
USA:	United States of America
VERP:	Voluntary Early Retirement Package
VSP:	Voluntary Severance Package



# **CHAPTER 1**

## **INTRODUCTION AND BACKGROUND TO THIS STUDY**

### **1.1 INTRODUCTION**

Vermeulen and Wiesner (2000:387-402) state that South African organisations have had no option but to conform and cope with labour legislation, socio-political changes, a competitive economy, and re-entry into global markets. Organisational change has been imposed on South African organisations in the light of business trends such as the privatisation of public sector companies, industry deregulation, and unbundling, which in turn have permitted new competitive forces to develop in certain industries. It is this organisational change that has led organisations to employ different forms of organisational restructuring, including rightsizing, downsizing, retrenchments, and reengineering (Vermeulen and Wiesner, 2000:387-402). The aim of economic transformation is to create and maintain growth, develop human capacity and skills, empower the previously disadvantaged groups, and improve people's standards of living. The creation of income and employment opportunities is required to attain this growth and advancement of our economy according to the African National Congress (ANC) Youth League (2001). However, in the period since 1994, job losses have been rife. This has been a traumatic experience for all involved, and can result in major socio-economic problems for the country.

According to Allan (1997:576) downsizing, retrenchments, restructuring, delayering, all have the same outcome: “permanent layoffs of employees,” hence these terms will be used interchangeably. Downsizing is a method used within a corporate strategy to shift the organisational structure of a company from what it currently is, to what it has to be so that customer needs can be satisfied, and competitive advantage can be maintained.

The following study sets out to evaluate downsizing within Telkom SA Ltd, with the purpose of assessing how it manages this process. Since the research pertains to Telkom, information about the South African Telecommunications Industry and Market is provided. This information gives insight into the market growth based on monetary value, as well as mobile and fixed-line penetration. The company's profile highlights the history, shareholders, vision, value system, and the services Telkom provides to the public. Since 1997, reducing headcount has become part of Telkom's strategy to become a more market-related, profit oriented company, all of which is further disclosed under the organisation's status as a parastatal.

After providing information on Telkom, this chapter will provide:

- Statement of the research problem
- Purpose and objectives of the study
- Significance of the study
- Research design and methodology
- Ethics statement
- Limitations of the study

- Organisation of the study

## **1.2 OVERVIEW OF THE SOUTH AFRICAN TELECOMMUNICATIONS INDUSTRY AND MARKET**

Taking customers and revenues into account, the telecommunications market in South Africa is by far the biggest in Africa. Market growth has increased significantly from an overall penetration per population of 15.8% in 1998 to 54.4% in September 2004. Mobile penetration has grown to 43.8% while fixed-line penetration was 10.5% in September 2004. These statistics propose major growth opportunities in the telecommunications market. However, South Africa still needs to rise above the inequalities it currently experiences among its population, such as racism, class and gender inequalities, including poverty (Telkom SA Ltd Investor Relations: Market Context, 2002).



## **1.3 COMPANY PROFILE OF TELKOM SA LTD**

According to Telkom SA Ltd Investor Relations: Company Profile: Overview (2002) the organisation is one of the largest corporations registered in the Republic of South Africa. On the basis of its operating revenue and assets, it is the largest communications service provider on the African continent. As stated in Telkom SA Ltd Investor Relations: Company Profile: Company History (2002), prior to 1991 all telecommunications and post office services in South Africa were supplied by the then Department of Posts and Telecommunications on an exclusive basis. All the telecommunications activities of this Department were transferred to Telkom in 1991 (30<sup>th</sup> September 1991), as part of government's intentions to liberalise certain sectors of South Africa's economy.

Up until 14<sup>th</sup> May 1997, Telkom continued to be a wholly state owned enterprise.

Besides having a leading market position in the fixed-line communications market, the company's competitive strengths included the financial, operational, and managerial expertise of its strategic equity investors. These investors were Thintana Communications LLC consisting of SBC Communications Incorporated of the United States of America (USA), and Telekom Malaysia S.D.N. Berhad, which jointly held 30% shareholding in Telkom SA Ltd in May 1997. The South African government is currently Telkom's main shareholder holding 38.3% shares in the company. The public (institutional and retail investors) holds 46.6% shares, and Thintana Communications LLC (Telkom's former strategic equity partner) holds 15.1% shares in the company as of the 30<sup>th</sup> September 2004, compared to its former 30%. Telkom currently holds 50% shareholding in the mobile network operator Vodacom, making them Africa's main provider of mobile services (Telkom SA Ltd, 2005).

According to Telkom SA Ltd Company Information: Company Profile (2002), Telkom provides fixed line and mobile services through Vodacom, throughout the country, as well as to other African countries, and offers total communication solutions, and digital communications, (including voice, data, video, and latest Internet and E-Commerce enabling technologies) to its customers.

Telkom SA Ltd Company Information: Company Profile (2002) states that the company's five-year period of exclusivity ended on the 7<sup>th</sup> May 2002, which made way for a new era of competition in the communications world. During this period Telkom engaged in a multi-faceted process of business transformation, and an Initial Public Offering (IPO) to groom the organisation for future competition. The IPO was the South African Government's listing of Telkom's shares on the Johannesburg Securities Exchange (JSE) of South Africa, and New York Stock Exchange (NYSE) on the 4<sup>th</sup> March 2003. This multi-faceted process adopted by Telkom to transform business, included downsizing and organisational restructuring. Today Telkom is no longer just a telephone company. The organisation's vision is to become a world-class communications company, and it will only achieve this when its customers say it has. The organisation guarantees its customers valuable, dependable, and competitively priced total communication solutions. Currently South Africans have access to various communication solutions, whilst business communities are able to participate more strongly and efficiently in the knowledge economy (Telkom SA Ltd Company Information: Company Profile, 2002).

Telkom SA Ltd Company Information: Company Profile (2002) states that Telkom embraces the following value system:

- It values its people and their diverse cultures.
- The organisation is driven by performance.
- The organisation is customer focused.
- Engenders value for its shareholders.
- Strives to be an ideal corporate citizen.

- Acts with integrity in all endeavours it undertakes.

#### **1.4 TELKOM'S STATUS AS A PARASTATAL**

According to Telkom SA Ltd Company Profile: Company History (2002), in May 1997 Telkom began a Fixed-Line Transformation Program to change direction from a majority governmental owned entity to a more market, profit oriented corporation. The goal of this transformation program was to change corporate culture, develop and enhance employee skills, intensify and encourage marketing efforts, outsource non-core operations, manage revenue creation and generation, ensure the effective management of operating expenses, and reorganise fixed-line business along functional lines. A major component of Telkom's total fixed-line operating expenses are employee related expenses. To reduce these, restructuring was applied, which dropped Telkom's fixed-line employees by approximately 24,453 positions from 1<sup>st</sup> April 1997 to 31<sup>st</sup> March 2004.



According to Telkom SA Ltd Company Profile: Company History (2002), during this period the organisation spent the following on this employee-restructuring program:

- R373 million in the year ended 31<sup>st</sup> March 2002
- R244 million in the year ended 31<sup>st</sup> March 2003
- R301 million in the year ended 31<sup>st</sup> March 2004

Telkom intends to carry on reducing their fixed-line headcount over the next few years.

Telkom SA Ltd (2003:3) states that in order to meet its business objectives, it has adopted a process called Strategic Human Capital Planning (SHCP), which identifies all capabilities and competencies the organisation requires. This information is used in such a manner as to ensure an adequate supply of human capital to meet current and future demand. With specific reference to the SHCP, Telkom's short-term focus is on skills that improve and enhance "customer service, efficiencies, and debt reduction," while their long-term focus is placed on skills that will enhance "fixed-mobile synergies, growth in Africa, and Telkom's ability to be the carrier of choice" (Telkom SA Ltd, 2003:3-4). As the organisation is in a constant mode of change, it views these changes as positive changes towards its future (Nieuwoudt, 2004:15).



### **1.5 RECENT DEVELOPMENTS IN TELKOM SA LTD**

Since its inception, Telkom has been restructuring its organisation to meet operational requirements, and to help the organisation prepare for future competition. At the end of September 2004 Telkom's staff level was at 31, 270 (Telkom SA Ltd, 2005:4).

At the beginning of 2005 an agreement between Telkom and the unions placed a moratorium on retrenchments for employees until 31<sup>st</sup> March 2006, and depending on the successes of the company, this moratorium could very well be extended. This moratorium however excludes the Sales and Marketing Departments (Telkom SA Ltd, 2005:30). The beginning of 2005 also marked the introduction of voluntary packages being offered by the company to all employees in the bargaining unit and management levels, and not only for

employees affected by Telkom's staff reduction process. This process has proven to be advantageous to the company, as more employees than was expected accepted this offer, and exited the company on the 31<sup>st</sup> March 2005. Currently Telkom is considering other cost reduction initiatives the company can utilise instead of retrenchment, and organised labour will be consulted on the way forward (Telkom SA Ltd, 2005:38).

## **1.6 STATEMENT OF THE RESEARCH PROBLEM**

The large numbers of employees being retrenched by Telkom has led me to propose this research. When corporate companies (and in particular parastatals) as big as Telkom plan a major reduction in workforce, there should be compliance to certain processes, policies, procedures, and legislation in place. The high incidence of poverty and crime in South Africa can be attributed in part to the high and rising unemployment figures.<sup>1</sup> Although transformation and restructuring is an almost inevitable feature of today, retrenchment often leaves the individual with a sense of worthlessness, low morale, no income, and a further decline in the economy if these individuals are not integrated back into the labour force.

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<sup>1</sup> The high unemployment figures in South Africa gives rise to individuals' inability to sustain their livelihoods. Hence poverty sets in and they revert to crime in order to make a living. Job creation alleviates poverty and crime to a certain extent.



The key research problem is the contradiction between organisational success in a competitive global economy and the need in countries such as South Africa to address unemployment and poverty. The central research question revolves around how Telkom SA Ltd manages its staff reduction process. Focus will be placed on the organisation's management of its retrenchment process, practices, and compliance to legislation.

### **1.7 PURPOSE AND OBJECTIVES OF THE STUDY**

The overall purpose of this study is to evaluate Telkom's management of its retrenchment process, with a view to establishing whether it is being managed effectively, efficiently, and equitably, in ways that minimise adverse consequences for the individuals concerned, and the South African economy.

More specifically, this study will seek to:

- Establish what measures Telkom has in place to ease the necessity of retrenchment within the organisation.
- Review whether Telkom SA Ltd has looked at other alternatives before planning staff reductions.
- Investigate whether a social plan within Telkom exists to help incorporate retrenched employees back into the economy.
- Investigate and examine Telkom's compliance with labour legislation, specifically the Labour Relations Act (LRA) and the Basic Conditions of Employment Act (BCEA).
- Propose recommendations that Telkom could consider using, as opposed to forceful retrenchments.

## **1.8 SIGNIFICANCE OF THE STUDY**

Sometimes retrenchment is inevitable. In order to reduce expenses, and costs and losses to the organisation, companies have to restructure and reduce their headcount. However, one of the major causes of unemployment today is retrenchment. Despite the growth that has been experienced in the South African economy, unemployment and retrenchment rates remain increasingly high. To date there have been few studies on Telkom's restructuring. The findings of this study could be used by other organisations and institutions both public and private, who are either in the process of, or planning to reduce their workforce and restructure their organisations. This study will be beneficial for any given sector and industry, as all face restructuring at some point. Individuals that are experiencing or anticipate retrenchment within their organisations could also learn and benefit from this study. In the past people always seemed to attach a stigma to retrenchment. For many it represents only negativity. Hopefully this investigation will exhibit positive traits and elements that can be born out of Telkom's management of this process. What drives this study is the fact that this life altering experience can be proven to be beneficial to affected employees, if the process is managed actively and efficiently by the organisation. The research findings of this study can be used by companies like Telkom to better manage its retrenchment processes, and could also be used by Telkom as a source for internal research and planning operations.

## 1.9 RESEARCH DESIGN AND METHODOLOGY

Both primary and secondary data was utilised to complete this study. The methodology utilised to gather primary research data was the survey method. Through this method, facts, opinions, and attitudes were attained while interacting with individuals. The forms of survey research conducted for this study included a questionnaire for Telkom employees, a personal interview with a Human Resources (HR) manager, and e-mail surveys distributed to the unions.

The first portion of the questionnaire distributed to the various employees dealt with their personal particulars. Furthermore the questionnaire covered issues such as:

- How the organisation manages its retrenchment process.
- The timeframe given within which to notify employees.
- Alternatives offered to retrenchment.
- The organisation's communication around the process.
- How the retrenchment has impacted on employee performance and commitment to the company.
- Mechanisms the organisation has in place to incorporate affected employees back into the economy.
- Structures in place to assist employees after being affected by retrenchment.

The secondary research data gathered was sourced from internal company information, commercial publications (business periodicals, journals, and newspapers), and online databases internal and external to the organisation (Lamb, Hair, McDaniel, Boshoff, Terblanche', 2000:110-113).

The interview was conducted with a manager within Telkom's Human Resources Department, specific to the Agency for Career Opportunities. The interview questions was centred on what strategy the organisation had in place to manage retrenchment, what this strategy is all about, what its functions are, and how it assists Telkom in managing its retrenchment process and affected employees.

The e'mail surveys were directed towards the recognised unions of Telkom, relating to how the company complies with labour legislation, particularly the LRA and BCEA. The questions posed were taken directly from these two Acts, focusing on the procedures followed by Telkom when faced with dismissals.

Data gathered for the Literature Review in Chapter 2 deals with critical issues revolving around a successful downsizing process. Sources utilised to gather this data from were:

- The Internet (World Wide Web)
- Electronic Journals
- Books and journals

### **1.10 ETHICS STATEMENT**

In order to protect the rights of the participants in this research, a system of ethical protections was adopted. Voluntary participation was encouraged so that no individual or institution was coerced into participating in this study. Prospective research participants have given informed consent to participate in the research, and have informed me of the procedures and risks that may be involved in this research. Ethical standards require that participants not be put in a position of risk of harm, both physically and psychologically. The privacy of participants is protected, hence this research guarantees the confidentiality of participants, and no information was distributed to anyone that is not directly involved in this study. Anonymity with specific reference to the questionnaires and interviews were requested by the organisation. Hence no personal details were noted in this document (Trochim, 2002).



### **1.11 LIMITATIONS OF THE STUDY**

As Telkom is a listed company on the JSE and the NYSE, information that is not public could not be used for the purpose of this study. Any internal information obtained that is not in the public domain yet, could also disappointingly not be used for this study. In addition, as the study revolves around Telkom's management of its retrenchment process, the ideal candidates for dissemination of information would have been employees that have already been dismissed by the company. However, all particulars regarding previous and current affected employees are confidential and proprietary information for official Telkom use only. Obtaining information from these employees would have better suited this study, as they would already

have gone through this process with Telkom and would know how the organisation operates in this regard.

The issue around retrenchments within Telkom SA Ltd is currently an extremely sensitive topic. The timing of this study played a critical factor in obtaining information from all the relevant parties involved, as they were mostly engaged in the company's retrenchments for 2004 at that time, and were reluctant to share information in this regard. Because the organisation was engaged in this process at that point in time, questionnaires that were distributed to employees in the head office region in Pretoria were not returned, as employees were in the process of being notified whether they would be affected by the process or not. This delayed drawing final conclusions for the questionnaires that were randomly distributed within the organisation, resulting in a fewer questionnaires than expected being returned and analysed. A further limitation was the delays in seeking and receiving executive approval from Telkom's head office to carry out the research and distribute the questionnaires.

As Telkom's head office region is situated in Pretoria, the distance between it and Cape Town made it difficult to arrange interviews with Telkom's Employee Relations, and top HR managers in pertinent positions relating to the organisation's retrenchments. A final limitation relates to the uncooperativeness received by the recognised unions of Telkom who refused to participate fully in this study. A broader union participation could have added a different dimension or viewpoint to that of the organisation.

Despite the above limitations, it is nevertheless hoped that the information presented in this study from the questionnaires, interviews and e'mail surveys that did take place will contribute to our knowledge and understanding of the dynamics of rightsizing and downsizing.

## **1.12 ORGANISATION OF THE STUDY**

Chapter One outlines the background to the problem and organisation being investigated, the problem statement, objectives and significance of the study, and the methodologies used for this research. This chapter also provides background on Telkom, focusing on the South African Telecommunications Industry and Market, the Company Profile of Telkom, and Telkom's Status as a Parastatal towards downsizing. Chapter Two presents the literature review of the study. Chapter Three deals specifically with the strategy Telkom uses during its downsizing process, along with other policies and benefits the organisation has in place to aid this process. Chapter Four focuses on an analysis of the data gathered, and presents the main research findings. Chapter Five provides conclusions and recommendations to the study.

## **CHAPTER 2**

### **LITERATURE REVIEW**

#### **2.1 INTRODUCTION**

This chapter focuses on various authors' ideas and beliefs revolving around downsizing, and the many aspects that are involved in this process. When organisations consider or contemplate downsizing numerous factors need to be taken into consideration. For this purpose, the themes and debates covered in this chapter are as follows:

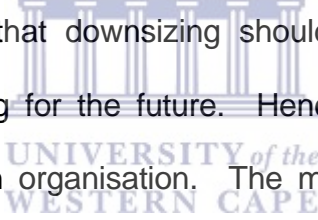
- The necessity of downsizing
- Planning, a vital part of the downsizing process
- Alternatives to downsizing
- Managing change in organisations undergoing downsizing
- Importance of Communication
- Planning around early retirement programs
- Support to survivors

#### **2.2 IS DOWNSIZING NECESSARY?**

According to Fazekas (2001), layers of middle management that were normally responsible for prevention and detection controls have been removed due to downsizing and business reengineering. Gerber, Nel and Van Dyk (1997:421) state that downsizing is necessary when part of an organisation's workforce has become redundant. This process is beyond the control of the employee, and can be attributed to factors such as materials shortages, seasonal

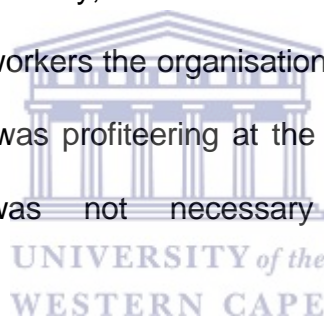


changes, technological advancements, delays in production, and sales losses. Gerber, et al., (1997:421) further state that a decrease in the workforce can be further reduced through negotiations between trade unions and management levels, while still sustaining the organisation's operations. Measures that will assist in minimising the retrenchment are limiting overtime, training and retraining, reducing working hours, transfers between sections within the organisation, and the alternation of appointments and dismissals. Finnemore and Van Der Merwe (1990:126) also state that retrenchment cannot be avoided when an organisation has employees whose labour is no longer needed, and that retrenchment is often due to reduced economic activity, organisational restructuring, and the necessity to cut back on production.



Allan (1997:576) suggests that downsizing should be seen as one of the dimensions used in planning for the future. Hence it can occur during the growth and or decline of an organisation. The motivating force behind this process should be part of a broad strategy to reposition the organisation for the long-term, and to increase the productivity of every employee. This can be accomplished through strategic downsizing. However, the downsizing process often fails as organisations overlook the strategic aspects and proper planning to ensure its successful implementation (Band and Tustin, 1995:36-38). Instead, profits are often the sole purpose used by organisations to downsize. In this extremely competitive global market it is normal for organisations to want to decrease costs, and increase profits, as their shareholders expect a return on their investments (Mariappanadar, 2003:906-907).

Nair (2004) states that one of the recognised unions of Telkom, The Communication Workers Union (CWU) questioned the necessity of retrenchments within the organisation for 2004. Because government is a major shareholder in Telkom, the union intended approaching it as it felt that something was not right within the organisation, as government was allowing these retrenchments, which goes against its own policies. The union was disturbed by the fact that Telkom revealed its potential retrenchments right after publicising the enormous profits the company had just made. Nair (2004) goes further on to say that bonuses between R50k and R150k were to be paid to top managers just to retain them. It was the view of CWU that Telkom's planned retrenchments were not necessary, and that these huge amounts of bonuses could be used to retain the workers the organisation wished to dismiss instead. The union felt that Telkom was profiteering at the expense of its employees, and that downsizing was not necessary at all (Nair, 2004).



According to Abacus Recruitment (1998) in former years people chose careers with the belief that they would have a job for life, retire when they were of age, and live on decent pensions they accrued over the years. However, in today's world quite the opposite is happening. No one really has a job for a lifetime, thus individuals need to learn to be more adaptive, and skill themselves in economic downturns and recessions. Abacus Recruitment (1998) further states that when an organisation's targets are not being met and it needs to reduce costs, job losses are often the easiest way to increase share price and meet company targets. Businesses are laying off employees worldwide and this trend is fast becoming the norm locally in South Africa. Abacus

Recruitment (1998) believes that as bad as the situation already is in South Africa, the fact that downsizing has become a worldwide trend is only going to compound the situation further.

Nieuwoudt (2004:14) stresses that one of the many reasons why larger corporations are reducing their workforce is globalisation. This factor is one of the driving forces that compel organisations to benchmark themselves against their peers in the market, leading to intense competition in revenue management, and thus resulting in job losses. Nieuwoudt states that without investors, corporations often do not last long, hence an additional factor contributing towards this trend as determined by watchful shareholders and market analysts, is how viable corporate companies still are for investors. Nieuwoudt further claims that another global trend towards restructuring in the workplace is technological advances. This factor also compels organisations to see what the company's core business and non-core business activities are, resulting in activities not directly related to the bottom line to be outsourced, contracted in, or become dismembered from the organisation. These alternatives contribute to efficiency, and are less expensive.


### **2.3 PLANNING: A VITAL PART OF THE DOWNSIZING PROCESS**

Appelbaum, Molson, Lopes, Audet, Steed, Jacob, Augustinas and Manolopoulos (2003:77) stress that organisations should first examine alternatives which do not affect the dismissal of employees, and that companies approach downsizing with a long-term vision in mind. Planning forms an integral part of the downsizing process, particularly with respect to managements' role in communicating retrenchment to employees in an effective manner. An account of the business rationale should be included in managements' announcement of the process. The timeliness wherein this is done is of utmost importance. Organisations should provide career counseling for affected employees as well as for those who retain their jobs. The latter are extremely important, as they are left to cope with the aftermath of dismissed colleagues. In order to manage the downsizing process efficiently, employee involvement must be ensured from the very beginning, a communications strategy must be developed to create trust, support programs must be provided to assist affected employees and those retained to adapt to change, and Human Resource Management (HRM) strategies must be aligned with new business strategies (Appelbaum, et al., (2003:77).

Organisations apply downsizing as a strategy to shift organisational structure from what it currently is to what it should be (Appelbaum, Henson and Knee, 1999:473). Downsizing efforts in many companies have been ineffective due to the way the process has been managed. The process should be approached as a long-term strategy, as an opportunity for improvement, and human resources should be approached as assets rather than liabilities (Appelbaum,

et al., 1999:483). Downsizing should not be driven solely from the top down, but should involve all employees. The importance of communication cannot be stressed enough throughout this process. An alternative to headcount reductions such as cost-cutting activities (leave without pay and restricting overtime) should be explored before a decision to downsize is culminated (Appelbaum, et al., 1999:484). It is the view of these authors that organisations should not focus narrowly on headcount reduction strategies alone, but explore a wider range of strategies. Whilst many organisations that downsize tend to only focus on the financial bottom line, it should instead be providing opportunities for personal growth and development to employees (Appelbaum, et al., 1999:485).

Thornhill and Saunders (1998:280) state that a sequence of interrelated processes are necessary to manage the downsizing process, these include:

- 
- Business and human resource planning
  - Determining which downsizing strategies to use
  - Communicating change and the possibility of redundancies
  - Consulting with representatives and affected individuals
  - Training those responsible for implementation
  - Devising and using selection criteria
  - Notifying redundant employees
  - Devising and implementing support programmes for leavers and survivors.

According to Drew (1994:4) one of the most disruptive and dramatic organisational changes experienced today is downsizing. A downsizing process that is poorly executed can produce unexpected results, and mistakes can have severe cost implications. Still, systematic downsizing is constantly being exercised despite the risks involved. Only a minority of organisations has performed this strategy well. Therefore contributory factors and best practices in this regard are much needed, and should be better understood and studied.

## **2.4 ALTERNATIVES TO DOWNSIZING**

Allan (1997:579) stresses that downsizing should not be regarded as the only solution for organisations wishing to achieve competitive advantage. Instead, offering employees job security is considered an important practice in this regard. Contrary to layoffs, job security lends itself to bigger savings of not having to layoff employees then hire and train replacements, and portrays the organisation as a socially responsible employer. Less disruption in the workplace occurs, and the company may well experience greater profitability than companies who do not offer job security. Productivity levels in job secure environments are high as employees are more susceptible to change in their job functions and responsibilities. Allan (1997:581-588) further proposes a number of alternatives. These include the utilisation of attrition whilst freezing the hiring of new employees, the elimination of overtime to avoid layoffs, transferring or redeploying employees, the use of leave benefits and unpaid leave, voluntary terminations (buyouts), early voluntary retirement, reduction of work hours, salaries and benefits, acquiring contractors, and training employees for potential new jobs. According to Mariappanadar (2003:914)

there are currently many ways in which organisations can downsize whilst still maintaining morale and trust in its employees. One of these is that organisations can invest in retraining programs, which will transform its existing employees. This will sustain the organisation rather than exercising downsizing and upsizing strategies in different departments (Mariappanadar, 2003:914).

Klein (1997) stresses the fact that organisations are concentrating more on their core business and competencies. For this purpose companies are making use of employee leasing, interim management, temporary and contract workers, consulting services, and outsourcing. These alternatives will allow the organisation to reduce costs to the company, and retrenchments will be regarded as a last resort.

## **2.5 MANAGING CHANGE IN ORGANISATIONS UNDERGOING DOWNSIZING**



When downsizing, organisations sometimes provide career counseling, early release schemes, outplacement facilities, and networking opportunities for employees that are leaving, but tend to ignore the survivors (employees who retain their jobs). Kinnie, Hutchinson and Purcel (1998:303-304) further claim that managing the downsizing process efficiently, with humanity, and ensuring that the changes incorporate the business strategy, is not enough. Organisations need to question themselves around who would want to be employed by them in the longer-term. When focusing on matters from an organisational and individual perspective, change must be managed effectively. This includes HR strategies to support the personal transformation of

individuals so that they can be beneficial to the organisation in the future, and subsequent to and throughout downsizing, there are evident trends in how employers can adjust HR policies and practices. These include employee communication efforts to win commitment to the change, sufficient support to affected employees and those retained by the company, improving prospects for developing new skills and training, and repositioning the Performance Management System (PMS). Effective management of the HR system is arguably the best practice of successful downsizing. Communicating with vision to employees about all the relevant information regarding the downsizing, training, employee involvement, rewarding, and managing the downsizing process in an honest and just manner, are vital features for successful downsizing. Therefore, the successful implementation of downsizing strategies must be ensured by HR professionals in the company (Kinnie, et al., 1998:303-305). Including all stakeholders in the process of downsizing, and making employees partners in the change process will ensure trust within the organisation. Employees will more readily accept changes and embrace ownership if they are actively part of the downsizing process, which in turn will advance the implementation of the process (Appelbaum, Patton and Shapiro, 2003:26).



## **2.6 THE IMPORTANCE OF COMMUNICATION**

Communication plays a vital role in the downsizing process. It is important that the processes to be used be communicated, that feedback between different levels within the organisation be provided on a regular basis, and that those responsible for communication be trained prior to the downsizing. Sufficient information about the layoffs will result in a better understanding as to why it needs to be executed. Poor results are born from strategies that are imposed from the top-down. Successful strategies require bottom-up support. The leadership in organisations that have successfully downsized usually expresses a clear vision of where the organisation is going (Flint, 2003:440-441).

Once again, the importance of communication before, during, and after downsizing has been stressed in managing the process effectively. The need to downsize and reasons for the process being considered, must be communicated in a notice to all employees. Employees must be made aware that the process is not the result of lack of skill or managerial greed, but that the organisation cannot survive without it. Advance notice must be given to all employees (where possible) so that they can maintain efficiency in the workplace and display a supportive, cooperative behaviour towards the organisation (Band and Tustin, 1995:43). According to Appelbaum, et al., (2003:26) communication eases problems of uncertainty when all information regarding the change and its impact is disclosed to employees.

## **2.7 PLANNING AROUND EARLY RETIREMENT PROGRAMS**

Appelbaum, et al., (2003:22) demonstrate that the downsizing process needs careful consideration when utilising early retirement programs as part of its strategy. Miscommunication with employees, mistreatment of retained employees, and poor planning around this process will most likely lead to failure. Early retirement incentive programs have legal, societal, and individual implications regardless of the benefits they might offer. According to Snow College Human Resources (2005), some of these implications are that in the event of the applicant dying during early retirement, his/her benefits are terminated at the end of the month during which the death took place, and the cost of replacing the employee could be high. Another implication is that early retirement programs normally result in many losses and heavier workloads for the remaining employees (University of Waterloo, 2005). By predicting which employees will utilise the incentive program, the negative effects the program brings about could be reduced for the remaining employees, and the organisation. HR departments are responsible for developing and training management teams to deal with the latest changes and culture of downsized companies, however, these departments seem to be the missing link in early retirement incentive programs. A differentiating factor between successful and unsuccessful downsizing processes is the absence of a strategic plan right from the start (Appelbaum, et al., 2003:25).

## **2.8 SUPPORT TO SURVIVORS**

Survivors (employees who retain their jobs) are often ignored whilst organisations provide career counseling, early release schemes, outplacement facilities, and networking opportunities for affected retrenched employees. Organisations should provide career counseling for those who retain their jobs as well (Appelbaum, et al., 2003:77). Employee involvement, communication, and managing victims and survivors are pressing issues if organisations want to successfully downsize. According to Appelbaum, et al., (2003:33) support given to survivors and victims of downsizing is an equally important element in managing the downsizing process. “Advanced warning, financial benefits, counseling, and outplacement services” should be included in the downsizing process with regards to support offered to affected employees, likewise, “training, cross-training, and retraining” should also be provided for all survivors (Appelbaum, et al., 2003:33).



## **2.9 PUBLIC AND PRIVATE SECTOR RIGHTSIZING/DOWNSIZING AND PRIVATISATION**

Internationally, rightsizing and downsizing have by no means been confined to the private sector. In fact in many developing as well as developed countries rightsizing and privatisation have been common elements in processes of public sector reform. This has also been the case in South Africa. According to Bardill and Khan (1998:1) rightsizing (rather than downsizing) and the restructuring of state assets were regarded as significant and interrelated means of producing a more efficient and effective public service, in line with the transformation processes set out in the White Paper on the Transformation

of the Public Service (WPTPS, November 1995). Bardill and Khan (1998:2) further stated that state debt could be reduced, economic opportunities could be created, various forms of coproduction could be promoted, and rightsizing public sector employment could be assisted through improvements made in restructuring state assets. Furthermore, funds could also be freed up for service delivery and infrastructure investment through advancements made in rightsizing the public service, resulting in improvements in service standards, empowerment of communities and potential entrepreneurs, and the realisation of savings. In actual fact, however, the policies followed by the Government (especially through voluntary severance packages) in the mid-1990s focused much more on downsizing than rightsizing. According to Bardill and Khan (1998:17) these policies therefore had unintended negative consequences. These included the loss of skilled workers whereby service delivery was affected, and low staff morale and motivation due to insecurities. By placing a moratorium on new vacant positions affirmative action and representivity were also affected, and departmental planning was also affected due to uncertainties brought about by the stop-start disposition of the various rightsizing measures.

According to Abacus Recruitment (1998) in recent years downsizing has become a worldwide trend in both the public and private sectors. In the private sector companies are shifting their mindsets to satisfying shareholders rather than holding onto their employees. This can be attributed to the pressure organisations are placed under to keeping their shareholders happy. Vavi (2003) states that the South African Government manages its relationship with public sector workers and unions with increasing conflict. The government has

thus far managed to downsize, privatise organisations, engage in fragmentation, and bring about wage restrictions without major changes to hierarchical and arbitrary management.

Cosatu and Afrol (2001) state that instead of job creation by the South African government, unemployment has become a national emergency. In the year 2000 the unemployment rate in the public sector (4%) was double that compared to job losses in the private sector (2%). This supported the union's resistance to downsizing and outsourcing in the public sector, including policies of privatisation, which can be attributed to the alarming rate of unemployment experienced today. This is a contentious issue for Cosatu, which has vowed to continue its fight against job losses in the public sector. According to Cosatu and Afrol (2001) there have been numerous uprisings against the large-scale privatisation in South Africa, which primarily focused on poverty alleviation and increases in prices for public services and employment. The federation promised to double its efforts in supporting and protecting all workers, be they employed or unemployed.

## 2.10 SUMMARY

In today's changing world, downsizing seems to have become inevitable. The process not only affects organisations that perform poorly. Successful organisations also practise downsizing as part of a long-term strategy to make them better equipped for future business, competition, operational requirements, and globalisation. Proper planning is imperative for the successful implementation of any downsizing strategy. When planning for this process, consideration for alternatives to downsizing must firstly be taken into account. If it is at all possible that job losses can be avoided or even minimised, then these avenues (alternatives) should be explored. During and after the downsizing process has taken place, employers should have measures and procedures in place to manage the change/s being experienced within the organisation. One of the most important factors that can inhibit the downsizing process is communication. Organisations should communicate all intentions of the process to its employees. Finally, organisations often seem to think that after retrenching employees, all will be well with the organisation. This could not be further from the truth, as the remaining employees are often left depressed, with greater workloads than they can cope with, and insecurity not knowing their employment status within the organisation. It is therefore imperative that organisations provide adequate support to survivors, for they are the company at the end of the day. In the next chapter the study will present secondary data findings in relation to the strategies and processes that have been followed in Telkom's retrenchment and downsizing exercise. The data is sourced from Telkom publications, communiqués, broadcasts, and magazines.

## **CHAPTER 3**

### **TELKOM AND ITS STRATEGY FOR DOWNSIZING**

#### **3.1 INTRODUCTION**

This chapter focuses on the strategy adopted by Telkom for downsizing its workforce. Particular emphasis is placed on strategies to minimise or avoid job losses, and the agency that drives this strategy. Other policies in place and benefits derived from the organisation's retrenchments are specified, and statistics compiled over the years have also been noted.

#### **3.2 THE BUSINESS RATIONALE BEHIND TELKOM'S RETRENCHMENT**

According to Telkom SA Ltd Corporate Communication Broadcast (2004), the rationale behind validating affected positions within the organisation are as a result of:

- Multi-skilling
- Removal of duplication
- Process improvements
- Advancement of operational efficiencies
- System enhancements (functional realignment)

### **3.3 MEASURES TELKOM SA LTD HAS IN PLACE TO MANAGE AND AVOID JOB LOSSES**

In a speech delivered by Telkom's Chief Executive Officer, Sizwe Nxasana (2002) stressed that the communications industry in South Africa and globally is faced with major changes, wherein critical skills today may not be so critical tomorrow or next year. It is therefore evident that employees do not have the luxury of being in a profession for life. One of the organisation's core values is that it values its people and their diversity, which is why all plans and endeavours must maintain sensitivity to its employees. This sensitivity and proactivity led to the formation by Telkom of an Alternative Strategy and Approaches (ASA) in September 2002 to avoid/minimise job losses and create new career opportunities for Telkom employees. The intention of this plan was to ensure minimal job losses resulting from future job changes.



According to Nxasana (2002), this new strategy was firstly built on a firm commitment to Telkom being a responsible employer and corporate citizen. The employment creation objectives of government are fully supported by Telkom. Secondly, Nxasana (2002) stressed that the new strategy also displays several strengths, which previous approaches lacked.



These included:

- **Creating a permanent careers agency within Telkom**

A careers development unit has been created to support the organisation's quest to prevent job losses, obtain new career possibilities, and support those affected by job changes. This careers development unit is called the Agency for Career Opportunities, which was launched on the 27<sup>th</sup> November 2002. The Agency is there to empower employees confronted with retrenchment, to assist them in taking charge of their skills and career development.

- **Early warning-signals about job changes**

Apart from making progress with the Agency for Career Opportunities, Telkom has already initiated and is set to use their computer-based early-warning system called Human Capital Planning, which identifies and prepares for potential future job changes well in advance. Systems like these give employees at least 12 months in which to prepare for new careers, in contrast to the previous norm of no more than 2 months.

- **Capitalising on the job creation of the broad technology sector**

This sector has great job creation potential as new players are set to enter the communications market. In spite of this, numerous players tend to work on job creation projects on their own. If these projects were coordinated and synchronized between the various players in the sector, the result would be much more effective. The foundation for sector-wide collaboration was put in place in 2002 through the Information, Communication and Technology (ICT) Sectorial Job Summit. Telkom's view is to form training and job placement

partnerships, hence they have been actively engaging other players in the technology sector through the Agency for Career Opportunities. Besides engaging existing communications operators and Telkom's suppliers, the organisation is also operating closely with the industry's training body, Information Systems, Electronics and Telecommunication Technology - Sector Education Training Authority (ISETT-SETA), to cultivate innovative competency and skills packages, such as full-time industry learnerships (Nxasana, 2002).

### **3.4 TELKOM'S ALTERNATIVE STRATEGY AND APPROACHES (ASA)**

The ASA adopted by Telkom to avoid/minimise job losses was briefly outlined in the previous section.

The three key phases that form part of this strategy is:

#### **3.4.1 The First Phase: Voluntary Process**

Telkom constitutes various Service Organisations.<sup>2</sup> This phase entails notifying the organisation's various Service Organisations whether they have been affected by the process or not. Thereafter, employees in these Service Organisations are offered two options, an enhanced Voluntary Early Retirement Package (VERP), or an enhanced Voluntary Severance Package (VSP).

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<sup>2</sup> Service Organisations are the different operational groups that exist within Telkom. Just to mention a few, the Network Infrastructure Provisioning Section, Procurement Section, Business and Government Section, HR Department and many more groups like these make up the organisation.

If after the voluntary process is complete, and a need for further reduction is still required, then the second phase will start (Telkom SA Ltd, 2003:9).

### **3.4.2 The Second Phase: Selection Process**

During this phase specific employees are identified for retrenchment within the previously selected Service Organisations, according to the following criteria:

- **Skills**

The system utilises the current grade an employee holds within the organisation, and re-evaluates it against the skills requirements for the position held (Human Resource Management, 2003:3).

- **Last In First Out (LIFO)**

According to Human Resource Management (2003:3) the system utilises the years of service the employee has with Telkom.

- **Race and Gender Correction**

Firstly, the percentage of Black persons and Females within the affected Service Organisations is determined. This percentage is then compared after the selection on Skills and LIFO has been carried out. If the percentages for Race and Gender are better than the percentages prior to the selection process, then further action is not required. However, if this is not the case, then Race and Gender correction must be exercised. However, race holds a higher superiority over gender (Human Resource Management, 2003:4-5).

### **3.4.3 The Third Phase: Agency for Career Opportunities**

During this phase the employees identified after the selection criteria has been applied, are once again offered enhanced VSPs and VERPs. If employees refuse this offer, then this is the stage at which they will receive the option of being placed into the Agency for Career Opportunities (Telkom SA Ltd, 2003:9).

## **3.5 THE AGENCY FOR CAREER OPPORTUNITIES**

Telkom's Human Resources Management (2004:6) states that the Agency for Career Opportunities is one of several in the world, but the only one of its kind in South Africa. The Agency is used as a vehicle for Telkom's ASA to avoid/minimise job losses. All affected employees who do not make use of the voluntary separation options available to them, are placed in this Agency, and receive full pay and benefits whilst in the Agency. Employees in the bargaining unit are afforded 12 months in the Agency, whilst management levels are afforded 4 months, wherein they will structure and develop their careers. Government fully supports the goals and objectives of the Agency (Human Resources Management, 2004:6).

Human Resources Management (2004:7) stated that career counseling is provided by the Agency, and that affected employees are assisted by the Agency to draw up development plans. The employees are also assisted by the Agency to find other jobs, or become self-employed. The Agency has a presence in all six traditional Telkom regions. These are the Central, Western, Eastern, Gauteng Central, North Eastern, and Southern Regions. To ensure

the success of the Agency, certain policies and procedures have been put in place. These include:

- All vacancies in the organisation must be filled from within the Agency first.
  - Placement of all advertisements in the internal vacancy bulletin must be signed off by either the Managing Executive or Group Executive related to the specific post.
  - Any external recruitment and placement must be signed off by the Managing Executive, or Group Executive related to the specific post.
- (Human Resources Management, 2004:7).

According to Telkom SA Ltd (2003:2) competent professionals operate within this Agency. The Agency's short-term objective is to support employees affected by the restructuring process, while its long-term objective is to function as a connection between Telkom and the wider ICT sector in South Africa. "The Alternative Strategies also live up to the spirit of both Section 189 of the LRA and the Job Security and Retrenchment Framework Agreement between Telkom and organised labour" (Telkom SA Ltd, 2003:2).

### **3.6 ORGANISED LABOUR'S INVOLVEMENT IN TELKOM'S STAFF REDUCTION PROCESS**

In an agreement between Telkom and its recognised unions [CWU and The Alliance of Telkom Unions (ATU)] on the 13<sup>th</sup> September 2004, a National ASA Forum was established to observe the Section 189 of the LRA process, and the accuracy and fairness by which it is implemented. For this purpose, an amount of 6 representatives from organised labour and 6 representatives from

Telkom Management make up this Forum (Telkom SA Ltd Employee Relations, 2004:1).

Telkom SA Ltd Corporate Communication Broadcast (2004) states that as soon as Telkom identifies affected positions that constitute their bargaining unit and management levels, organised labour is notified about Telkom's intentions to consult them on the ASA to avoid/minimise job losses, and to create new career opportunities for Telkom employees. Upon consultation with organised labour all options available to avoid job losses, such as voluntary separation, voluntary early retirement, and placement into the Agency for Career Opportunities are explored.



As stated by Telkom SA Ltd Employee Relations (2004:2), during Phase 2 of the ASA, in addition to Telkom providing organised labour with a document on how the company applies its selection criteria of Skills, LIFO, and Race and Gender, it also demonstrates the application of this process on request by organised labour at the Forum. Whatever discrepancies the department has, Telkom consults with them at the Forum. Organised labour receives information from Telkom about the progress made by specific affected Service Organisations, regarding possible redeployment opportunities in those sections. Wherever possible, the Forum examines the option of replacing temporary and contract workers within the organisation with employees who have been placed in the Agency (Telkom SA Ltd Employee Relations, 2004:3-4).

According to Telkom SA Ltd Employee Relations (2005:8), a National Committee has also been established, comprising of 5 members from CWU and 5 from Telkom Management. The purpose of this Committee is to observe the execution of the voluntary separation process. The various matters that Telkom consults with organised labour in the Committee are:

- The timeframes for implementing, and applications received by the company for the voluntary separation process.
- Approved and declined packages.
- Effective and efficient implementation of this process.
- Declined applications that the Committee will attempt to be swayed.

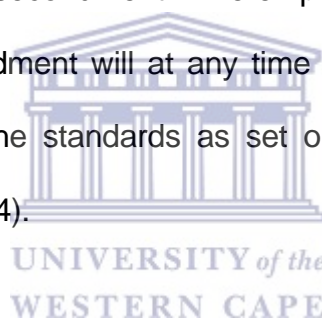
(Telkom SA Ltd Employee Relations, 2005:8).



### **3.7 ALTERNATIVE STRATEGIES FOR CAREER OPPORTUNITIES: TERMS AND CONDITIONS FOR THE TRANSFER TO THE AGENCY**

As stated by the Agency for Career Opportunities (2003:1-2), confirmation must be received by the employee affirming his/her notification of their position being made redundant as a result of operational restructuring. Confirmation from the employee will afford his/her placement into the Agency. Telkom is not obligated to give preferences to employees regarding the location at which they may be placed into the Agency. However, the Agency will try its utmost to locate the employee closest to his/her current workplace. In instances where this scenario cannot be achieved, the employee is placed in the nearest location and is compensated for additional expenses incurred by his/her appointment into the Agency, as stipulated in Telkom's Subsistence and Travel (S&T) policies (Agency for Career Opportunities, 2003:1-2).

The employee may be required to take part in the selection process for employment opportunities both inside and external to the company, which could result in permanent placements either within or external to the organisation. These employees have the right to exit the Agency at any time (Agency for Career Opportunities, 2003:5-6). Employees may also be required to undertake project work based on the company's operational requirements, the employee's skills profile, and the skills required for the project. If the employee is seconded elsewhere in the organisation, a Service Level Agreement (SLA) is entered into by the Agency with the respective line manager. This SLA will form the foundation for evaluating the employee's performance during his/her secondment. The employee will be returned to the Agency, and his/her secondment will at any time be terminated in the event that he/she fails to meet the standards as set out in the SLA (Agency for Career Opportunities, 2003:4).



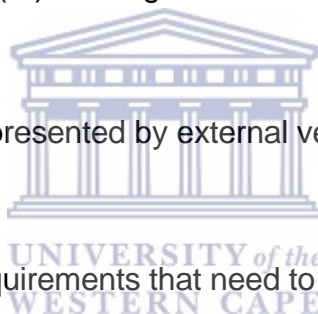
According to the Agency for Career Opportunities (2003:4-5), a suitable training and development program is agreed upon between the employee and the Agency, through a joint decision-making and career counseling process. Future skills requirements of the organisation and the ICT sector are identified, including the best possible and most favourable career and skills match for the employees are chosen. Employees are also given the option of choosing training that they prefer. Based on this information, potential career prospects outside the company, internal training via Telkom's Centre for Learning Institute (CFL), including training in an external institute such as technicon's, universities, and colleges for a stipulated time period is offered. According to



the Agency for Career Opportunities (2003:4-5), this training program is cost effective, and employees can receive training in the form of developing experiences in a selected working environment, or as formal courses.

Telkom SA Ltd (2003:6) stated that in order to improve placements within the organisation, training would include:

- Core network and access network training
- Business, leadership and project management
- HR programmes like Safety, Health and Environment (SHE) programmes
- Systems, Applications, and Products (SAP R/3) applications
- Information Technology (IT) training will include basic Personal Computer (PC) and web courses
- Entrepreneurial training presented by external vendors



If Telkom has operational requirements that need to be met, then preference for training in this regard will be the first priority, whilst requirements to be met by the ICT sector are given second preference. Only after the Agency and the Entrepreneurial Training Vendor has assessed the employee, and the counseling process has been conducted, will requests for entrepreneurial training be considered (Agency for Career Opportunities, 2003:5).<sup>3</sup>

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<sup>3</sup> The Entrepreneurial Training Vendor is the various training institutes that provide training to affected Telkom employees who wish to pursue their own businesses. This training specialises in Small Medium and Micro Enterprise (SMME) creation and New Venture Planning.

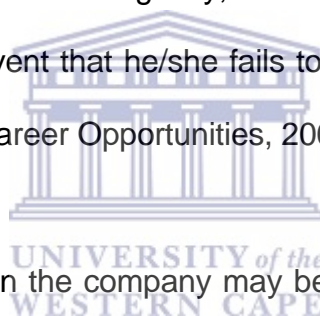
The training and development plans are based on the following results:

- From the career counseling process.
- From legitimate, dependable, and culturally fair assessment procedures.
- From forecasting that the training will enhance the employee's ability to secure a job.

(Agency for Career Opportunities, 2003:5).

If the employee receives training in an external institution, an SLA is entered into by the Agency with the respective institution. This SLA will form the foundation for evaluating the employee's performance whilst at the institution.

The employee will be returned to the Agency, and his/her training will at any time be terminated, in the event that he/she fails to meet the standards as set out in the SLA (Agency for Career Opportunities, 2003:5).



A selection of positions within the company may be advertised internally while employees spend their term within the Agency. If the Agency believes an employee is suitable for any one of these positions advertised, then the employee must agree to participate in the selection process (Agency for Career Opportunities, 2003:5). The Agency also assists employees in exploring external work opportunities. This is yet another alternative to retrenchment which the Agency manages in aid of the employee. With the necessary authorisation from the employee, the Agency will disclose all personal, applicable, and important information to potential employers (Agency for Career Opportunities, 2003:5-6). Regarding external positions, if the Agency believes an employee is suitable for a position advertised, then the employee must

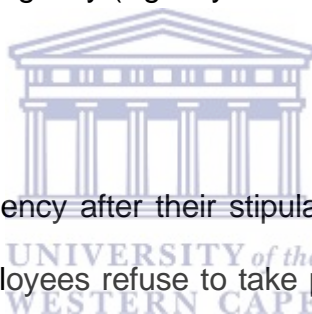
agree to participate in the selection process. In the event that the Agency instigates any external placement, it will compensate employees for all expenses incurred regarding attendance of external interviews, according to the S&T policy of the company. However, if the employee takes it upon him/herself to be placed externally, all costs incurred must come from themselves (Agency for Career Opportunities, 2003:6).

According to the Agency for Career Opportunities (2003:6), in the event that the employee is selected and accepts a position within the company, but in a different geographic location, he/she will still benefit from Telkom's relocation policy and related benefits. If an employee applies for and is accepted for more than one position, then Telkom will reserve the right to choose the post the employee must occupy. In the event that an employee is successful for an external position applied for, be it the initiative of the Agency or the employee, he/she will receive an ordinary severance package when leaving the Agency. However, if this external position is in another geographic location, irrespective of how it was obtained (Agency or the employee), then Telkom's relocation benefits will not apply (Agency for Career Opportunities, 2003:6).

According to the Agency for Career Opportunities (2003:7) the employee's contract of employment and Telkom's HR Policies are still applicable to the employee when in the Agency. When placed in the Agency the employee will keep his/her job title, benefits that Telkom offers, and his/her normal salary received monthly. All Gain Sharing (profits made by Telkom) and Team Award Bonuses will also still apply to employees in the Agency. Whilst in the Agency

the employee's Performance Evaluation Plan (PEP) will be given an assessment rating of neutral ("N"). When required, the Agency provides counseling and consultation to employees and their immediate family members. These counsellors, professionals, and advisors are approved on Telkom's good judgement, be they internal or external to the company (Agency for Career Opportunities, 2003:7).

Employees within the Agency may at any time apply for voluntary packages as stipulated in the organisation's rules and policies. However, these packages will not be the enhanced packages employees were offered prior to their selecting to be placed in the Agency (Agency for Career Opportunities, 2003:7-8).



Employees will leave the Agency after their stipulated time periods within the Agency have ended. If employees refuse to take part in a project opportunity because of additional distance required for travelling, the employee is asked to leave the Agency. If employees refuse to partake in the training being offered, and in the selection process of potential job placements both internally and externally, the employee is required to leave the Agency. In the event that an employee unreasonably rejects an offer of employment for which he/she was suitable, the employee is also asked to leave the Agency. This rejection is unreasonable where the employee's skills and competencies match the organisation's operational requirements, but the geographic location is not suited to the employee. Furthermore, employees will also be required to leave the Agency if they are permanently placed in an internal or external position, or

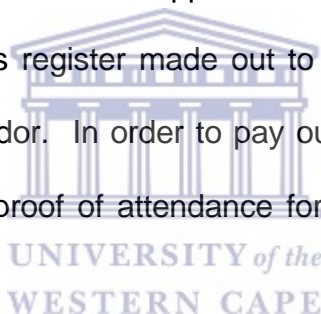
if they apply for and receive a VSP or VERP (Agency for Career Opportunities, 2003:8). If employees leave the Agency for any of the above reasons, their term within the Agency will be terminated, and he/she will be retrenched and will only receive an ordinary severance package. Only when employees leave the Agency as a result of their time periods having elapsed, and when they apply for voluntary packages, does Telkom's Social Plan Benefit apply (Agency for Career Opportunities, 2003:9).

### **3.8 THE SOCIAL PLAN BENEFIT**

The Agency for Career Opportunities has a Social Plan Benefit in place, which they manage for employees who accept the offer from Telkom to take the voluntary severance and early retirement packages. This benefit amounts to a total of R20, 000.00, and makes provision for four different options, namely, training for other career options, training and capital to purchase tools, start-up capital for new business opportunities, and an option for the capital to be utilised by the dependants of the ex-employee (Agency for Career Opportunities, 2004:1). According to Telkom SA Ltd HR (2005), in order to partake of this benefit employees are required to schedule an appointment with staff of the Agency for Career Counseling. Employees leaving the company only have three months within which to register for this benefit after accepting the voluntary packages, or they will forfeit the funds.

### **3.8.1 Training (R20, 000.00)**

A quotation is acquired by Telkom's Regional Finance department in line with the training the employee wishes to undertake, using the career counseling as a basis. The Social Plan Vendor database is then updated by the department, and the HR Finance team (scheduler) liaises with the appropriate training institution or vendor. The scheduler will draw up a letter of confirmation serving as a guarantee of payment to the institution. The employee is contacted by the scheduler regarding the commencement of his/her training, venue, duration, and cost, and Telkom (Regional Finance department) is held accountable and answerable for any payments and queries including a feedback report on the employee's record (Agency for Career Opportunities, 2004:2). On receipt of a tax invoice, including a class register made out to Telkom, Telkom's Finance Department will pay the vendor. In order to pay out the daily allowances, the class register will serve as proof of attendance for the respective employees (Telkom SA Ltd HR, 2005).



### **3.8.2 Training and Tools (R16, 000.00 and R4, 000.00 respectively)**

In this option the training will follow the same procedure as the above training option. For the purchasing of the tools related to the training, a quotation from a preferred supplier is required by the employee, on receipt of this quotation the employee will forward it to Regional Finance, who in turn will update the Social Plan Vendor Training database, in order for the chosen vendor to receive payment (Agency for Career Opportunities, 2004:2).

### **3.8.3 Start Up Capital (R20, 000.00)**

According to Telkom SA Ltd HR (2005), two scenarios are available when choosing the start-up capital benefit, namely:

- The first scenario pertains to employees with no business experience and training.
- The second scenario pertains to employees who have business experience and training.

#### **3.8.3.1 First Scenario**

An employee with no business training and experience will be provided with Small Business Development Corporation (SBDC) training arranged by Regional Finance within Telkom, and the Social Plan database will be updated accordingly. Documentation such as the Business Plan, registration papers, and bank letter will be sent to Telkom's HR Finance for approval on completion of the training by the vendor. This amounts to R3, 000.00 (Agency for Career Opportunities, 2004:1). The entrepreneurial training program includes:

- Company registration with the Department of Trade and Industry (DTI)
- Submission of the Business Plan to the Agency
- A business cheque account being opened for the business.

The remaining R17, 000.00 is deposited into the business cheque account by Telkom after the entrepreneurial training is complete and all relevant documentation is submitted to the Finance department (Telkom SA Ltd HR, 2005).

### **3.8.3.2 Second Scenario**

According to the Agency for Career Opportunities (2004:1), in the event that the employee already has business experience and training, it is his/her responsibility to provide proof thereof to Telkom's Regional Finance department. The department will in turn schedule an entrepreneurial assessment session costing R600.00 for a 2-hour session, and will update the Social Plan Vendor Training database accordingly. The HR Finance department will then take receipt of the Business Plan, registration papers, and bank letter from the applicant for approval. However, if the employee fails the assessment, he/she will have to follow the entrepreneurial training program, and an additional R3, 000.00 together with the R600.00 will be deducted from the total R20, 000.00 (Telkom SA Ltd HR, 2005).

In the instance that an ex-employee already has an existing business, he/she does not require any training or assessments, and can therefore only qualify for R10, 000.00 (Telkom SA Ltd HR, 2005).

### **3.8.4 Application for Dependants**

This option allows the ex-Telkom employee to choose any of his/her immediate dependants that are unemployed to use the Social Plan benefit. This dependant will only qualify for the training option, and the training and tools option, but not for the start-up capital option. The dependant will also not qualify for the travelling allowance with respect to training (Agency for Career Opportunities, 2004:2).

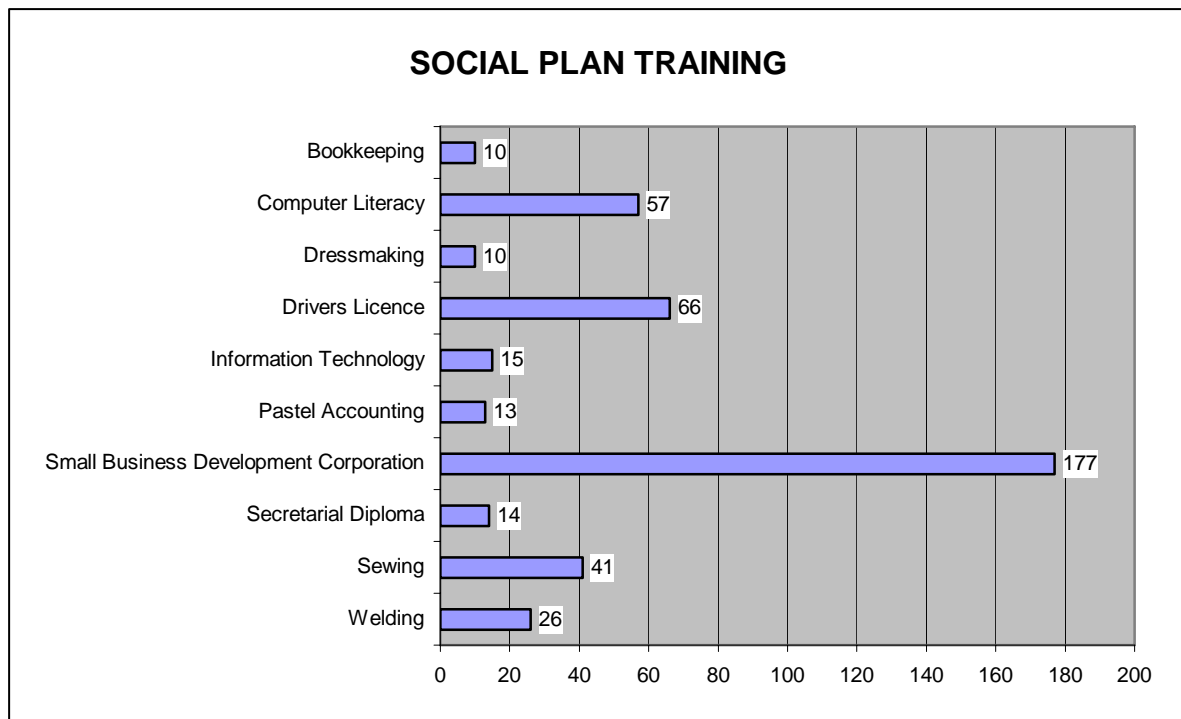


### **3.8.5 Statistical Analysis of the Social Plan Training**

Figure 1 outlines the training performed and completed by the Agency from October 2002 until April 2004. For this stipulated period, a total of 429 employees in the Agency utilised the training option available to them. A breakdown of the training plan per career as indicated in Figure 1 is as follows:

- A total of 10 employees completed a Bookkeeping course.
- A total of 57 employees completed a Computer Literacy course.
- A total of 10 employees completed a Dressmaking course.
- A total of 66 employees completed a Drivers Licence course.
- A total of 15 employees completed an IT course.
- A total of 13 employees completed a Pastel Accounting course.
- A total of 177 employees completed a SBDC course.
- A total of 14 employees completed a Secretarial Diploma course.
- A total of 41 employees completed a Sewing course.
- A total of 26 employees completed a Welding course.





**Figure 1: Statistical Analysis of Social Plan Training** (Agency for Career Opportunities, 2004:2).



### 3.9 TELKOM'S SWOP POLICY

Telkom SA Ltd (2003:6) states that this policy is another alternative the organisation uses to minimise unwanted retrenchments. The policy affords employees who want to leave the company and opt for voluntary packages, but are not in affected Service Organisations, to swop their positions with employees currently in the Agency and waiting to be redeployed back into the company. These employees can apply for any of the two voluntary packages, the VSP or VERP. Only once suitable Agency candidates with the necessary skills requirements can be found to fill positions of employees who wish to leave the company, will the swop be implemented. According to the Agency for Career Opportunities (2004:5), no swops are allowed during the first phase of

the ASA, and swop applications are taken into consideration during the second phase, which are the sole responsibility of line management to approve or decline such applications. Swops during the second phase of the ASA apply to employees that occupy positions within affected Service Organisations, but were not identified during this phase, and wish to accept the voluntary packages still on offer. During the third phase of the ASA employees not currently in the Agency are allowed to apply for swops with employees in the Agency. Employees in the Agency that accepts lower level positions will have their salaries and benefits scaled down to the level occupied in these positions (Agency for Career Opportunities, 2004:5-6).

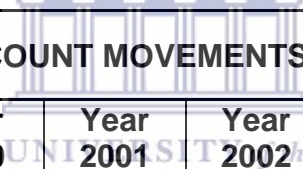
### **3.10 EMPLOYEE PROFILE STATISTICS**

According to Telkom SA Ltd Investor Relations: Corporate Responsibility: Human Capital Management: Employee Profile (2002), in 1991 Telkom inherited a workforce of 67,667 employees from the then Department of Post and Telecommunications. From 2000 onwards, the pace of retrenchment accelerated as shown in Table 1. Resulting from various movements within the company such as natural attrition, retrenchment, appointments, outsourcing, employee and company-initiated losses, and employees accepting voluntary packages, Table 1 shows that Telkom's workforce declined to:

- 61,237 in 1999
- 49,128 in 2000
- 43,758 in 2001
- 39,444 in 2002
- 35,361 in 2003

- 32,358 in 2004

According to Telkom SA Ltd Investor Relations: Corporate Responsibility: Human Capital Management: Employee Losses (2002), one reason for the considerable workforce reduction since 1999 to 2004, is the reduction of support staff from 2000 to 2004. The figures below are representative of Telkom's large-scale retrenchment from 1999 to 2004, excluding its joint venture and subsidiaries. According to Telkom SA Ltd Investor Relations: Company Profile: Group Structure (2005), Telkom has a joint venture with Vodacom, and its subsidiaries are FastNet Wireless Data Service (previously named Swiftnet), and Telkom Directory Services (Proprietary) Limited.



<b>HEADCOUNT MOVEMENTS</b>					
	<b>Year 2000</b>	<b>Year 2001</b>	<b>Year 2002</b>	<b>Year 2003</b>	<b>Year 2004</b>
<b>Opening balance</b>	<b>61,237</b>	<b>49,128</b>	<b>43,758</b>	<b>39,444</b>	<b>35,361</b>
Appointments	2,245	1,727	1,221	370	103
Employee losses	14,354	7,097	5,535	4,453	3,106
Company-initiated losses	11,070	4,362	2,960	2,124	1,321
Voluntary early retirement	4,090	119	1,161	377	224
Voluntary severance	4,186	1,994	1,760	1,531	985
Retrenched	891	846	35	216	112
Outsourcing	1,903	1,403	4	0	0
Natural attrition	3,284	2,735	2,575	2,329	1,785
<b>Closing balance</b>	<b>49,128</b>	<b>43,758</b>	<b>39,444</b>	<b>35,361</b>	<b>32,358</b>

**Table 1: Employee Profile Statistics: Headcount Movements** (Telkom SA Ltd Investor Relations: Corporate Responsibility: Human Capital Management: Employee Losses, 2002 and 2005).

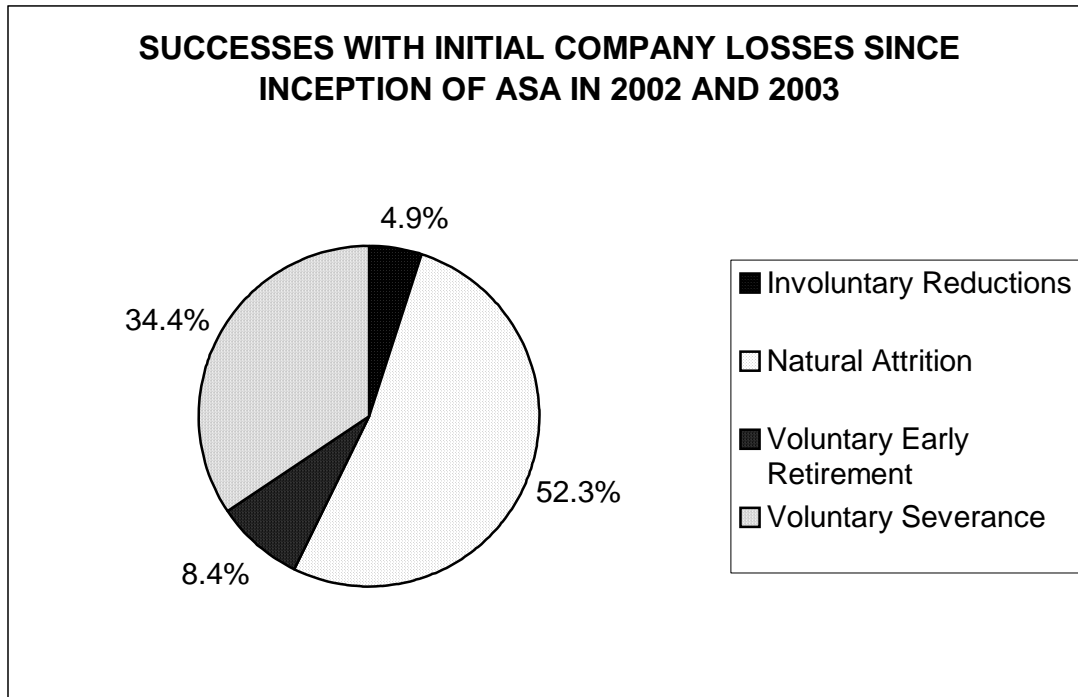
### **3.11 SUCCESS WITH THE ALTERNATIVE STRATEGY AND APPROACHES TO AVOID/MINIMISE JOB LOSSES**

Telkom's ASA to avoid/minimise job losses strategy has accomplished promising results since its inception in September 2002. To a large extent the organisation would seem to have been successful in avoiding involuntary redundancies.

Figure 2 shows that from the 1<sup>st</sup> April 2002 to the 31<sup>st</sup> March 2003:

- Only about 4.9% of Telkom's reduction in their workforce were employees that had to exit the company as they could not be placed anywhere within the company (Telkom SA Ltd Corporate Communication Broadcast, 2004).
- 8.4% were the result of opting for early voluntary retirement.
- 34.4% were the result of accepting VSPs offered by Telkom.
- 52.3% were the result of natural attrition.

The overall success rate for the ASA to avoid/minimise job losses in 2003 was 96% (Human Resources Management, 2004:9).



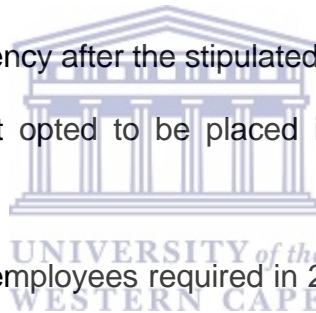
**Figure 2: Successes with Initial Company Losses since Inception of ASA to avoid/minimise job losses** (Human Resources Management, 2004:8).



Table 2 shows the successes achieved through the ASA in numerical format, for the same time period of 2002 to 2004. The following data is illustrated in Table 2:

- In 2002, a total of 4,230 employees were affected, while the total reduction required was only 1,890. Similarly, in 2003 and 2004, the total numbers of affected employees were almost double the amount of the total reduction (1,233 and 1,386 respectively) the organisation initially required.
- In 2002, 225 employees affected accepted Telkom's VERPs, while 1,093 accepted the VSPs.
- In 2003, only 150 employees affected accepted Telkom's VERPs, while 710 accepted the VSPs.

- In 2004, only 201 employees affected accepted Telkom's VERPs, while 693 accepted the VSPs.
- Of the total reduction required in 2002, 2003, and 2004, respectively 474, 340, and 170 employees exited the organisation as a result of natural attrition, the utilisation of Telkom's swop policy, and redeployment elsewhere within the company.
- Of the total reduction required in 2002, 2003, and 2004, respectively 462, 303, and 322 employees opted to be placed in the Agency.
- The period occupied by these employees in the Agency is 1 year for 2002, 2003, and 2004.
- None of the employees that opted to be placed in the Agency for 2002 and 2003 remained in the Agency after the stipulated period of 1 year.
- The 322 employees that opted to be placed in the Agency in 2004 still remain in the Agency.
- Of the total reduction of employees required in 2002 and 2003, respectively 98 and 33 were retrenched on the 31<sup>st</sup> December 2003 and 31<sup>st</sup> October 2004. An approximation of 60 of the employees in the Agency for 2004 will be retrenched by the 31<sup>st</sup> August 2005.
- In 2002 and 2003, percentages of 5.9% and 2.7% respectively were retrenched out of the total reduction of employees required. Only an estimate was available for 2004. An approximate of 4.3% of the total reduction of employees required in 2004 was foreseen to be retrenched.
- Of the total headcount for 2002 and 2003, percentages of 0.3% and 0.1% were retrenched respectively.



<b>SUCCESSSES OF ASATO AVOID/MINIMISE JOB LOSSES SINCE INCEPTION (2002)</b>			
	<b>YEARS</b>		
	<b>ASA 2002</b>	<b>ASA 2003</b>	<b>ASA 2004</b>
Affected Employees	4,230	2,552	5,176
Reduction Required	1,890	1,233	1,386
VERPs	225	150	201
VSPs	1,093	710	693
Swops/Redeployment/Natural Attrition	474	340	170
Agency for Career Opportunities	462	303	322
Period in Agency for Career Opportunities	1-Jan-03 to 31-Dec-03	17-Nov-03 to 31-Oct-04	1-Sept-04 to 31-Aug-05
Employees remaining in the Agency	0	0	322
Retrenchments	98 (31-Dec-03)	33 (31-Oct-04)	Possibly 60 (31-Aug-05)
% Retrenchment of reduction required	5.9%	2.7%	Possibly 4.3%
% Retrenchment of total headcount	0.3%	0.1%	

**Table 2: Successes in ASA to avoid/minimise job losses since 2002**

(Telkom SA Ltd, 2004:3).

### 3.12 SUMMARY

Telkom's ASA to avoid/minimise job losses appears to be advantageous to the company, as well as to its employees. This strategy offers support to employees, in that it provides the affected employees with numerous alternatives and added benefits, which they can utilise before the process of forceful retrenchment is utilised by the organisation. The Agency driving this process seems to lighten the trauma and devastation that retrenchment has on individuals. The Social Plan Benefit is an effective method used by the organisation in which to incorporate affected retrenched employees back into



the economy. The options offered by this benefit form the foundation for employees to undertake different career paths, which not many organisations provide to its employees today. The Swop Policy the organisation has in place appears to be yet another good initiative by the organisation to reduce forceful retrenchments, as it allows employees who want to leave the organisation the option to do so. The statistics regarding the successes of the ASA is indicative of the progress made by the organisation in utilising this strategy. It is evident by the statistics provided, that the ASA has proven to be a strategy that indeed minimises retrenchments, and in certain instances attempts to avoid job losses altogether. Telkom's ASA strategy would seem to make the downsizing process as easy as possible for its employees, and suggests that Telkom is a socially responsible employer. The next chapter considers the data gathered and analysed from the questionnaires distributed to Telkom employees, the interview conducted with the Agency, and e-mail surveys distributed to Telkom's recognised unions. These questionnaires and interview conducted was used in order to obtain employee perceptions, beliefs, and opinions, including union perceptions and beliefs with regards to Telkom's compliance with legislation relating to dismissals, compared to company policies which the organisation has in place regarding retrenchments.

## **CHAPTER 4**

### **RESEARCH FINDINGS**

#### **4.1 INTRODUCTION**

This chapter provides the findings drawn from the various survey research methods used in conducting this study. Responses elicited from the questionnaires that were randomly distributed to the Telkom employees are noted, as well as an analysis of these responses is further stated. The data gathered during the interview conducted with the HR manager of the Agency for Career Opportunities is presented and analysed. Lastly, the responses of the recognised Telkom unions relating to the organisation's compliance with legislation is also provided and analysed in this chapter. The primary objective of this chapter is to ascertain how Telkom's employees and unions feel about the organisation's dismissals, and what their perceptions and beliefs are in comparison to the claims and viewpoint held by Telkom.

#### **4.2 FINDINGS FROM THE QUESTIONNAIRES DISTRIBUTED TO TELKOM EMPLOYEES (APPENDIX 1)**

The questionnaires were distributed randomly to different sections within Telkom. All bargaining unit employees only (not management level) were presented with this questionnaire. Altogether 120 questionnaires were distributed:

- 70 within the Western Region
- 50 within Telkom's head office region in Pretoria

Of the 70 questionnaires distributed in the Western Region 48 were returned. Although approval was given by Telkom to distribute this questionnaire to its employees, the organisation was currently undergoing its retrenchment process for 2004 when the questionnaire was sent to the head office region. Therefore the questionnaires were put on hold, and never returned back. This was solely due to the sensitivity around this nature, as affected employees were already in the process of being notified. The responses are therefore based on the 48 questionnaires returned. The rationale behind distributing the questionnaires in the Western Region was due to easy accessibility of different sections within the organisation. The rationale behind distributing the questionnaires in the head office region in Pretoria was to obtain a response from the employees residing in the region where all decision-making, policies, and procedures are drafted and implemented first within the organisation. In certain instances, the responses received for the questions do not equal to 100%, as respondents used more than one answer/option to respond to the questions.

#### **4.2.1 Response to Questions 1-9**

Questions 1-9 sought factual information about the respondents with respect to their sex, age group, marital status, qualifications, departments they are employed in, the positions they hold, their employment status, and the years of service they have within Telkom. Question 4 was deemed unnecessary and has not been noted. Respondents often refrained from answering certain questions, which means that they abstained and wished not to note their responses to those questions.

**Table 3:** Gender breakdown of respondents

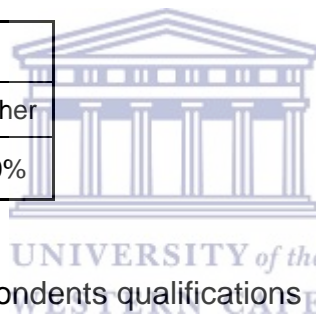
Sex		
Male	Female	Refrained
79%	17%	4%

**Table 4:** Age ranges of respondents

Age Group							
Less than 25 Years	25-29 Years	30-34 Years	35-39 Years	40-44 Years	45-49 Years	50 Years and Over	Refrained
0%	17%	15%	25%	29%	10%	2%	2%

**Table 5:** Marital status of respondents

Marital Status			
Single	Married	Divorced	Other
17%	68%	15%	0%

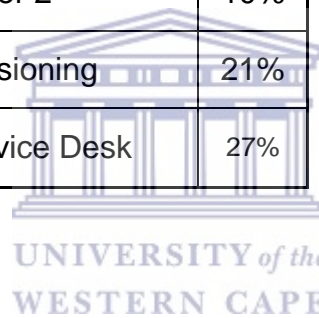
**Table 6:** Breakdown of respondents qualifications

Qualifications				
Less than Matric	Matric	Tertiary Education	Other	Refrained
0%	44%	79%	6%	2%

The information gathered for this question does not total 100%, as some of the respondents have chosen more than one category of the qualifications listed. The 79% of respondents with tertiary education includes certificate courses, diplomas, and university degrees. The 6% that chose the “other” field constitutes IT qualifications (short courses).

**Table 7:** Departments respondents are employed in

Department Respondents are Employed In	
Network Field Operations	13%
Core Network Field Operations	4%
Alarm Platform Support	8%
Core Network Operations	6%
Regional Technical Support	6%
Technology Network Service	2%
Data Network Support Tier 2	4%
Internet Protocol Network Tier 2	10%
Network Infrastructure Provisioning	21%
Information Technology Service Desk	27%



**Table 8:** Job titles or positions held by respondents

Respondent's Job Titles	
Specialists	25%
Project Manager	2%
Technical Officers	15%
Network Specialists	4%
Project Administrators	6%
Operations Specialists	8%
Administrative Support	2%
Operational Staff	4%
Internet Protocol Specialists	8%
IT Specialists	25%

**Table 9:** Employment status of respondents

Employment Status			
Permanent	Temporary	Contract	Refrained
96%	0%	2%	2%

**Table 10:** Years of service occupied in Telkom

Years of Service in Telkom						
1 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 - 30	31 - 35
6%	25%	19%	17%	19%	10%	4%

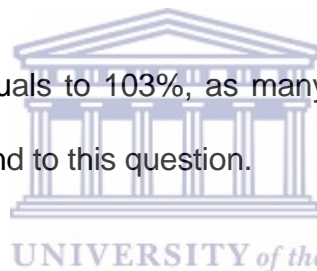
#### 4.2.2 Response to Question 10: Table 11

<b>Degree to which Telkom's retrenchment process has affected individuals' commitment to the organisation.</b>					
Not At All	Slightly Affected	Moderately Affected	Strongly Affected	Extremely Affected	Refrained
21%	31%	25%	13%	4%	6%

#### 4.2.3 Response to Question 11: Table 12

<b>What measures, if any, does Telkom take to ease the necessity of retrenchment?</b>									
None	Agency for Career Opportunities	Refrained	Do not Know	Rede = ployment	Social Plan	Retrenchment Packages	External Placements	Skills Development	Voluntary Retirement
21%	27%	23%	8%	10%	2%	2%	4%	4%	2%

The percentages in total equals to 103%, as many of the respondents chose more than one field to respond to this question.

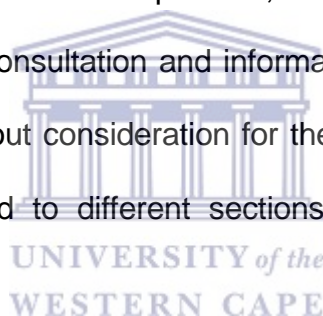


Among the 21% that stated Telkom had no measures in place, some also claimed that Telkom will do better to allow for natural reduction of employees through death, resignations, and retirement. This method of reducing staff might take longer to reach Telkom's targets, but their workforce will be much happier.

The 27% of employees that stated Telkom has an Agency for Career Opportunities in place to ease the necessity of retrenchment stated that this Agency assists affected employees and manages the whole retrenchment process for Telkom. This 27% also believe that it is immoral for Telkom to be retrenching employees when its profits are so high. 2% felt that although the

Agency is in place, most of their colleagues are still without employment after 2 years, as one of the Agency's roles are to provide internal placement for employees within 1 year.

Some of the respondents to this question also argued that the salaries of top management were too high, and that this could easily be used to keep affected employees in the company. These respondents felt that it is not fair that management earn so much, yet employees are constantly being retrenched. They also pointed out that the only constant communication about the retrenchments was between the unions and its members. Essentially they feel that Telkom forcefully implements the process, and is only concerned about profits. There is no proper consultation and information flow around the whole retrenchment process. Without consideration for the employee, staff members are reshuffled and allocated to different sections all the time, because of organisational restructuring.



#### 4.2.4 Response to Question 12: Table 13

<b>Degree to which Telkom's retrenchment process affects job performance negatively.</b>					
Not At All	Slightly Affected	Moderately Affected	Strongly Affected	Extremely Affected	Refrained
25%	35%	15%	17%	2%	6%

Those that claimed their performance had not been affected at all, stated that because they work hard, they believe in always doing their best so that tasks can be completed as per normal as long as there is work to be done. Some



mentioned that their divisions had not been affected by retrenchment as yet, hence their performance remains unchanged. Some feel that as long as they receive a salary from Telkom, they are still motivated and will perform accordingly. One response held Telkom in very high regard: "The company has in the past and still does a lot for its people, I want to be a part in making Telkom a world class company (its vision), the organisation is as noble as its people." Some of the respondents feel that the company is over staffed, and is therefore only doing what is required, reducing headcount.

Those who claimed that their performance was only slightly affected mentioned that possibilities for promotion were slim because of cutting down on spending. No sense of job security exists. What Telkom's processes do and what they say is totally different, hence the loyalty they previously felt for the company has disappeared. Employees were worried about when they will be next. Others claim that the organisation does not really value its employees as mentioned in its value statement. One respondent stated that "you still give your best, but at the end of the day we are just a number to the company, the writings are on the wall. The axe continuously hanging over our heads affects productivity, and uncertainty exists." Another respondent stated, "Telkom is constantly moving the goal post and expects loyalty from employees but gives nothing in return to its employees." Other respondents claimed that the more Telkom retrenches, the more the customer numbers decrease. Employees are despondent as this process is beyond their control.

Those who declared that their performance was only moderately affected, also stated that you never know when you will be next on the list for retrenchment, thus a sense of insecurity exists. No job satisfaction exists anymore, we are now performing tasks that we are not skilled for. Others feel that they still perform their daily tasks as per normal, but are worried about losing their jobs in the near future. Not knowing whether you're affected brings up uncertainty, which in turn leads to less effectiveness in workplace. The process reduces ones' value in the short-term and the uncertainty of income is ever present.

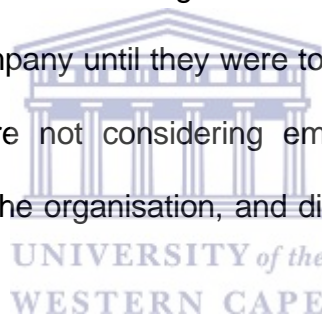
Some of the employees who claimed that their performance was strongly affected by Telkom's retrenchment, stated that no matter how hard you worked, you still stand to lose your job anyway, you do not know when you will be next. Another claimed performance to be strongly affected as his/her contract will not be renewed by Telkom. One of the respondent's Service Organisation's has been affected with retrenchment for the 3<sup>rd</sup> time now, and stated that it is emotionally taxing on your family and yourself.

Employees that selected the extremely affected field in relation to their performance because of Telkom's retrenchment, stated that it is impossible to perform at your best when you know you stand the possibility of losing your job tomorrow.

#### 4.2.5 Response to Question 13: Table 14

<b>Have you considered looking for employment elsewhere?</b>		
Yes	No	Refrained
65%	33%	2%

It can be understood why the majority of respondents have and are considering employment elsewhere. Employees in the organisation do not feel secure at Telkom, and are safeguarding themselves against the likelihood that they be retrenched by the organisation. A minority of the respondents that stated they are not considering employment elsewhere were employees with long service in the company and would not mind being faced with retrenchment. However, they will remain with the company until they were told they have been affected. Others who stated they are not considering employment elsewhere were employees that felt loyal to the organisation, and did not feel the need to seek employment just yet.



#### 4.2.6 Response to Question 14: Table 15

<b>Do you think more retrenchments will take place in the near future?</b>		
Yes	Not Sure	No
94%	4%	2%

While a small minority were unsure of future retrenchments within the company, the majority of respondents were of the opinion that future retrenchments will happen. Some of the 94% stated that Telkom has always been very open about what headcount they wish to achieve at the end of a specific year,

thereby also indicating the amount of workforce the company needs to reduce to by a specific time period.

#### 4.2.7 Response to Question 15: Table 16

<b>Does Telkom provide/offer alternatives before considering retrenchment?</b>						
Redeployment	Voluntary Severance Packages	Voluntary Early Retirement	Job Swops	Yes to All Previous Options	No to All Previous Options	Refrained
31%	38%	19%	8%	35%	2%	10%

The percentages in total equals to 143%, as many of the respondents chose more than one field to respond to this question. From the responses received, it seems clear that Telkom does consider other alternatives before implementing forceful retrenchment. The majority of respondents stated that redeployment, VSPs, VERPs, and job swops are the alternatives Telkom uses to minimise retrenchment. The 10% that refrained from answering this question clearly do not know whether Telkom does or does not consider alternatives to retrenchment.

#### 4.2.8 Response to Question 16: Table 17

<b>Does Telkom have a social plan in place to help incorporate affected employees back into the economy?</b>				
Agency for Career Opportunities	Yes There is a Social Plan	No Social Plan	Do Not Know	Refrained
42%	33%	2%	13%	10%

42% of the respondents stated that an Agency for Career Opportunities is part of the social plan that Telkom has in place for affected employees. They further stated that the Agency reskills (training) and empowers individuals. It also looks to place individuals back into the organisation. The Agency provides courses, workshops, retraining, business start-up capital, and motivation for employees.

Among those who agreed that a social plan does exist within Telkom to assist affected employees, some said that counseling, training, capital for tools, and start-up capital for new businesses are made available through the social plan. Others believe that Telkom has a HR process in place, which operates via line management. Others claim to have heard about a social plan, but were lucky enough never to have to use it. One of the responses from those who stated that a social plan does exist raised the question that although a social plan is in place, colleagues are still unemployed.

Employees who said that no social plan exists within Telkom also claimed that employees are specialised in certain fields, and when the need to change their field arises, they have to adapt very quickly on their own, with no assistance from the organisation.

#### 4.2.9 Response to Question 17: Table 18

Does Telkom communicate possible retrenchment timeously?			
Yes	No	Do Not Know	Refrained
48%	42%	4%	6%

The respondents who stated that Telkom does communicate the retrenchment process timeously, further stated that Internal Corporate Broadcasts, Communiques, and e'mails are sent out all the time informing employees of Telkom's intentions regarding its retrenchments. There is an ever-present prospect of Telkom's retrenchments within the organisation. Employees know well in advance that the organisation will be reducing staff numbers to a certain percentage in the future. Some respondents stated that communication around retrenchment throughout the organisation is communicated timeously, but when it comes to informing individuals whether they have been affected or not, the respondents were unsure whether Telkom executed this communication process timeously. Telkom's road show that takes place at the beginning of every year always stresses the organisation's intentions in this regard. Telkom's communication around this process is good, but many individuals do not take heed of the broadcasts provided. Only once they are affected, are they interested in seeking information and other alternatives. Quite a few respondents claim that Telkom's American shareholders come up with all sorts of plans and Telkom implements them, but employees want to know where is the South African plan for Telkom's employees.

Those respondents who stated that the organisation does not communicate the process timeously made the following comments:

The retrenchment process and numbers of potentially affected employees are kept secret. Telkom's long-term goals should be discussed more openly with its employees. This process can never be communicated timeously in one's career. Briefings are given by management via press, colleagues, and e'mail, but this is not done timeously. Employees will first hear rumours and will then be issued with letters if the process affects them. Telkom retrenchments are heard in the news and media way before the organisation sends out its Internal Communication Broadcasts. Information regarding the process is only seen or heard about a month before individuals have to make the choice of accepting a voluntary package or not.



#### 4.2.10 Response to Question 18: Table 19

How are employees notified about being affected?								
Via Telkom's Employee Self Service (ESS) System	Via Briefings and Letters	Via Newsletters and Union Communiques	Via the Media	During Staff Meetings	Via E'mail	Via Line Mgt	Do Not Know	Refrained
4%	46%	6%	4%	2%	21%	8%	15%	8%

The percentages for this question totals to 114% as many of the respondents chose several different methods, which Telkom uses to notify employees that they have been affected by the retrenchment process. Due to the vast response received for this question, Telkom is either doing a good job in notifying its employees of being affected, or the employees do not know how they are notified which is why they responded in the vast manner that they did.

The 15% that stated they did not know, together with the 8% of respondents that refrained from answering this question, are in the minority, which leads to believe that they do receive communication about being affected by the company's retrenchment, but since they are not affected they do not place much emphasis on the process itself, they are not interested.

Telkom's ESS System is used by all employees to view their personal details, such as salary slips, leave details, housing particulars, vacancies advertised internally, and shares information. Only 4% mentioned this as Telkom's means to notifying employees as to whether or not they have been affected, which raises concern, since the system is supposed to provide all employees with their personal details. This response could be due to what these employees perceive or believe to be true, hence the small percentage obtained.

#### 4.2.11 Response to Question 19: Table 20

<b>What is the timeframe given to affected employees within which to leave the organisation?</b>							
No Time Frame	4 Months Management Level	12 Months Bargaining Unit Level	6 Months Management Level	1 Month	Depends on Options Chosen	Do Not Know	Refrained
2%	2%	46%		10%	4%	27%	15%

The percentages for this question totals to 106% as many of the respondents chose several different timeframes used by Telkom within which employees need to leave the organisation. The respondents who stated that it depends on the options you choose further claimed that you can leave immediately if you choose any of the voluntary packages the organisation offers, or you can hope



for redeployment and placements elsewhere within 1 year, if you choose to be placed within the Agency for Career Opportunities.

The 46% that stated 12 months is granted to the bargaining unit level (all levels below management level) and 6 months is granted to management level within which to leave the organisation, referred to employees who chose to be placed in the Agency for Career Opportunities. During this time period in the Agency, the affected employees receive counseling, training, and assistance for internal or external placements. If no position is found for them, they leave the organisation after this time period has lapsed.

The 2% of respondents that stated management levels have 4 months within which to leave the organisation was also referring to employees who chose to be placed in the Agency. According to these respondents, the 6 months granted to management levels previously, were later amended to only 4 months within the Agency before they have to leave the organisation.

The 10% respondents that chose the 1-month option referred mostly to employees that accepted any of the voluntary packages offered by the organisation. The respondents that stated they did not know, together with those that refrained from answering the question, and those that stated no timeframe is given to employees to leave the organisation, are clearly unaware and really do not know what timeframe is given to affected employees within which they need to leave the company. This could be due to miscommunication

on the part of Telkom to its employees, or disinterest on the part of the employees.

#### 4.2.12 Response to Question 20: Table 21

<b>Are there any structures in place to assist affected employees after being earmarked for retrenchment?</b>				
Yes	No	Agency for Career Opportunities	Do Not Know	Refrained
21%	4%	42%	15%	18%

Those respondents who stated that there are structures in place to assist affected employees went on to say that Telkom provides counseling, re/training to develop skills, and financial advisors after being informed of your employment status. Affected employees will be placed into a redeployment pool, they get time off from work, and can utilise office facilities. Telkom pays for the courses provided, which includes courses on how to deal with your money. There is a structure in place, but we only get to hear and see good statistics about this structure.

The 42% of respondents who stated that there is an Agency for Career Opportunities in place went on to say that this Agency provides employees with courses, workshops and counseling. Although they know of the Agency's existence, some said they do not know how effective it is. A portion of the 42% said that the Agency exists only to delay the agony of the whole retrenchment process. The same respondents further stated that the Agency has a social plan in place that assisted affected employees. They also felt that the Agency should not only be there for employees that are affected by the retrenchments,

but also for those that have been emotionally and psychologically affected by the process. A further comment raised by one of the respondents was that in the Agency employees are trained in life skills and business skills with possible chances of redeployment or placement outside the company.

#### 4.2.13 Response to Question 21: Table 22

<b>Does Telkom actively manage their retrenchment process?</b>			
Yes	No	Do Not Know	Refrained
44%	21%	17%	18%

Some of the 44% of respondents that stated Telkom does actively manage its retrenchment process, also claimed that if the business rationale given by the organisation proved there is a need to reduce the workforce, then Telkom has no option but to retrench its employees. A portion of the 44% believed that Telkom does a good job in managing its process, and that the unions are the problem. They stated that the company has a committee in place to deal with this process. The very same respondents went further on to say that Telkom actively manages this process as is mentioned in their vision and mission statement of the company, and that the company manages the process better than most companies do, as it makes a concerted effort to do this as efficiently as it is able to. Most of the 44% respondents said that the process is managed actively with the Agency in place, which has a good track record. This Agency helps individuals acquire skills and empowers them to seek new employment and careers. Others stated that Telkom most certainly actively manages this process, as it notifies the unions first of its intentions, then discussions between

the relevant parties take place until an agreement is reached. Only thereafter does the organisation send out letters to all affected employees, and from this point on the Agency take over the process. Some of the 44% said that the organisation corrects its numbers in the relevant sections through retrenchments.

Some of the respondents who stated that Telkom does not actively manage its retrenchment process, went further on to say that the organisation reduces headcount irrespective of whether the remaining employees can cope with heavier workloads. This often leads to a decrease in client satisfaction because of quality and efficiency levels being dropped. A portion of the 21% of respondents believe that the organisation is more worried about meeting targets than the welfare and contentment of its employees. They believe that Telkom is becoming more business orientated and is more concerned with making profits. A question raised by one of the respondents was why the organisation had to resort to retrenchment when its business was doing so well, and while there are staff shortages in critical areas due to previous reductions of headcount. Some of the 21% of respondents believe that managing staff numbers is an ongoing process in any organisation, however Telkom always suddenly decides to reduce labour costs. They further stated that Telkom's management has no idea what the requirements at operational levels are, yet they concern themselves only with figures. The respondents feel that Telkom employees are just a number. Employees being affected by this process are often highly skilled. Hence Telkom is losing valuable employees. A percentage of the respondents that were not affected by staff reductions stated that they

have applied for voluntary packages in order to leave the company, but Telkom turned their applications down. Had Telkom approved the applications, then employees who did not wish to leave the company could have been retained.

One of the respondents that stated they did not know whether Telkom manages its retrenchment process actively, raised the question of how the retrenchment numbers were derived, and how individuals were chosen during this process. Others claimed they have not been in this position before and therefore could not pass an opinion.

#### **4.2.14 Response to Question 22**

**This question gave respondents an opportunity to note any additional information or comments they wished to mention. All the comments below are derived from the respondents.**



- Organisations worldwide often retrench employees even when they are making billions of profits yearly, like Telkom does. Telkom generates huge profits but the necessity to retrench is still prevalent.
- Only until Telkom gets rid of the American influence, retrenchment will be an ongoing issue. Telkom can use other countries as benchmarks, but must conduct business as the South Africans do.
- Telkom is going to end up with no skilled staff when they are done reducing their headcount.
- The Swop Policy option is inflexible and rigid for those in unaffected sections wanting to use this option, as they often battle to get their

applications approved, because no one in the Agency matches the skills requirements of the positions they currently hold.

- Shareholder organisations simply must add value, and therefore telecommunications organisations such as Telkom also needs to have only a certain amount of numbers per fixed lines.
- To Telkom its shareholders are of more importance than the employees that make the company. Telkom must bear in mind that as a semi government owned entity, it still has some social responsibilities to adhere to.
- Telkom should be looking at how to accommodate staff and not at retrenchment to crunch the numbers.
- Once Telkom's head office makes decisions to retrench, staff and management in the regions can do or say nothing that will have an effect on that decision.
- The organisation should have regular options for employees to apply for voluntary packages, in this way Telkom will rid itself of employees who freely wish to leave the company at any time.
- Telkom should rely on natural reduction of staff, this will keep the workforce happy and Telkom will still be able to reach its targets.
- The process just is not fair to all the dedicated workers out there.
- The South African economy is not very stable and unemployment is high, thus the way Telkom is conducting its business is unacceptable.
- A question was raised on how individuals are identified for this process.
- If top management remuneration is reduced, employees can be retained.

### 4.3 PERSONAL INTERVIEW CONDUCTED (APPENDIX 2)

The following data was gathered during a personal interview conducted with a HR Manager at Telkom's Agency for Career Opportunities in the Western Region, CFL. The Agency for Career Opportunities forms part of Telkom's strategy to make the transition of retrenchment less painful for affected employees, and this Agency is the driving force behind the way in which Telkom manages this whole process.

#### 4.3.1 Responses to Questions 1-8

Questions 1-8 sought factual information about the respondent's demographics, with respect to sex, age group, marital status, number of dependants, qualifications, department employed in, job title, and employment status.

##### Response to Questions 1 to 8 respectively

- **Sex:** Female
- **Age Group:** 35–39
- **Marital Status:** Married
- **Number of Dependents:** 2
- **Qualifications:** Degree in Psychology
- **Department Employed in:** HR: Agency for Career Opportunities
- **Job Title:** Manager
- **Employment Status:** Permanent



### **Question 9 (a)**

**Does Telkom have a strategy in place by which it manages its retrenchment process? If so, what is this strategy called?**

According to the respondent, retrenchment within Telkom was and still is being managed by the organisation in an active manner. In past years prior to the year 2000, retrenchment within Telkom was being managed through a Managing Staff Numbers (MSN) process, and later it became known as the Staff Optimisation Process. Currently its retrenchment process is being managed by a strategy called the ASA to avoid/minimise job losses, and create alternative career opportunities for affected employees. The Agency for Career Opportunities drives this strategy.



### **Question 9 (b)**

**What was the date of its inception?**

The respondent stated that the ASA and Agency's date of inception was around September/October 2002.

### **Question 9 (c)**

**What is the purpose of this strategy?**

According to the respondent the purpose of the Agency is to train and re-skill employees so that they can be placed in other positions within the company, or for the outside market. People are traumatised when faced with retrenchment, hence the Agency offers 1<sup>st</sup> level counseling to deal with these sorts of issues. All staff members within the Agency are qualified to deal with counseling retrenched employees. However, if the case is of a severe nature such as an



employee feeling suicidal because he/she has lost their jobs, then outside vendors are consulted to intervene. The Agency formally invites affected employees to a 2-day open orientation session, with the sole purpose of motivating them. Day 1 is spent by conducting motivational talks from invited speakers, staff members are utilised to facilitate plays and presentations, and motivational videos are presented to these employees. Day 2 is more formal and involves management interaction with affected employees. This entails a more business or career orientation whereby the Agency states why they exist, what they can do for the employee, and what the benefits are within the Agency. The Agency also provides career counseling and development for individuals.

According to the respondent the model used by the Agency to discern what kind of career path would best suit an individual, is called the Holland's Interest Inventory (**see Appendix 3**). The model uses the following codes which is indicative of whether an individual is:

**R** = realistic

**I** = investigative

**A** = artistic

**S** = social

**E** = enterprising

**C** = conventional

According to the University of Kansas (2005), these codes are used to classify various careers and individuals in the following manner:

- If the individual were realistic, his/her interests would be in machinery, tools, and outdoors.
- If the individual were investigative, he/she would be interested in science, theories, ideas, and data.
- If the individual were artistic, his/her interests would tend more towards self-expression and art appreciation.
- If the individual were social, he/she would be interested in human welfare, people, community service, and teamwork.
- If the individual were enterprising, his/her interests would be in leadership, influence, business, and politics.
- If the individual were conventional, he/she would be interested in finance, data, and organisation.

Therefore, by performing this career assessment the interests of the individual is able to determine the most suitable career path/s for the candidate.

### **Question 10**

**Was this strategy an initiative from Telkom itself, or was it born out of the organisation's foreign investor influence?**

According to the respondent, Telkom initiated this strategy itself. With the organisation's listing on the JSE, being privately owned, and making R40 billion alone out of profits, investors were asking why the organisation was still retrenching employees, something must be gravely wrong. It was then that Telkom initiated the ASA to avoid/minimise job losses and create new career

opportunities for employees, thereby also encouraging potential shareholders to invest in the company. As Telkom still holds the monopoly in this industry, it is expected that they will make substantial profits. Still, it is the organisation's social obligation to retrench employees on a business rationale point of view, so that it can equip itself against future competition arising from the Second National Operator (SNO) that is being formed, because operational efficiencies are being improved, technological systems are being advanced, and more employees are becoming multi-skilled.

### **Question 11**

#### **When are employees placed into the Agency?**

According to the respondent the different Service Organisations that exist within Telkom are notified when their respective sections are being affected with possible retrenchments. Thereafter, affected individuals are identified and notified within these Service Organisations, and they are presented with a first option of accepting Telkom's enhanced VSP or VERP. If these individuals do not accept the packages they are offered, they are placed into the Agency for 4 months if they are on management level, and 12 months if they fall within the bargaining unit in Telkom.

### **Question 12**

**Is this Agency part of Telkom? If so, do employees in the Agency abide by Telkom's policies and procedures?**

According to the respondent the Agency forms a permanent part of Telkom. Yes, the employees still have to abide by the organisation's policies and procedures, which forms part of the Agency's Memo of Understanding (MOU). In fact, for the duration of the individual's stay within the Agency, he/she will receive their normal salaries and benefits they received before they became affected by the retrenchment process.

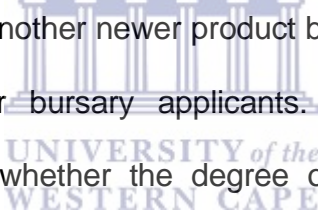
### **Question 13**

**Does the Agency have specific projects of their own to improve or enhance the training and development of employees within the Agency?**

According to the respondent the Agency has a Social Plan benefit in place for this very purpose. Responsibility for the management of this plan lies with the Agency. First, the affected employee must set up an appointment with the Agency for Career Counseling. All employees who choose to accept the voluntary packages offered by Telkom after their term in the Agency has lapsed, have three months within which they need to apply for the Social Plan benefit. If they do not, they will forfeit the funds. The plan provides four options to employees.

These options are:

- Training for new jobs or careers, where Telkom provides R20, 000.00 for this purpose.
- Capital for training and purchasing tools. Telkom supplies R16, 000.00 for training and R4, 000.00 for the purchasing tools.
- Start-up capital for new business establishments. Telkom provides R20, 000.00 for this purpose, which includes SBDC training if the individual has no formal business training.
- The R20, 000.00 can also be used by any unemployed dependant of the ex-employee. This can however only be used for training purposes and purchasing tools.



The respondent stated that another newer product being offered by the Agency is a counseling project for bursary applicants. This form of counseling addresses issues such as whether the degree or course the individual is interested in is in line with their career path, and whether the degree or course is in line with the strengths of the individual. This process helps to put things into perspective and keeps individuals realistic.

#### **Question 14**

**Does the Agency have relationships and or partnerships with other players, suppliers, operators, and training authorities in the ICT Sector?**

The respondent stated that on a broader spectrum the Agency does not have relations or partnerships with other role players in the ICT Sector. This is one of our longer-term objectives, which we are working towards. From a regional

(Western Region) point of view, we do not really have long-term relationships with other role players in the sector, but we have a huge networking base.

### **Question 15**

#### **Are there any areas within the Agency that can be improved?**

The respondent stated that external placements are definitely one of the areas of concern. The external strategy process must be changed and a totally different approach needs to be examined. A shortcoming in South Africa is skills shortages (as highlighted by our President), accreditation for training courses, and the absence of a National Qualifications Framework (NQF) level within the Agency. There are various outside organisations from which the Agency can choose to place individuals in, but skills remain a problem. It is truly frustrating, the Agency should be doing more in this regard. Also getting accreditation for courses is not happening for our affected employees. Again the respondent raised the question of what the Agency is doing in this regard. An opinion raised by the respondent was that the Agency should look at what they need to do to get NQF levels in place, and access training. Also, they should have more programs in place to look at the skills of individuals alone.

The respondent went further on to say that another area of concern was the Entrepreneurial Project. The whole process did not take off well, and therefore employees were sceptical to take the risk. Employees that are 45 years of age and upwards were more willing than others to take this chance.

## **Question 16**

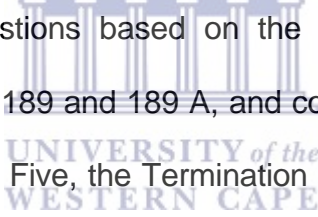
### **How do you foresee the future of the Agency?**

The respondent stated that the Agency cannot last forever, just as Telkom's retrenchments cannot last forever. There will come the time when Telkom has the desired headcount to perform operational requirements, and the Agency will no longer be required. A guess is that by the year 2007 Telkom will reach this point. Another option would be to render the same service outside Telkom to other organisations, and in turn pour all previous expenses incurred by the Agency back into Telkom. Lastly, the respondent felt that the leadership of the Agency was wrongly positioned, as it needed to prioritise what was important in assisting the affected employees first and foremost, so that the Agency can become more efficient and effective. More emphasis is placed on getting percentages and statistics right, instead of concentrating on the well being of the employee first. These are important issues too, but that is not what the Agency was set up to do, the employee should come first.

## **4.4 FINDINGS OF THE E'MAIL SURVEYS DISTRIBUTED TO THE UNIONS (APPENDIX 4)**

The e'mail surveys specifically deals with how Telkom complies with legislation, such as the LRA and the BCEA. According to Naidoo (1999:48) the purpose of the LRA of 1996 is to safeguard employees from unfair dismissal, and gives employers the right to dismiss workers for fair and operational reasons. He also states that past large-scale retrenchments have been executed without being hampered by these regulations. The purpose of the BCEA of 1998 is to improve the employment conditions of employees (Naidoo, 1999:42).

The e-mails were distributed to the recognised unions of Telkom, which are CWU and the ATU. The ATU is comprised of two independent unions, namely The South African Communications Union (SACU), and The Solidarity Union (Human Resources Employee Relations, 2004:1). The amount of surveys distributed was 53. Unfortunately only 6 surveys were returned. This was due to the unions' reluctance to respond because of collective agreements the unions have with the organisation, and also because the union officials were in the process of conducting Telkom's retrenchments for 2004 at the time, and claimed to be busy. Others were simply not interested. An appeal was made by the author to Cosatu to assist in obtaining relevant information that would elicit a better response from the unions. This too was in vain.

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The survey constituted questions based on the contents of the LRA with specific reference to Section 189 and 189 A, and contents from the BCEA with specific reference to Chapter Five, the Termination of Employment, Section 41 (2). The survey was straightforward and required short, concise answers, with the exception of Question 17 which required elaboration. The questions were structured in this manner, as time was a crucial factor for the unions.



#### 4.4.1 Response to Question 1-4: Table 23

QUESTIONS		YES	NO	YES & NO	ABSTAIN
1	Does Telkom consult the necessary parties required to consult with i.t.o. a collective agreement?	83%	17%		
2	Does Telkom consult a workplace forum if no collective agreement requires consultation?		67%		33%
3	If no workplace forum exists in the workplace of affected employees', does Telkom consult any of the registered trade unions these employees may be members of?	67%	33%		
4	In the event that the trade union does not exist, are the affected employees or representatives nominated for this purpose consulted by Telkom?		83%	17%	

One of the respondents stated, "Telkom always consults the necessary parties involved in terms of collective agreements, and some agreements are negotiated on before any conclusions are drawn, which is normally what happens." The majority of participants noted that there are no workplace forums in place. However, Telkom always consults with the necessary parties with the view of reaching an agreement first. It was further noted by some of the respondents that in the absence of workplace forums, Telkom only consults with those registered unions, which enjoy recognition with the company. One of the respondents stated that in the absence of a trade union, affected

employees or representatives are consulted by Telkom, depending on the nature of the issues to be consulted on.

#### 4.4.2 Response to Question 5 a-d: Table 24

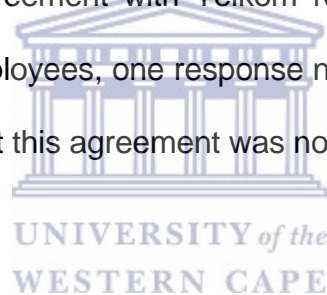
QUESTIONS		Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Abstain
5	When consulting between the necessary parties, does Telkom at all times try to reach consensus on appropriate measures to:						
a	Avoid the dismissals	17%	33%	0%	33%	0%	17%
b	Minimise the number of dismissals	17%	33%	0%	33%	0%	17%
c	Change the timing of the dismissals	0%	50%	0%	33%	0%	17%
d	Mitigate adverse effects of the dismissals	33%	17%	17%	17%	0%	17%

One respondent claimed that the organisation would always try to reach an agreement with the unions on appropriate measures to avoid dismissals altogether. Another respondent mentioned that Telkom would normally reach an agreement on all of the above-mentioned matters, with the unions in the form of a collective agreement in terms of Section 189 of the LRA. More than half the participants were in favour of Telkom attempting to reach consensus on all of the issues mentioned above, which would seem to indicate that the company complies with the above regulations as stipulated in the LRA.

#### 4.4.3 Response to Question 6-7: Table 25

QUESTIONS		YES	NO
6	Does Telkom and all necessary consulting parties always attempt to reach consensus on the method for selecting employees to be dismissed?	100%	0%
7	Is consensus always reached between consulting parties and Telkom on the severance packages offered to dismissed employees?	50%	50%

Although 100% were in agreement with Telkom reaching consensus on the method used to dismiss employees, one response noted that subjectivity would sometimes creep in, and that this agreement was not always bullet proof.



#### 4.4.4 Response to Question 8 a-h: Table 26

QUESTIONS		Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Abstain
8	Does Telkom disclose all relevant information in writing to the other consulting party with regards to the following?						
a	Reasons for the proposed dismissal	17%	50%	0%	17%	0%	17%
b	Alternatives considered by Telkom before proposing the dismissals, and explanations for rejecting each of these alternatives.	17%	33%	0%	33%	0%	17%
c	Number of potential employees affected and the job category in which they are employed.	33%	50%	0%	0%	0%	17%
d	The proposed method to be used for selecting which employees to dismiss.	17%	67%	0%	0%	0%	17%
e	The time/period the dismissals will take effect.	17%	50%	0%	0%	0%	33%
f	Severance package proposed.	17%	50%	0%	0%	0%	33%
g	Assistance proposed by Telkom to offer affected employees.	33%	33%	0%	0%	0%	33%
h	Potential, future re-employment of the employees being dismissed.	17%	50%	0%	0%	17%	17%

Again, more than half the participants agreed that Telkom discloses all relevant information in writing to other consulting parties regarding the matters noted above, which would appear to indicate that the organisation complies with these regulations above. One respondent stated that, although Telkom does

disclose information in relation to all of the above issues, it rarely discloses all the pertinent information that is required by the unions. A response in favour of Telkom complying with the above regulations noted that possible future re-employment of dismissed employees is normally agreed as part of a collective agreement on Section 189 on dismissals.

#### 4.4.5 Response to Question 9-10: Table 27

QUESTIONS		YES	NO
9	Does Telkom allow other consulting parties the opportunity to make representations about any matter they are consulting on?	83%	17%
10	Does Telkom at least consider these representations and give reasons if they are in disagreement?	50%	50%

It was noted by one participant that Telkom does not always allow other consulting parties to present matters they are consulting on, and that it very seldom happens. This same participant further stated that the organisation does not consider these representations, and always claim that it had already considered the alternatives raised by the consulting parties.

#### 4.4.6 Response to Question 11 a-b: Table 28

QUESTIONS		Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree	Abstain
11	The selection criteria Telkom uses to dismiss employees:						
a	Is in line with what was agreed to by the consulting parties	17%	67%	0%	0%	0%	17%
b	Is fair and objective	17%	67%	0%	0%	0%	17%

The above responses indicated that Telkom's selection criteria used to dismiss employees is reasonable and rational, and that the organisation adheres to the agreements it enters into with regards to this matter.



#### 4.4.7 Response to Question 12-16 a: Table 29

QUESTIONS		YES	NO	ABSTAIN
12	Does Telkom give notice of termination of employment according to the terms of this section?	100%	0%	
13	Does Telkom conform to a fair procedure?	83%	17%	
a	If not, does Telkom reinstate employees targeted for dismissals until it has complied with a fair procedure?	50%	17%	33%
14	Are Telkom's dismissals operationally justified based on sound reasons?	50%	50%	
15	Does Telkom give consideration for options other than retrenchment?	67%	33%	
16	When consulting with a representative trade union, does Telkom divulge all pertinent information that will permit the union to engage effectively in consultations?	50%	50%	
a	If so, do they notify unions of any confidential information disclosed in writing?	33%	33%	33%

The majority of respondents stated that Telkom conforms to a fair procedure regarding its dismissals, while one further claimed that on one occasion it happened where an employee who was targeted for dismissal was reinstated by the organisation until it complied with a fair procedure. Depending on how

one looks at question 14, some of the participants noted that Telkom's dismissals are operationally justified from the company's viewpoint, but that it was not operationally justified from the view of the unions. The majority agreed that Telkom does consider other alternatives to retrenchment. Although half the respondents feel that Telkom divulges all pertinent information to the unions in order to engage effectively in consultations, the other half stipulated that Telkom only divulges information it feels is necessary for the unions to know. One of the respondents stated that the organisation normally conducts presentations to the unions on any confidential information relating to its dismissals, and that this information is not disclosed in writing to the unions. No supporting documentation of any confidential information is forward to the unions.



#### **4.4.8 Response to Question 17**

**Does Telkom pay affected employees severance pay equal to 1 week's remuneration for each year of service completed? If not, please elaborate.**

**The responses as stated by the respondents were as follows:**

- No, Telkom pays employees twice the amount that the Act requires of them.
- No, Telkom offers generous packages, which exceeds the statutory minimum requirements. A minimum of 12 weeks severance pay is provided, irrespective of the employee's years of service. Two weeks per year is awarded for the first 10 years of service, an additional 1 and a half weeks per year is paid for 11 to 17 years service, and an additional 1 week per year for each year beyond 18 years service.



- No. Telkom pays 2 weeks for each completed year until 10 years, then 1.5 for 11-17 years, and 1 week for more than 17 years. A minimum of 12 weeks is paid out to employees. For example, somebody with 20 years completed service will get 33.5 weeks pay. In addition to this, a further 2 months notice pay, or 6 months for enhanced packages offered by Telkom are paid to employees.
- No, Telkom pays more than what the BCEA requirement requests of them.
- Yes, Telkom pays the 1-week requirement of the BCEA.
- No, the organisation has a better severance package than that stipulated in the BCEA.

#### 4.4.9 Response to Question 18: Table 30

QUESTIONS		YES	NO
18	Does Telkom comply with the specified notice period for termination of employment?	100%	0%

One of the respondents stated that Telkom is improving on its notice period for terminating employment as per its agreement with the unions. The following section will provide an overall viewpoint relating to the matters that were disclosed in the e'mail surveys distributed to the unions.

#### **4.5 SUMMARY AND ANALYSIS OF THE RESEARCH FINDINGS CONTAINED IN THE QUESTIONNAIRE, INTERVIEW, AND E'MAIL SURVEYS**

The questionnaires distributed to the Telkom employees, the interview conducted with management at the Agency for Career Opportunities, as well as the e'mail surveys distributed to the unions, has provided both positive and negative outcomes. A feel for how the employees regarded Telkom's retrenchment process came through strongly. Some accepted the fact that Telkom has a good business rationale for dismissing its employees, while others felt that Telkom is doing an injustice to its employees while it generates huge profits every year. Overall, the impression created was that some employees were unaware of what Telkom has to offer its affected employees, this is evident from the responses received in the questionnaire distributed. The interview conducted is indicative of the strategy Telkom has in place to avoid job losses, and the various alternatives Telkom has in place before forcefully retrenching its employees. Only a few e'mail surveys were returned back from the unions, and therefore only a narrow viewpoint is presented of how Telkom relates to the regulations of the LRA and BCEA.

#### **4.5.1 Achievements**

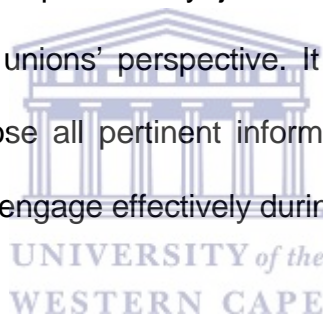
Those employees that are aware of the Agency know what the timeframes are for remaining in the Agency. Most of the employees are knowledgeable about the Social Plan's existence and what it offers. The majority of employees that know how affected individuals are notified are those that have been briefed well by line management, and via presentations. Employees that agree Telkom manages this process well say that this is because of all the structures Telkom has in place to assist affected employees. Telkom manages its retrenchment process in an effective manner. The organisation has adopted a strategy with the full purpose of reducing and even avoiding job losses totally. The Agency driving this strategy has good intentions. Telkom's endeavours (through the Agency) to reskill, train, provide start-up capital for new business opportunities, provision of internal and external placements, counseling and consultations for affected employees, is proof that the organisation does in fact incorporate affected employees back into the economy, and that it is the responsible employer and corporate citizen it claims to be. The timeframe given to affected Telkom employees within which they are allowed to remain in the Agency is quite significant. No other organisation in South Africa affords its employees the opportunity to receive their full salaries and all benefits for a year prior to being retrenched. Even the 4/6 months given to affected managers is longer than most companies afford its employees in management level. In doing so, Telkom offers affected employees some sense of security after being retrenched. The Social Plan R20, 000.00 project that the Agency manages, is yet another good initiative to assist employees in potential careers or future jobs. Telkom seems to comply with almost all the regulations based on

dismissals in the LRA and BCEA. The organisation consults the various parties required for collective agreements, and in the absence of a workplace forum it consults the trade union the employees may be members of. The method by which employees are selected to be dismissed is always agreed upon between the organisation and all other consulting parties. Information such as the reasons for the dismissals, alternatives considered before retrenchment, the amount of employees to be dismissed, the method for selecting them, severance packages offered, and the period in which the dismissals will occur, are all disclosed in writing by Telkom to all the relevant consulting parties concerned. Telkom fully supports representations by other consulting parties on matters they are concerned about, and also takes these representations into account. Whatever selection criteria was agreed upon between the consulting parties, is the criteria that Telkom uses to dismiss its employees, and it is fair and objective. The specified period for notice of termination of employment in the LRA and BCEA is adhered to by the organisation. It would appear that Telkom conforms to a fair dismissal procedure, and that it considers alternative options to dismissal first before implementing forceful retrenchment. The organisation complies over and above with the regulations of the BCEA, specifically relating to the amount of severance pay the employees receive for each year of service they have completed.

#### **4.5.2 Limitations and Constraints**

To some employees the whole retrenchment process is vague, which presents a sense of miscommunication on the part of the organisation, as most of the employees know about the Agency in place to assist affected employees, but others do not. It could also be the result of employees just not taking an interest in the company's plans regarding its retrenchments. The majority feeling that the process definitely affects performance can be attributed to little or no motivation, disappointment, low morale and insecurities. It is clear that a significant number of Telkom's current employees are seeking employment elsewhere, because they fear being retrenched. Respondents seemed confused about what alternatives Telkom offers before considering retrenchment. Why some individuals know while others do not, could be attributed to little or no interest in the whole process, or the fact that employees prefer avoiding the whole issue of retrenchment. Most of the employees are aware of the Social Plan's existence and what it offers. It is therefore surprising that some are not aware of the Agency, as it is the initiator of this Plan. This can be attributed to employees sorting selective information only. Some employees seem confused about the timeframes in which affected employees can remain in the Agency. This can be the result of little or no communication on the part of Telkom, or employees are just not interested, because why do some know and others do not. The employees that disagree that Telkom does not manage the process well say so because they only see the company making huge profits, but yet it continues to retrench workers. What these employees fail to understand is the business rationale behind this process, i.e. future competition and operational requirements of the company. The Agency's

sole purpose is to empower employees, but yet no NQF levels are in place to ascertain the levels employees' hold, which stifles external placements within the Agency. Telkom does not consult a workplace forum if no collective agreements need consultation. Likewise, in the absence of a trade union, it also does not consult affected employees or representatives nominated for this purpose. The organisation does not always reach consensus with the necessary parties on trying to find measures to avoid or minimise dismissals, change the timing of the dismissals, and alleviate the effects of the dismissals. The severance packages offered to employees are not always agreed upon between Telkom and the various consulting parties. It would appear that Telkom's retrenchments are operationally justifiable from the organisation's viewpoint, but not from the unions' perspective. It would also seem that the organisation does not disclose all pertinent information to the representative trade unions in order for it to engage effectively during consultations.



#### **4.5.3 Challenges**

Telkom should be more specific about the objectives and projects the Agency undertakes. The Agency should look at other methods to encourage employees into the entrepreneurial project, the current process needs to be improved so as to attract more employees to consider it without hesitation or fear that they will not succeed. The organisation could be more cooperative and try to reach an agreement with the unions regarding finding measures to avoid or minimise dismissals, change the timing of dismissals, and alleviate effects the dismissals may have on individuals. Telkom should attempt to find even more alternatives to minimising staff losses.

#### **4.6 SUMMARY**

This chapter has illustrated the various conclusions drawn from the research findings that are evident in the achievements, limitations and constraints, and challenges that were experienced by employees with regards to Telkom's management of its retrenchment process. The questionnaires that were returned by the employees were indicative of mixed responses, as only a few employees were aware of Telkom's intentions and practices in place with reference to its retrenchments. Others were either confused or disinterested, or simply did not know. The interview conducted with the Agency displayed that the organisation really values its employees and wants to make retrenchment as easy for them as possible, with many added benefits attached. Lastly, the e'mail surveys that were distributed could not provide a fully valid picture because of the poor response ratio. However, from the responses gathered it seems that Telkom conforms to the LRA and BCEA in certain instances, and in others not. The organisation could do more to increase its compliance with these Acts, and be more cooperative with the unions. The next chapter will provide a conclusion to the study conducted, along with recommendations and solutions that could assist Telkom and any other organisations currently experiencing downsizing, or the need to downsize.

## **CHAPTER 5**

### **CONCLUSION**

#### **5.1 INTRODUCTION**

This chapter will conclude the study, taking into consideration all of the data gathered through the questionnaires distributed, interview conducted, e'mail surveys received, data accumulated from Telkom broadcasts and magazines, and from the information gathered from other authors forming the basis of the Literature Review. Recommendations will also be made to enable Telkom to better manage its downsizing process.

#### **5.2 RECOMMENDATIONS**

##### **5.2.1 Improve Communication**

The percentage of employees that are not knowledgeable about Telkom's retrenchment process, the strategy it has in place to avoid job losses, and the Agency driving this strategy, is quite alarming. It is apparent from the questionnaires that Telkom communicates in various different methods, mainly via electronic systems, but this may not be enough. This means of communication may not be the most effective method to use as the organisation employs individuals that are not office bound as well. Telkom needs to take this into consideration and could improve its communication flow with these employees through weekly briefings via junior management levels to keep these employees updated with the latest information around its retrenchments. Those employees that are office bound need to be provided





with a clearer understanding and awareness of the organisation's strategy to avoid/minimise job losses, and the organisation could be more specific about the objectives and projects the Agency driving this strategy undertakes. This could be achieved through compulsory monthly briefings held by line management informing employees about Telkom's endeavours with respect to its retrenchments. In lieu of Telkom's business rationale to reduce its headcount, the organisation needs to communicate more effectively to its employees that it only resorts to downsizing as a last resort, as part of its business means for survival.

#### **5.2.2 Continuous Provision of VSPs to all Employees**

Telkom currently offers voluntary packages only to employees who reside in Service Organisations that are affected by the downsizing process during a given year. Instead of only offering packages to affected Service Organisations within the company, Telkom could offer VSPs for as long as its headcount needs to be reduced. These packages could be made available to all employees irrespective of whether their sections have been affected or not. To further ensure that the organisation's headcount is reduced, Telkom should include incentives in order to make this package attractive enough for employees to want to accept it. In this manner, the organisation would rid itself of employees who wish to leave the organisation, instead of forcefully retrenching those who do not wish to leave. In the event that employees wishing to leave have valuable skills, Telkom could retain them by offering them promotions, better remuneration packages, and benefits. The organisation needs to make it worth their while to want to stay with the company.

### **5.2.3 Continuous Provision of VERPs to all Employees**

In conjunction with the above recommendation, Telkom could also offer employees within a certain category of years of service and age, VERPs until the organisation has the desired headcount it requires. This should be an ongoing process and not only be implemented when the organisation wishes to reduce staff numbers. In so doing, the organisation will rid itself of an older workforce and retain their younger employees. Again, if employees in these categories have valuable skills which the organisation does not wish to lose, then mentorship programmes could be set up to retain those skills. This will afford the remaining employees the opportunity to be guided and to learn from those employees who are exiting the company for a stipulated period of time.

### **5.2.4 Reduction of Bonuses to Upper Management**

Thus far, Telkom is the largest communications company providing total communication solutions in Africa, and making huge profits each year. Huge enough for top management levels to receive huge amounts of the profits made each year. Instead, Telkom could save jobs if it reduced the bonuses and benefits received by upper management levels within the company. This would in turn motivate and boost the morale of the employees who remain in the organisation.

### **5.2.5 Reduce Working Hours**

Another means to avoid or minimise retrenchments within Telkom, would be to offer reduced working hours to employees. This would afford employees who wish to work fewer hours the freedom to do so, with less remuneration and benefits. This in turn will afford other employees the opportunity to retain their employment, as the income levels expended by the company will drop.

### **5.2.6 Leave Without Pay**

In conjunction with the above recommendation, Telkom could reduce costs by offering employees leave without pay, and restricting overtime before deciding to downsize (Appelbaum, et al., 1999:484). These cost cutting activities will reduce capital expended by the company, and can be used as an alternative measure to retrenching employees instead.



### **5.2.7 Provide Support to Retained Employees**

Telkom should take more care of its employees that remain with the company after downsizing has occurred. It is evident from this study that Telkom's employees are unhappy with the current stance the company has taken towards downsizing. It is important for Telkom to value its employees and to keep them motivated, so that insecurity, despondency, and depression about their current working situation does not take control. Downsizing often puts additional pressure on those employees who retain their jobs. The organisation should guard against this from happening, as doing more with less often proves to be detrimental to any company.

### 5.3 CONCLUSION

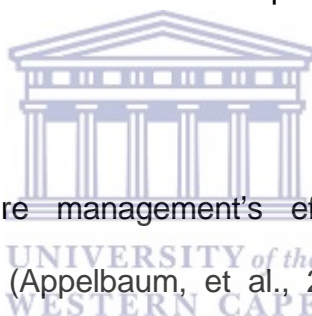
At its inception in 1997 Telkom inherited a large workforce. As stated by Finnemore and Van Der Merwe (1990:126) when employees' labour is not required anymore, then retrenchments cannot be avoided. In view of this statement, Telkom's business rationale for downsizing makes good business sense, and the organisation largely conducts its retrenchment process in a fair and ethical manner in this regard. However, not all Telkom employees and recognised unions agree with this statement, as they believe the organisation is only concerned with making profits. Downsizing is evidently a last resort utilised by the organisation, as they make use of various alternatives before forcefully retrenching their employees, such as redeployment, internal and external placements, VSPs, VERPs, and job swops.

The strategy adopted by Telkom to avoid job losses has good intentions and structures in place to assist employees faced with possible retrenchment. The organisation has many good traits such as providing employees who accept the voluntary packages with the Social Plan Benefit, and the Agency for Career Opportunities, wherein employees can receive counseling, training, capital to start new ventures, and even the option of utilising the capital for their unemployed dependants. The timeframe spent by affected employees in the Agency guarantees them full salaries and benefits for this period, creating a sense of security that they still have time in which to acquire other means of employment. The Agency is proof of Telkom's social responsibility to its employees. Given this information, Telkom does manage its retrenchment process effectively and efficiently.

However, the organisation must come to the realisation that its employees are not happy about its retrenchments. Employees form the core of any business and if they are unhappy, they will perform poorly and produce a low calibre quality of work. Telkom must take heed of the fact that large numbers of its employees are seeking employment elsewhere. It might just find itself with far less employees than it had anticipated, and far less skills to become the world-class communications company it envisages to become in the future.

Telkom's recognised unions are frustrated and protesting that Telkom's retrenchments are wrong, while organised labour is also not happy with past, current, and planned retrenchments Telkom is anticipating. According to the Department of Labour (2005) Telkom is not helping government in its endeavours to half the unemployment rate by 2014. Unemployment is one of the biggest challenges facing South Africa, and yet organisations such as Telkom continue to downsize. According to Mulder (2004:1), the leader of the Freedom Front Plus, while the organisation was making huge profits and top management were receiving enormous bonuses and salaries, employees were losing their jobs. He questioned whether this is what privatisation was all about. Telkom management claimed that it merely acts on the instructions it receives from its board of directors, but Mulder argues that its main shareholder, government, and even the ANC was doing nothing to prevent Telkom from implementing its plans for large-scale retrenchments. Mulder (2004:1) further argued that the South African Government creates poverty and fights jobs despite its promises made in April 2004 for job creation.

Telkom's employees and unions are furious that the company is making huge profits yet it plans retrenchments. However, according to Allan (1997:576), downsizing should be seen as a planning tool organisations use for the future irrespective of whether the company is performing successfully or declining. In Telkom's case, Mariappanadar (2003:906-907) argues a different position, namely that organisations downsize for the sake of making profits only, in order to keep their shareholders happy whereby they receive high returns on their investments. By reducing its workforce Telkom is able to meet company targets and increase its share price (Abacus Recruitment, 1998), which is evident in the company's performance thus far. However beneficial downsizing is for organisations, it only worsens the unemployment rate South Africa is currently faced with.



Proper planning will ensure management's effective communication of retrenchment to employees (Appelbaum, et al., 2003:77). According to the principles set out by Appelbaum, et al., (2003:77) Telkom does not manage its downsizing process efficiently because its employees are not involved in the process from the beginning, and support programs are not offered to employees that are retained by the organisation. However, the organisation does have support programs for affected employees, and HRM strategies are aligned with new business strategies. Telkom holds true to Appelbaum, et al., (1999:485) where they state that organisations should provide personal growth and development to employees, which it does through the Agency for Career Opportunities. It is evident from the study that Telkom does not offer its

employees job security. According to Allan (1997:579), it could create greater profits compared to retrenching then hiring and retraining replacements.

Where redundancy exists within an organisation, downsizing becomes necessary. This process is traumatic for the individuals involved but cannot be avoided. Proper planning is a vital part of the downsizing process, which will ultimately determine the success or failure of this process. Alternatives to downsizing should be taken into consideration before deciding to downsize. Many alternatives exist whereby organisations could reduce costs to the company instead of laying off employees. Downsizing creates various changes in organisations that must be managed effectively in order for the company to survive the losses incurred. Communicating the process to employees and getting them involved from the beginning will ensure a better-prepared workforce to handle this terrible ordeal. Lastly, emphasis should not only be centered on those employees that have been targeted to leave the organisation, but those retained by the company also need support to deal with heavier workloads, the depression of seeing their colleagues leave, and the insecure feeling that they might be next.

“Taking steps to prevent the need for layoffs is the best approach to  
avoid layoffs.”

(Allan, 1997:579)

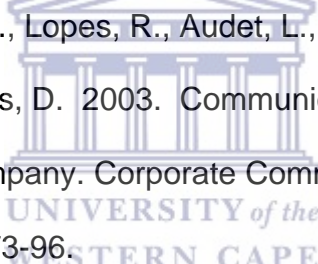
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## APPENDIX 1

### QUESTIONNAIRE FOR TELKOM STAFF

Please answer the following questions by crossing (x) the appropriate answer, or filling in the relevant information.

#### Respondent's Demographics

1. Sex:

<b>Male</b>	<b>Female</b>
-------------	---------------

2. Age:

<b>Less than 25 years</b>	<b>25 – 29 years</b>	<b>30 – 34 years</b>	<b>35 – 39 years</b>	<b>40 – 44 years</b>	<b>45 – 49 years</b>	<b>50 years &amp; over</b>
-------------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------------

3. Marital status:

<b>Single</b>	<b>Married</b>	<b>Divorce</b>	<b>Other</b>

4. Number of dependents:

<b>Spouse/Partner</b>	<b>No. Of Children</b>	<b>Brothers/Sisters/Other family members</b>	<b>Other</b>

5. Please state your qualifications

<b>Less than Matric</b>	<b>Matric</b>	<b>Technicon/College qualification/Diploma/Certificate/University Degree</b>	<b>Other</b>

6. Please state the department you are employed in:

.....

7. Please state your job title:

.....

8. Employment status:

Permanent Position	Temporary Position	Contract Position

9. Number of years in the organisation:

.....



(Rinkwest, 2004).

10. To what degree has Telkom's retrenchment process affected your commitment to the organisation?

Not at all	Slightly	Moderately	Strongly	Extremely

11. What measures (if any), does Telkom take to ease the necessity of retrenchment?

.....  
.....  
.....  
.....  
.....  
.....  
.....

12. (a) To what degree does Telkom's retrenchment process affect your job performance negatively?

Not at all	Slightly	Moderately	Strongly	Extremely

(b) Motivate your answer above.

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13. After the retrenchment process took place, have you ever considered looking for employment elsewhere?

Yes	No



14. Do you believe that more retrenchments will take place in the near future?

Yes	Not sure	No

15. Does Telkom provide/offer other alternatives before considering retrenchment?

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16. Does a social plan exist within the organisation to help incorporate affected employees back into the economy? If yes, elaborate.

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17. Does Telkom communicate the issue of possible retrenchment within the organisation timeously? If so, elaborate.

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18. How are employees notified about being affected?

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19. What is the time frame given to affected employees before actually having to leave the organisation?

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20. Are there any structures in place to assist affected employees after being earmarked for retrenchment? If so, elaborate.

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21. In your opinion, does Telkom actively manage its retrenchment process? Please give reasons for your answer.

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22. Any other comments you might want to add in relation to Telkom's retrenchment process, is welcome.

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**THANK YOU FOR YOUR TIME AND COOPERATION**

## APPENDIX 2

### PERSONAL INTERVIEW QUESTIONNAIRE

#### Respondent's Demographics

1. Sex:

<b>Male</b>	<b>Female</b>
-------------	---------------

2. Age:

<b>Less than 25 years</b>	<b>25 – 29 years</b>	<b>30 – 34 years</b>	<b>35 – 39 years</b>	<b>40 – 44 years</b>	<b>45 – 49 years</b>	<b>50 years &amp; over</b>
-------------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------	--------------------------------

3. Marital status:

<b>Single</b>	<b>Married</b>	<b>Divorce</b>	<b>Other</b>

4. Number of dependents:

<b>Spouse/Partner</b>	<b>No. Of Children</b>	<b>Brothers/Sisters/Other family members</b>	<b>Other</b>

5. Qualifications

<b>Less than Matric</b>	<b>Matric</b>	<b>Technicon/College qualification/Diploma/Certificate/University Degree</b>	<b>Other</b>

6. Department you are employed in:

.....

7. Job title:

.....

8. Employment status:

Permanent Position	Temporary Position	Contract Position

(Rinkwest, 2004).

9. Does Telkom have a strategy in place by which it manages its retrenchment process? If so:

- a) What is this strategy called?
- b) What was the date of its inception?
- c) What is the purpose of this strategy?

10. Was this strategy an initiative from Telkom itself, or was it born out of the organisation's foreign investor influence?

11. When are employees placed into the Agency?

12. Is this Agency part of Telkom? If so, do employees in the Agency abide by Telkom's policies and procedures?

13. Does the Agency have specific projects of their own to improve or enhance the training and development of employees within the Agency?
14. Does the Agency have relationships and or partnerships with other players, suppliers, operators and training authorities in the Information, Communication and Technology (ICT) Sector?
15. Are there any areas within the Agency that can be improved?
16. How do you foresee the future of the Agency?



**THANK YOU FOR YOUR TIME AND COOPERATION**



## APPENDIX 3: HOLLAND'S INTEREST INVENTORY

	R	I	A	S	E	C
<b>Would you like to ...</b>						
Maintain and/or repair objects						
Learn about mathematics and/or science						
Design posters and emblems						
Address people						
Convince people						
Keep a record of money you spend						
Use technical equipment and diagnostic tools						
Work on a research project						
Go to recitals, concerts or musicals						
Present or facilitate seminars or workshops to others						
Be the leader of a group						
Check and maintain data or information						
Repair broken and faulty electronic/electrical equipment						
Define and develop solutions to a problem						
Learn about art/graphic design						
Share knowledge with/teach others						
Buy and sell goods to make a profit						
Add, subtract, multiply and divide numbers in your job						
Use developed plans/diagrams to construct an object						
Do work involving analysing and planning						
Take photographs						
Look after the well-being of others						
Interface with customers and assist them with their queries						
Write business letters, memos, e-mails etc.						
Work with my hands						
Work in a development laboratory/environment						
Write stories to be published in magazines/newspapers/books						
Assist people with disabilities						
Sell or market products						
Manage documentation						
Attend a technical course						
Apply mathematics to practical problems						
Write newsletters for publication						
Assist people to find solutions to their problems						
Attend meetings						
Attend an accounting/bookkeeping course						
Do maintenance and repair work at home						
Work with changing operational needs						
Read and write poetry						
Spend time with people to assist them with resolving conflict situations						
Interface with important people						
Work in a office environment						
Do work that entails physical activity						
Do technical system and process integration						
Design advertisements						
Participate in social activities/events						
Manipulate people to achieve goals						
Maintain a well-ordered and systematic approach in your job						
Read technical and/or mechanical publications						
Study documentation to be on the edge of the technology						
Be an actor						
Read articles and books on sociology and/ psychology						
Manage your own business						
Keep accurate records of all financial activities						
Do maintenance and repair work on motor cars						
Develop and compile technical specifications						
Write a book						
Study human behaviour and apply this in your work						
Act enterprising in the business environment						
Do office work, e.g. filing, typing, working on a computer etc.						
	0	0	0	0	0	0
	R	I	A	S	E	C

## APPENDIX 4

### E'MAIL SURVEY QUESTIONNAIRE

#### Telkom's Compliance to the LRA: Section 189 and 189 A

1. Does Telkom consult the necessary parties required to consult with i.t.o. a collective agreement?

YES	NO
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2. Does Telkom consult a workplace forum if no collective agreement requires consultation?

YES	NO
-----	----



3. If no workplace forum exists in the workplace of affected employees', does Telkom consult any of the registered trade unions these employees may be members of?

YES	NO
-----	----


4. In the event that the trade union does not exist, are the affected employees or representatives nominated for this purpose consulted by Telkom?

<b>YES</b>	<b>NO</b>
------------	-----------

5. When consulting between the necessary parties, does Telkom at all times try to reach consensus on appropriate measures to:

- a) Avoid the dismissals

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>



- b) Minimise the number of dismissals

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

c) Change the timing of the dismissals

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

d) Mitigate adverse effects of the dismissals

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

6. Does Telkom and all necessary consulting parties always attempt to reach consensus on the method for selecting employees to be dismissed?

<b>YES</b>	<b>NO</b>
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7. Is consensus always reached between consulting parties and Telkom on the severance packages offered to dismissed employees?

<b>YES</b>	<b>NO</b>
------------	-----------

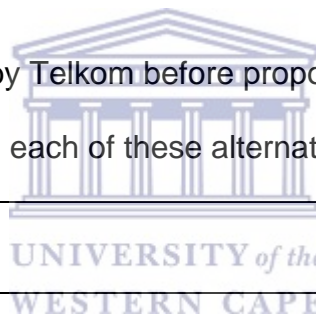
8. Does Telkom disclose all relevant information in writing to the other consulting party with regards to the following?

a) Reasons for the proposed dismissal

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

b) Alternatives considered by Telkom before proposing the dismissals, and explanations for rejecting each of these alternatives.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>



- c) Number of potential employees affected and the job category in which they are employed.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

- d) The proposed method to be used for selecting which employees to dismiss.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>




e) The time/period the dismissals will take effect.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

f) Severance package proposed.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>



g) Assistance proposed by Telkom to offer affected employees.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

h) Potential, future re-employment of the employees being dismissed.

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

9. Does Telkom allow other consulting parties the opportunity to make representations about any matter they are consulting on?

<b>YES</b>	<b>NO</b>
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10. Does Telkom at least consider these representations and give reasons if they are in disagreement?

<b>YES</b>	<b>NO</b>
------------	-----------



11. The selection criteria Telkom uses to dismiss employees:

a) Is in line with what was agreed to by the consulting parties

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>

b) Is fair and objective

<input type="checkbox"/>	<b>Strongly Agree</b>
<input type="checkbox"/>	<b>Agree</b>
<input type="checkbox"/>	<b>Unsure</b>
<input type="checkbox"/>	<b>Disagree</b>
<input type="checkbox"/>	<b>Strongly Disagree</b>



12. Does Telkom give notice of termination of employment according to the terms of this section?

<b>YES</b>	<b>NO</b>
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13. Does Telkom conform to a fair procedure?

<b>YES</b>	<b>NO</b>
------------	-----------

a) If not, does Telkom reinstate employees targeted for dismissals until it has complied with a fair procedure?

YES	NO
-----	----

14. Are Telkom's dismissals operationally justified based on sound reasons?

YES	NO
-----	----

15. Does Telkom give consideration for options other than retrenchment?

YES	NO
-----	----



16. When consulting/bargaining with a representative trade union, does Telkom divulge all pertinent information that will permit the union to engage effectively in consultations/collective bargaining?

YES	NO
-----	----

a) If so, do they notify unions of any confidential information disclosed in writing?

YES	NO
-----	----

(Parliament of South Africa. 1995. Labour Relations Act. Government Printers: Pretoria.)

**Telkom's Compliance to the BCEA**  
**Chapter Five: Termination of Employment**  
**Section 41 (2)**

17. Does Telkom pay affected employees severance pay equal to 1 week's remuneration for each year of service completed? If not, please elaborate.

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18. Does Telkom comply with the specified notice period for termination of employment?

YES	NO
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(Parliament of South Africa. 1997. Basic Conditions of Employment Act.  
 Government Printers: Pretoria.)

**THANK YOU FOR YOUR TIME AND COOPERATION**