International Journal of Social Science Research and Review

http://ijssrr.com
editor@ijssrr.com
Volume 5, Issue 12
December, 2022
Pages: 453-468

Are Labour Policies Lubricant or Stumbling Block to Financial Performance of Small and Medium Companies? An Empirical Study of Employment Equity Amendments in South Africa

Reward Utete

Department of Business Management, University of Zululand, South Africa

E-mail: Uteter@unizulu.ac.za

http://dx.doi.org/10.47814/ijssrr.v5i12.822

Abstract

Labour policies have been singling out as the key impediment to financial success of small and medium enterprises (SMEs). The upward spiral, exponential rate of SMEs failure in South Africa is an inescapable pointer to faltering labour policies. This paper brings to the fore the need to establish the impact of labour policies on financial performance of SMEs with specific attention given to employment equity amendments in South Africa. While some labour policies can lessen labour imbalances in companies, the finance performance of companies remains overlooked, in particular that of still growing SMEs. There is paucity of literature with evidence about inextricable link between employment equity amendments in South Africa and financial performance of SMEs. The purpose of this paper is to examine the impact of labour policies on financial performance of SMEs focusing on employment equity amendments in South Africa. This study employed the descriptive research design and quantitative approach. The sample of the study was 226 SMEs. Both descriptive and inferential statistics were utilised in analysing the data. The study indicated that the majority of the amendments to Employment Equity legislation had a detrimental effect to the financial performance of SMEs. The paper offers a critical and salient insights into the relationship between amendments to Employment Equity legislation and financial performance of SMEs. The paper provides a rich resource for organisations, policymakers and other stakeholders looking to improve equity and sound financial performance of SMEs in the face of broad social division, unemployment and under-resourcing.

Keywords: *Labour Policies; Financial Performance; Small and Medium Companies; South Africa; Employment Equity Amendments*

1. Introduction

Scrutinising financial performance of SMEs in a developing country like South Africa is pertinent and compelling considering their significant contribution to employment and Gross Domestic Product.

SMEs require a great recognition as a key instrument to revitalise economic development. The SMEs' labour policy challenges are unique (Espi, Francis & Valodia, 2019; Erasmus, Reynolds & Fourie, 2019; Eniola, Entebang & Sakariyau, 2015). While great strides have been made in promoting the success of SMEs in South Africa, some labour policies are purported to have incessant detrimental effect to the financial buoyancy. SMEs struggle and encounter many constraints for them to survive, despite the fact that they contribute to global economic growth and in particular prosperity of the South African economy (Ayandibu & Houghton, 2017; Bushe, 2019). In South Africa, the financial performance of SMEs has drastically declined. There has been a huge decline which took place yearly since 2014, the year in which the amendments to Employment Equity legislation were put into effect (Stoddard, 2020). The prevalence and growth of SMEs in South Africa is very low (Fatoki, 2018). Considering this current state of SMEs in South Africa, it is crucial to scrutinise the impact of Employment Equity Amendment Act (EEAA) on the financial performance of SMEs. On the other hand, the amendments were introduced because representations in demographics had little positive changes for the past 14 years, similar or same statistics was received at each end of the year reports (Squire, 2015). The amendments to the principal Employment Equity Act No. 55 of 1998 are within the new law, namely Employment Equity Amendment Act No. 47 of 2013 (EEAA) (Ebrahim, 2018). In recent years, the South Africa has been experiencing deterioration on its economy annually by approximately 0.5%. For this reason, the South Africa has been experiencing deterioration on its economy annually by approximately 0.5%. The average rate of growth in employment over the recent 6 years was only 1%.

Companies within the South African economy are grouped into three categories: by annual revenue, by total assets (excluding fixed assets) and by number of employees (Makwara, 2019; Frans, Elize & Hendrik 2014; Masama, 2018). According to Ogujiuba, Boshoff, Agholor and Olamide (2020), a small organisation has not more than 50 employees and medium organisation has between 51 to 200 employees. This situation is concerning as SMEs dominate the economy of South Africa. A majority of these amendments appear to hamper the financial performance of SMEs (Geldenhuys, 2016; Mandhachitara & Allapach, 2017). The output in many sectors' SMEs remains static. The business growth of South Africa coincides with a rapid increase in employment regulations, mainly amendments to the EEA. Recent industrial development analyses of SMEs in South Africa have revealed low growth levels since 2014 (Dube, 2017; State of the Ethekwini Economy, 2016/17). The historical prosperity of the South Africa economy has been aligned to the government's good labour policies until the promulgation of the EEAA in 2013. SMEs in South Africa face growing difficulties in improving and maintaining financial performance while managing the pressure of complying with the amendments to Employment Equity legislation. Adjusting performance strategies to tally with the new amendments of employment equity remain a challenge, especially for SMEs. This study was predominantly motivated by a quest to improve the financial performance of SMEs (Nene, 2021). Owing to the amendments to the EEA, SMEs in South Africa are faced with complexities in their performance. However, some amendments are viewed as good. It is within this background that this paper seeks to achieve the following objectives:

- To examine the extent to which the employment equity amendments affect the financial performance of SMEs
- To scrutinise the factors influencing the business performance of SMEs in relation to employment equity amendments.
- To critically evaluate how the amendments to employment equity can be implemented without affecting the financial performance of SMEs.

2. Literature Review

2.1 Effects of New Amendments to Employment Equity on Financial Performance

Financial performance in SMEs utilise revenues, sales growth rates and net profit as measurement scale indicators (Ogujiuba, Boshoff, Agholor & Olamide, 2020; Ngcobo & Sukdeo, 2015). Financial performance can be quantified easily with standardised accounting systems. Penalties linked to turnover threatens the financial status of the business. However, the enforcers indicate that penalty linked to turnover is highly effective as compared to other sanction as employers who abide by the legislation fear nothing about it. To an extent, some positions remain unoccupied as the employer looks for employment equity candidates so that the organisation can abide by the new amendments to the EEA, thereby compromising the financial performance of the business (Mason & Roman, 2015). The increase in costs of compliance charges, amendments to sections 59, 61 and Schedule 1 in the new amendments to employment equity are channelled towards the operation costs of the business, which are later borne ultimately by consumers, without any enforcement effect to the needed transformation. Sub-systems of human resources development should also be continuously improved to maintain and surpass expected product and service quality. However, low levels of professionalism are encroaching on most SMEs as they strive to meet the employment equity goals by employing inexperienced employee at the expense of an experienced employee.

Efficiency usually relates to financial performance (Agwu, 2018; Kikawa, Kalema & Carol, 2019). Efficiency is the result of business operations compared with resources employed in the same business operations. Most top management views the sound performance of any company as getting an increased profit. Due to the hefty fines that are stipulated in the new amendments, those non-compliant SMEs may be forced to retrench to meet the costs (Stine, 2015). A worse situation is that some of these non-compliant companies end up shutting down or closing due to the heavy fines that become unbearable to them. These stiff fines are a heavy burden to new companies that have just assumed the category of designated employers, particularly those that expand from small to medium businesses. These hefty penalties can leave many companies bankrupt. This results in the loss of jobs thereby negatively affecting the image of company and economic growth at large. The magnitude of these penalties induces a remarkable threat to company viability once caught not complying.

2.2 The Amendments to Employment Equity Legislation

The main reason South Africa amended the Employment Equity Act is to meet its international obligations of employment and human rights (Landman & O'Clery, 2020). South Africa signed and ratified both the International Labour Organisation (ILO) Convention 100 and the United Nations Convention on the Elimination of (All Forms of) Discrimination against Women (CEDAW) (Mayer, Oosthuizen & Tonelli, 2019; Mkhize & Mgcotyelwa-Ntoni, 2019). Both of the aforementioned conventions enforce the elimination of discrimination and advancement of employees from historically disadvantaged groups and have not been met by South Africa. Heerden (2015) states that any designated employer should ensure that discrimination is eliminated, and that qualified and suitable employees from previously disadvantaged groups are afforded the same chances of employment prospects and that all categories have reasonable representations across job levels. A number of amendments were made, key amendments are: i) *Enforcement procedures (amendments to sections 39 and 40)*- Compliance orders are now issued by the labour inspector without initially waiting to receive a written undertaking from the employer. Section 36 that dealt with employers' undertaking to abide with the request of the labour inspector is deleted. ii) *Only apartheid victims to benefit*- Amendments to the 'designated groups' definition in terms of Chapter III state that affirmative action beneficiaries are now only restricted to women, people with disability and black people who were citizens of South Africa prior to the democratic era (before 27 April 1994) or who would have received the citizen entitlement but were deprived by apartheid policies, or who are South Africa by descent or birth (Oosthuizen & Mayer, 2019).

iii) *Increased fines (Amendments to sections 59, 61 and Schedule 1)*- The maximum fine for breach of the Act is now increased threefold. Should the revenue be higher than a fine, a fine range which varies from 2%-10% of the turnover is charged, depending on the offence committed for failure to abide by the provisions of the affirmative action within the Act (Peyper, 2017). iv) *Annual reports (Amendments to sub-section 21(1) and (4A)* - In the past, annual reports were required to be submitted by designated employers that had more than 150 employees, whilst those designated employers who have lower than 150 staff were obliged to submit in the second year. However, the new amendment now requires all designated employers to submit employment equity reports annually (Mayer, Oosthuizen & Tonelli, 2019). v) *The burden of proof (Amendment to section 11)*- Now, the amendment act forms two facets of 'burden of proof', by either the employee or employer. Firstly, in terms of section 11(1), the burden to prove lie in the hands of the employer where the ground of unfair discrimination is listed in section 6(1) and proof should be based on a balance of probability. In this scenario, the employer has the onus to furnish evidence which shows that the alleged unfair discrimination never happened or is justifiable and fair. Secondly, in terms of section 11(2), the burden to prove shifts to the employee (complainant), where the unfair discrimination lies on arbitrary grounds (not listed ground) and should be proven based on a balance of probabilities (Rautenbach, 2016). vi) *CCMA's jurisdiction (Amendment of Section 10)*- Now, all matters that concern sexual harassment of all employees irrespective of their earning thresholds, or issues related to unfair discrimination in which the earnings threshold of employees involved falls below R205 433.30 prescribed in section 6(3) of the BCEA, or by consent of both parties, matters of unfair discrimination of employees who have higher earnings are dealt with under the jurisdiction of CCMA where arbitration for the dispute can be handled in terms of Section 10(6) after conciliation (Heerden, 2015).

vii) *Psychometric tests*- Employers that use psychometric tests should make sure that the tests have the approval and certifications of the Health Professions Council of South Africa (HPCSA). viii) *Inclusion of Equal treatment ('equal pay for equal work or work of equal value')*- The insertion of the new section 6 (4) and section 6(5) explicitly focuses on the concept of equal treatment, which requires more than the issue of 'equal work for equal pay" (Musetsho, Isac, & Dobrin, 2021; Kanjere & Ngwakwe, 2018; van Zyl, 2017). ix) *Discriminatory grounds extended* – Section 6(1) of the Amendment Act expands the grounds of unfair discrimination. The expansion of the meaning of unfair discrimination prohibits unfair discrimination on any other arbitrary grounds. x) *Total annual turnover threshold (Amendments to schedule 4)* - Amendments to section 64A increases the annual threshold that is required to be exceeded for the employer to fall under the classification of 'designated employer'. xi) *Occupational categories excluded*- Occupational levels are now set as points of reference. Occupational categories were removed. xii) *Assessment of compliance*- Regulations that deal with compliance assessment where issues such as economically active populations of regional and national levels are taken into consideration now falls under the hands of the Minister of Labour (Tapanya, 2015; Meiring & Buckett, 2016). xii) *Reports to the Director General (Amendments to section 21)*- This amendment gives a time-frame of when designated employers are expected to submit reports to the Department of Labour's Director General (DG). xiii) *Consequences of failing to comply with Director General (Amendment to section 45)*- An amendment to section 45 makes an extension where section 45(1)(a) and (b) is now included. The extension provides specific action taken by the Director General in the event of failure by the employer to abide by a requisition made by Director-General in accordance with section 43(2) or according to section 44(b) recommendation made by the Director-General. These amendments have an impact on the financial performance of SMEs.

2.3 The Concept Financial Performance

Financial performance relates to the company's profit maximization and the value addition (Karadag, 2015). Financial performance is a crucial way for investors to be satisfied and is expressed through profitability, growth and market value. Financial performance can be seen in the form of revenue expansion and cost reduction perspectives. Revenue expansion focuses on market share growth (Wagner, Block, Miller, Schwens & Xi, 2015). Financial measures normally examine indicators such as profitability and sales growth (reflected by ratios including investment return). Besides, high-performance businesses usually have enough cash flow. Hence, operating revenue ratios are also utilised as a financial performance indicator. These indicators are claimed to be regular indicators used to measure a business. Sets of measures can therefore be designed to evaluate various facets of perspectives of financial performance (Ainin, Parveen, Moghavvemi, Jaafar & Mohd-Shuib, 2015).

2.4 Theoretical Framework

The Neo-Institutional Theory

According to Harish, Frank and Christa (2012), the Neo-institutional theory focuses on shaping the actions of the organisation to align with external social forces. These forces influence the manner in which operations of certain functions are conducted, thereby becoming institutionalised within the organisation. These external forces impact on the performance of the business. In accordance with neo-institutional theory, the key assumption is that organisations want to prove legitimacy from the external world. In relation to this study, SMEs seek to abide by the amendments to Employment Equity regardless of the how their businesses are performing. Ignorance to heeding this law's demands results in small and medium organizations fined hefty penalties that in turn affect financial performance in terms of finances. Primary mechanisms that affect organisations' actions are subdivided into three: regulatory forces, normative forces and mimetic forces (Khumalo, 2017). Firstly, the regulative forces, are forces connected to certain government rules and laws. The Neo-institutional theory is general in nature in the sense that it is not specific to a particular law. Hence, this study will narrowly and clearly expand the existing Institutional theory to align with Employment Equity amendments by employing a deductive approach which is grounded in the empirical testing of critical incidents that come as a result of the execution of amendments to employment equity. In this case, the theory can be expanded to clearly align with the Employment Equity Amendment Act.

3. Methods

Research Design and Approach

This study adopted the descriptive research design. The descriptive research design can effectively address the research problem relating to the impact of employment equity implementation on the financial performance in South Africa. Descriptive research addresses all types of the research questions and it is used when problems are at an initial stage (Kothari, 2020; Carrie & Kevin, 2014). This study utilised a quantitative approach. A quantitative research approach gave the quantitative relationships and examined the empirical analysis between amendments to EEA and financial performance in a mathematically expressed manner.

Target Population and Sample Size

For this study, the target population constituted all 550 SMEs across all industries in South Africa. In this study, the number of employees was used to determine whether or not the employer qualifies to be a designated employer. In terms of EEAA, the employer should have at least 50 employees and above to qualify to be a designated employer. Probability sampling was utilised. A simple random sampling technique was employed to select a sample in which computer generated random numbers was utilised in selecting the sample. In accordance with a sample size table developed by Krejcie and Morgan (1970), a sample size of 226 should be utilised for a target population consisting of 550 elements/units.

Computer-generated random numbers were utilised in selecting the sample. For this study, the primary data was collected utilising structured close-ended questionnaires. The mail survey utilised a structured questionnaire. The 'five-point Likert scale' was utilised for each of the questions that was asked (strongly agree, agree neutral, disagree and strongly disagree). The closed-ended questionnaire responses were coded in a data set form in which both inferential and descriptive statistics was utilised for analysis. Then the data was analysed utilising the Statistical Package for the Social Sciences (SPSS) version 25 for Windows by employing relevant statistical tests.

4. Results

4.1 Reliability Testing

The suitable test for this study was the internal consistency reliability test which was performed by computing Cronbach's alpha. The minimum accepted value of Cronbach's alpha coefficient is 0.6, especially for descriptive research. For the measurement of internal consistency, Cronbach's alpha was the most ideal tool because the questionnaire had multiple Likert scale statements. In this case, Cronbach's alpha established the extent to which the scale is reliable. The coefficient alpha *of equal pay-for-equal work* is 0.93. The coefficient alpha of *extension of discriminatory grounds* is 0.71. A Coefficient alpha of 0.65 was obtained for *removal of non-SA citizens from the designated groups*. *Increased fines* scored a coefficient alpha of 0.86. The coefficient alpha of *removal of occupational categories* is 0.88. A coefficient alpha of 0.97 was obtained for *consequences of failing to comply with the Director-General*. The coefficient alpha of *burden of proof* is 0.95. A coefficient alpha of 0.93 was obtained for *annual reporting*. The coefficient alpha of *enforcement procedures* is 0.72. A coefficient alpha of 0.86 was obtained for *sexual harassment handled by CCMA*. The coefficient alpha of *increment of total annual turnover threshold* is 0.93. The coefficient alpha of *assessments of compliance* is 0.73. The coefficient alpha of *psychometric tests* is 0.92. A coefficient alpha of 0.69 was obtained for '*financial performance'*.

4.2 Descriptive Statistics

In terms of the biographical data, 63.38% of the respondents were males, with majority of the respondents (54.17%) were between 46-50. Majority of the respondents (69.44%) had a degree level as their highest qualification, with the bulk of respondents (63.89%) held the senior manager. Majority of the respondents (64.44%) occupied the top management level.

Table 1: Statements relating to amendments to Employment Equity and financial performance

Statement	Maximum	Mean	Std. Deviation
We are still struggling to bear the cost of wage adjustments that come as a result of equal pay-for-equal work.	5	3.71	.808
Our company gives the same pay for people who are doing the same work, regardless of race, gender and nationality	5	3.86	.585
We have a significant number of skilled non-South Africa citizens who quit the job since 2014 and went overseas.	5	3.62	.827
I think the extension of unfair discrimination to incorporate 'any other arbitrary grounds' in the new amendments to Employment Equity Act is vague as such it opens the flood gate for litigation.	5	3.62	.793
Hefty penalty charges stipulated in the new amendments to employment equity diminishes our revenue.	5	3.75	.703

The shift from reporting the employment equity goals once every 2 years to once every year strains our company.	5	3.75	.760
Penalties issued for failure to comply with the Director General stifle production of goods and services	5	3.68	.762
The removal of occupational categories reduces the administration burden.	5	3.89	.591
For critical jobs, we use employment agencies to recruit and select the right candidate for us.	5	3.93	.561
The extension of burden of proof that incorporate employees does not affect our business performance	5	3.89	.591
Sometimes commissioners who come for inspection demand bribes to lift the hefty financial sanctions.	5	3.64	.788
When the CCMA handles sexual harassment matters it saves time and unnecessary expenses	5	3.82	.733
I think an increment of total annual turnover threshold comes to relieve some companies that are facing financial problems.	5	3.84	.782
I think there is an infringement of free negotiation between unions and employers in the new amendments to Employment Equity, where arrangements of a specific workplace should be discussed rather than having all the powers in decision-making centred on the Minister.	5	3.53	.835
The cost of production is rising due to inefficiency caused by inexperienced employees.	5	3.79	.726
We have been experiencing cashflow constraints in our organisation for the past 3 years.	5	3.82	.674
We have been making meagre profits for the past 3 years	5	3.77	.677
Valid N (listwise)			

As illustrated in Table 1 the respondents indicated that sometimes commissioners who come for inspection demand bribes to lift the hefty financial sanctions, as indicated by a mean score of 3.64. The respondents indicated that hefty penalty charges stipulated in the new amendments to employment equity diminish their revenue, as shown by a mean score of 3.75. In the same vein, respondents believed that penalties issued for failure to comply with the Director-General stifle the production of goods and services, as supported by a mean score of 3.68. These findings imply that the removal of a chance to object to some compliances has adverse effects on the overall performance of the business. As evident in Table 1, asked on whether they are still struggling to bear the cost of wage adjustments that come as a result of equal work-equal pay, the sample respondents agreed, with a mean score of 3.71. Further reinforcement was affirmed by Table 1, when asked whether they have a significant number of skilled non-South African citizens who quit the job since 2014 and went overseas, the sample respondents confirmed this with a mean score of 3.62. The extension of unfair discrimination to incorporate 'any other arbitrary grounds' took centre stage amongst the aspects that are posing discomfort to business. In line with this, the sample respondents felt that the extension of unfair discrimination to incorporate 'any other arbitrary grounds' in the new amendments to the Employment Equity Act is vague and as such it opens the flood gate for litigation, as indicated by a mean score of 3.62. A further confirmation came again from the sample respondents who indicated that a shift from reporting the employment equity goals once every 2 years to once every year strains their companies, as shown by a mean score of 3.75. The overall viewpoint of the findings implies that reporting every year is a huge burden for SMEs. To this end, the sample respondents saw the removal of occupational categories as reducing the administration burden. This is indicated by a mean score of 3.89.

As observed in Table 1, the sample respondents agreed that for critical jobs, they use employment agencies to recruit and select the right candidate for them, as shown by a mean score of 3.93. Further confirmation from the sample respondents affirmed that the extension of burden of proof that incorporates employees does not affect business performance. This is shown by a mean score of 3.89. On another statement, it is interesting to note that the sample respondents confirmed that when the CCMA handles sexual harassment matters, it saves time and unnecessary expenses, as shown by a mean score of 3.82. As observed from Table 1, the sample respondents from SMEs in South Africa affirmed that an increment of the total annual turnover threshold comes to relieve some companies that are facing financial problems, as indicated by a mean score of 3.84. As illustrated in Table 1, the sample respondents confirmed that there is an infringement of free negotiation between unions and employers in the Amendments to Employment Equity, where arrangements of a specific workplace should be discussed rather than having all the powers in decision-making centred on the Minister. This is indicated by a mean score of 3.53. As is evident in Table 1, the sample respondents affirmed that the cost of production is rising due to inefficiency caused by inexperienced employees, as indicated by a mean score of 3.79. On another statement in Table 1 asked whether they have been experiencing cashflow constraints in their organisation for the past 3 years. The respondents confirmed with a mean score of 3.82. According to Table 1, the sample respondents indicated that they have been making meagre profits for the past 3 years, as shown by a score mean of 3.77.

4.3 Inferential Statistics – Multi-Regression Analysis

Table 2: Model summary- employment equity amendments and financial performance

Model	R	Adjusted R^2
1	.985[a]	.962

a. Predictors (Constant): EEAA (equal pay-for-equal work; extension of discriminatory grounds; removal of non-SA citizens from the designated groups; increased fines; removal of occupational categories; consequences of failing to comply with Director-General; burden of proof; annual reporting; consideration of experience; enforcement procedures; sexual harassment handled by CCMA; increment of total annual turnover threshold; assessments of regional and national demographics and psychometric tests)

ANOVA Test Results

Model	Sum of Squares		Df	Mean Square	F	Sig.
1	Regression	.889	14	13.203	130.373	.000
	Residual	2.941	57	.101		
	Total	3.830	71			

a. Dependent variable: financial performance
b. Predictors: (Constant) EEAA (equal pay-for-equal work; extension of discriminatory grounds; removal of non-SA citizens from the designated groups; increased fines; removal of occupational categories; consequences of failing to comply with Director-General; burden of proof; annual reporting; consideration of experience; enforcement procedures; sexual harassment handled by CCMA; increment of total annual turnover threshold; assessments of regional and national demographics and psychological tests)

Critical F= 2.51304

In terms of the regression equation, the employment equity amendment legislation has a significant relationship with financial performance. This was indicated by the correlation value of 0.985, which is considered a significant relationship because the value falls above 0.70 (Pallant, 2011). The adjusted R^2 reflects that 96.2% (0.962) of the financial performance could be explained by the independent variables.

The test in Table 2 reflects a statistically significant F calculated value of 130.373, which is above the minimum critical F value of 2.51304. This implies that the generated regression equation by this study perfectly and significantly predicts the dependent variable. This is also corroborated by a p-value in which p=0.000<0.05. This means that the p-value (0.000) reported was less than the conventional probability of 0.05 significance level. The result of the test depicts that the adopted regression equation in this study is of good fit, hence it is suitable to be utilised to predict the financial performance based on the amendments of employment equity reviewed in this study. Table 3 provides the results in respect of the coefficient of regression analysis.

Table 3: Coefficients

Model (Independent Variables)	**Unstandardized Coefficients**	**Sig.**
	B	
Constant	.797	.000
Equal pay-for-equal work	-.256	.120
Extension of discriminatory grounds	-.208	.402
Removal of non-SA citizens from the designated groups	-.562	-.042
Increased fines	-.954	.000
Removal of occupational categories-	.097	.629
Consequences of failing to comply with Director-General	-.963	.000
Burden of proof	-.210	-.510
Annual reporting	-.023	-.741
Enforcement procedures	-.512	.047
Sexual harassment handled by CCMA	.082	.339
Increment of total annual turnover threshold	.065	.497
Assessments of compliance (regional and national demographics)	.512	.041
Psychometric tests	-.106	.448

a. Dependent Variable: Financial Performance

As observed in Table 3, the coefficient value of *equal pay-for-equal work* was -0.256. This entails that when other independent variables are held constant, financial performance could decrease by 25.6%, given that there is 100% progress of *equal pay-for-equal work*. The statistical significance (0.120>0.05) means that the sub-independent variable ('*equal pay-for-equal work*') makes an insignificant and negative contribution to the prediction of the dependent variable (*financial performance*). In accordance with the analysis in Table 3, the coefficient value of '*extension of discriminatory grounds*' was -0.208. This entails that all things being equal, financial performance could decrease by 20.8%, given that there is a 100% progress of '*extension of discriminatory grounds*'. The statistical significance (0.402>0.05) means that the sub-independent variable '*extension of discriminatory grounds*' makes an insignificant and negative contribution to the prediction of the dependent variable (*financial performance*).

As indicated in Table 3, the coefficient value of '*removal of non-SA citizens from the designated groups*' was -0.562. This entails that when other independent variables are held constant, financial performance could decrease by 56.2%, given that there is 100% progress of '*removal of non-SA citizens from the designated groups*'. The statistical significance (0.042<0.05) means that the sub-independent variable (removal of non-SA citizens from the designated groups) makes a relatively significant and negative contribution to the prediction of the dependent variable (*financial performance*). As reflected in Table 3, the coefficient value of '*increased fines*' was -0.954. This entails that when other independent variables are held constant, financial performance could decrease by 95.4%, given that there is 100% progress of '*increased fines*'. The statistical significance (000<0.05) means that the sub-independent variable '*increased fines*' makes a highly significant and negative contribution to the prediction of the dependent variable (*financial performance*). As indicated in Table 3, the coefficient value of '*removal of occupational categories*' was 0.097. This entails that when other independent variables are held *constant, financial performance could increase by 9.7%, given that there is 100% progress of 'removal of occupational categories*'. The statistical significance (0.629>0.05) means that the sub-independent variable (*removal of occupational categories*) makes an insignificant and positive contribution to the prediction of the dependent variable (*financial performance*).

According to Table 3, the coefficient value of '*consequences of failing to comply with the Director-General*' was -0.763. This entails that when other independent variables are held constant, financial performance could decrease by 76.3%, given that there is 100% progress of '*consequences of failing to comply with the Director-General*'. The statistical significance (0.000<0.05) means that the sub-independent variable ('*consequences of failing to comply with the Director-General*') makes a significant and negative contribution to the prediction of the dependent variable (*financial performance*). As illustrated in Table 3, the coefficient value of '*burden of proof*' was -0.210. This entails that when other independent variables are held constant, financial performance could decrease by 21 %, given that there is 100% progress of '*burden of proof*'. The statistical significance (0.510>0.05) means that the sub-independent variable ('*burden of proof*') makes an insignificant and negative contribution to the prediction of the dependent variable (*financial performance*). As indicated in Table 3, the coefficient value of '*annual reporting*' was -0.023. This entails that when other independent variables are held constant, financial performance could decrease by 2.3% given that there is 100% progress of '*annual reporting*'. The statistical significance (0.741>0.05) means that the sub-independent variable ('*annual reporting*') makes an insignificant and negative contribution to the prediction of the dependent variable (*financial performance*). In relation to Table 3, the coefficient value of 'enforcement procedures' was -0.512. This entails that when other independent variables are held constant, financial performance could increase by 51.2%, given that there is 100% progress of '*enforcement procedures*'. The statistical significance (0.047<0.05) means that the sub-independent variable (*enforcement procedures*) makes a relatively significant and negative contribution to the prediction of the dependent variable (*financial performance*).

As indicated in Table 3, the coefficient value of '*sexual harassment handled by CCMA*' was 0.082. This entails that when other independent variables are held constant, financial performance could increase by 8.2%, given that there is 100% progress of '*sexual harassment handled by CCMA*'. The statistical significance (0.339>0.05) means that the sub-independent variable (*sexual harassment handled by CCMA*) makes an insignificant and positive contribution to the prediction of the dependent variable (*financial performance*). As illustrated in Table 3, the coefficient value of '*increment of total annual turnover threshold*' was 0.065. This entails that when other independent variables are held constant, financial performance could increase by 6.5%, given that there is 100% progress of '*increment of total annual turnover threshold*'. The statistical significance (0.497<0.05) means that the sub-independent variable (*increment of total annual turnover threshold*) makes an insignificant and positive contribution to the prediction of the dependent variable (*financial performance*).

In relation to Table 3, the coefficient value of '*assessments of compliance*' (regional and national demographics) was 0.512. This entails that when other independent variables are held constant, financial performance could increase by 51.2%, given that there is 100% progress of '*assessments of compliance*' (regional and national demographics). The statistical significance (0.041<0.05) means that the sub-independent variable (*assessments of regional and national demographics*) makes a relatively significant and positive contribution to the prediction of the dependent variable (*financial performance*). As indicated in Table 3, the coefficient value of '*psychometric tests*' was -0.106. This entails that when other independent variables are held constant, financial performance could decrease by 10.6%, given that there is 100% progress of '*psychometric tests*'. The statistical significance (0.448<0.05) means that the sub-independent variable (*psychometric tests*) makes an insignificant and negative contribution to the prediction of the dependent variable (*financial performance*).

The data obtained from responses solicited from the questionnaire assisted in generating the Pearson correlation coefficient. This helped in transforming the responses into composite scores. Pearson's rho correlation coefficient established the linkage between the independent variable and dependent variable. Table 4 present the correlation matrix which depicts the relationship between amendments of employment equity legislation and financial performance.

Table 4: Correlation analysis of employment equity amendments and financial performance

		Assessments compliance	Financial performance
Equal_pay-for-equal work	Pearson Correlation	.697**	.084
	Sig. (2-tailed)	.000	.120
	N	73	73
	N	73	73
Increased fines	Pearson Correlation	.576**	-.741**
	Sig. (2-tailed)	.000	.000
	N	73	73
Consequences of failing to comply with Director-General	Pearson Correlation	.657**	-.770**
	Sig. (2-tailed)	.000	.000
	N	73	73

* Correlation is significant at the 0.05 level (2-tailed). ** Correlation is significant at the 0.01 level (2-tailed).

There was a no correlation between the insertion of *equal pay for equal work* and the *financial performance* of SMEs, as shown by a 0.084 correlation factor. A significant value of 0.120 which is higher than maximum pegged significant level of 0.05 proved no statistical relationship. In terms of Table 4, there was a negative and significant correlation between *increased fines* and the *financial performance* of SMEs, as revealed by a correlation factor of -0.741. The association was proven to be statistically strong, as indicated by a significant value of 0.000 which is below the maximum pegged significant level of 0.05. According to Table 4, there was a negative and strong correlation between amendments to *consequences of failing to comply with the Director General* and the *financial performance* of SMEs, as supported by a correlation factor of -0.770. The association was proven to be statistically strong, as indicated by a significant value of 0.000 which is below the maximum pegged significant level of 0.05.

5. Discussion

The study also revealed that the new employment equity amendment legislation greatly impacts the financial performance of small and medium enterprises. The results of this study are in line with a study carried out by Mathapelo (2014), labour laws such as the Employment Equity Act as well as others like BBBEE seem to be the prominent regulations that challenge SME growth and success. The results of this study also align with Bouazza, Ardjouman and Abada (2015) who studied on factors that affect growth of SMEs in Algeria and found that human resources capacities and the regulatory and legal framework are the factors that influence the growth of the firms. Again the study results conform to a study conducted by Sitharam and Hoque (2016) it was revealed that the regulatory setting in South Africa discourages SMEs growth in the formal sector, which significantly compromises their efficiency. The findings of this study established that '*increased fines*, '*consequences of failing to comply with the Director General*', '*enforcement procedures*' and '*assessments of regional and national demographics*' are the only amendments that have an effect on financial performance, all of them negatively. As enforcement procedures surge, SMEs indicated that sometimes commissioners who come for inspection demand bribes to lift the hefty financial sanctions. The findings of this study are in line with a research carried out by Ayandibu and Houghton (2017) on the role of SMEs revealed that the major impediments of SMEs are inadequate government support, corruption and insufficient of skilled labour. Similarly, a research carried out by Sitharam and Hoque (2016) on SMEs performance in KwaZulu-Natal, South Africa in which a cross-sectional study was conducted to 74 respondents. The results revealed that corruption and competition as the key constraints to SMEs growth. '*Equal pay-for-equal work*', '*extension of discriminatory grounds*', '*removal of non-SA citizens from the designated groups*', '*psychometric tests*', '*removal of occupational categories*', '*burden to proof*', '*annual reporting*', '*sexual harassment handled by CCMA*' and '*increment of total annual turnover threshold*' do not have any significant effect on financial performance.

Conclusion

From the overall viewpoint of the findings, the study concluded that only the following amendments have a negative effect on the financial performance of SMEs, that is, '*increased fines*, '*consequences of failing to comply with the Director General*', '*enforcement procedures*' and '*assessments of regional and national demographics*'. The enforcement of transformation within SMEs must prioritise competency and efficiency in order to gain genuine representativity that incorporates all demographics of South African people from designated groups. Although SMEs seem to support the amendment of employment equity legislation, there is clear evidence that they are very worried about the continued loss to their production and profits. Most importantly, since the extent of the impact of amendment of employment equity on the financial performance of SMEs has been established, the research problem has been resolved.

Practical Implications

Generally, based on the findings, small and medium organisations should train their employees in particular those from the designated groups to have positive attitudes towards the amendment of employment equity legislation in order improve employee retention. Small and medium organisations should embark on identifying potential individuals and expose them to an intensive and accelerated skills development programmes that can fast track upward mobility of employees in the company. SMEs should make appointments to positions based on merit, not that the candidate is from designated groups. Small and medium companies should inspect the work environment to check if facilities, practices, policies and practices are discriminatory and do not hamper the execution of employment equity measures.

Limitations and Recommendations

The main limitation of the study is that it narrowly focused on SMEs, therefore precluding the generalization of the findings to large organisations. The study was restricted to SMEs only. As such, this study ignored the plight of large companies that might be facing similar predicaments. It would be interesting to study the impact of the amendments to employment equity law on the financial performance of large organisations for the sake of establishing the differences and similarities that may exist.

Acknowledgements or Notes

I would like to thank all my family members for the support.

References

Agwu, E. (2018). Analysis of the impact of strategic management on the business performance of SMEs in Nigeria. Academy of strategic management, 17 (1), 1-20.

Ahmedova, S. (2015). Factors for increasing the competitiveness of small and medium-sized enterprises (SMEs) in Bulgaria. Procedia-social and behavioral Sciences, 195 (1), 1104-1112.

Ainin, S., Parveen, F., Moghavvemi, S., Jaafar, N.I. & Shuib, N.L.M. (2015). Factors influencing the use of social media by SMEs and its performance outcomes. Industrial Management & Data Systems, 115(3),570-588https://www.emerald.com/insight/content/doi/10.1108/IMDS-07-2014-0205/full/pdf?title=factors-influencing-the-use-of-social-media-by-smes-and-its-performance-outcomes.

Ayandibu, A.O., & Houghton, J. (2017). The role of small and medium scale enterprise in local economic development (LED). Journal of Business and Retail Management Research, 11(2), 133-139.

Booysen, L. A. E. & Nkomo, S. M. (2014). 13 new developments in employment equity and diversity management in South Africa. Country perspectives on diversity and equal treatment, 1(1), 241-242.

Bouazza, A. B., Ardjouman, D. & Abada, O. (2015). Establishing the factors affecting the growth of small and medium-sized enterprises in Algeria. American international journal of social science, 4 (2), 101-115.

Bushe, B. (2019). The causes and impact of business failure among small to micro and medium enterprises in South Africa. Africa's Public Service Delivery and Performance Review, 7(1), 1-26.

Carrie, A.P., & Kevin, D.M. (2014). Research methods-designing and conducting research with a real-world focus. New York: Sage Publications.

Chakabva, O., Tengeh, R. K., & Dubihlela, J. (2020). A holistic assessment of the risks encountered by fast moving consumer goods SMEs in South Africa. Entrepreneurship and Sustainability Issues, 7(4), 3321.

Conley, H. & Page, M. (2018). The good, the not so good and the ugly: gender equality, equal pay and austerity in English local government. Work, Employment and Society, 32, 789-805.

DePoy, E. & Gitlin, L.N. (2015), Introduction to research: Understanding and applying multiple strategies. (5 Ed.). Elsevier health sciences: St Louis.

Dube, T. (2017). A critical analysis of the 'equal pay for equal work or work of equal value'provision as it relates to the South African labour market. Retrieved Octber 10,2019, from http://ukzn-dspace.ukzn.ac.za/bitstream/handle/10413/15896/Du_Thobeka_2017.pdf?sequence=1&isAllowed=y.

Ebrahim, S. (2018). Reviewing the suitability of affirmative action and the inherent requirements of the job as grounds of justification to equal pay claims in terms of the employment equity act 55 of 1998. Potchefstroom Electronic Law Journal/Potchefstroomse Elektroniese Regsblad, 81(1), 134-141.

Eniola, A., Entebang, H., & Sakariyau, O.B. (2015). Small and medium scale business performance in Nigeria: Challenges faced from an intellectual capital perspective. International Journal of Research Studies in Management, 4(1), 59-71.

Erasmus, L., Reynolds, A., & Fourie, H. (2019). A generic balanced scorecard for small and medium manufacturing enterprises in South Africa. The Southern African Journal of Entrepreneurship and Small Business Management, 11(1), 1-15.

Espi, G., Francis, D., & Valodia, I. (2019). Gender inequality in the South African labour market: Insights from the Employment Equity Act data. Agenda, 33(4), 44-61.

EThekwini. (2014). SMME Development. Retrieved July 20, 2019, from http://www.durban.gov.za/City_Services/BST_MU/Pages/SMME-Development.aspx [Accessed January 2015].

Fatoki, O. (2018). The impact of entrepreneurial resilience on the success of small and medium enterprises in South Africa. Sustainability, 10(7), 2527.

Frans, V., Elize, K., & Hendrik, W. (2014). Performance measurement in small and medium enterprises: South African Accountants' view. Journal of Economic and Financial Sciences, 8(1), 13-34.

Geldenhuys, J. (2016). Inequality in equality. South African Mercantile Law Journal, 28(3), 399-435.

Harish, C.J., Frank, H., & Christa, L.W. (2012). Employment equity in Canada and South Africa: A comparative review. The International Journal of Human Resource Management, 23(1), 1-17.

Heerden, A.V. (2015). Consequences of Late/ non-filing of Employment Equity Reports. Retrieved April 28, 2019, from https://www.werksmans.com/legal-updates-and-opinions/consequences-of-latenon-filing-of-employment-equity-reports/

Johane, B. (2017). Failing in workplace equality is no excuse. Retrieved August 7, 2019, from https://www.iol.co.za/business-report/careers/opinion-failing-in-workplace-equality-is-no-excuse-11100615.

Kanjere, M. M., & Ngwakwe, C. C. (2018). Progression of women to higher management positions in South African public sector: A differential effect of employment equity. Acta Universitatis Danubius. Administratio, 9(2), 47-56. Retrieved from https://journals.univ-danubius.ro/index.php/administratio/article/view/4722.

Karadag, H. (2015). Financial management challenges in small and medium-sized enterprises: A strategic management approach. Emerging Markets Journal, 5(1), 26-40.

Khumalo, K. (2017), "JSE-listed companies facing EE crackdown." Retrieved from https://www.iol.co.za/business-report/companies/jse-listed-companies-facing-ee-crackdown-10739792.

Kikawa, C. R., Kalema, B. M., & Carol, M. N. (2019). A statistical analysis of business intelligence acceptance by SMEs in the city of Tshwane, Republic of South Africa. Academy of Entrepreneurship Journal, 25(2), 1-19.

Kothari, C. R. (2020). Research methodology, methods and techniques. New Delhi, New Age International

Krejcie, R.V., & Morgan, D.W. (1970). Determining sample size for research activities. Educational and Psychological Measurement, 30(3), 607-610.

Landman, M. S., & O'Clery, N. (2020). The impact of the Employment Equity Act on female inter-industry labour mobility and the gender wage gap in South Africa (No. 2020/52). WIDER Working Paper. Doi: https://www.econstor.eu/handle/10419/229276

Makwara, T. (2019). Taking on the challenge: small, micro and medium enterprises (SMMEs) and socioeconomic development in South Africa. African Journal of Hospitality, Tourism and Leisure, 8, 1-14.

Mandhachitara, R., & Allapach, S. (2017). Small business performance in Thailand: key success factors. Journal of research in marketing and entrepreneurship, 19(2), 161-181.

Masama, B. (2018). Revisiting the economic factors which influence fast food South African small, medium and micro enterprise sustainability.Expert Journal of Business and Management, 6(1), 19-28.

Mason, R.B., & Roman, L.J. (2015). Employment equity in the South African retail sector: Legal versus competence and business imperatives. South African Journal of Labour Relations, 39(2), 84-104.

Mathapelo, M. (2014). Amendments to the employment equity act looming. Retrieved from Johannesburg. Retrieved May 7, 2019, from https://www.accountancysa.org.za/amendments-to-the-employment-equity-act-looming/

Mayer, C. H., Oosthuizen, R. M., & Tonelli, L. (2019). Subjective experiences of employment equity in South African organisations. SA Journal of Human Resource Management, 17(1), 1-12.

Meiring, D., & Buckett, A. (2016). Best practice guidelines for the use of the assessment centre method in South Africa.' South Africa Journal of Industrial Psychology, 42(1), 1-15.

Mkhize, G., & Mgcotyelwa-Ntoni, N. (2019). The impact of women's movements' activism experiences on gender transformation policies in democratic South Africa. Agenda, 33(2), 9-21.

Musetsho, M., Isac, N., & Dobrin, C. (2021). Gender Inequalities in the Workplace: Case Study of South Africa. Management and Economics Review, 6(1), 70-81.

Nene, L. R. (2021). Assessing managerial competencies of small enterprises in Okhahlamba Local Municipality. Master of Commerce in Management. University of Kwazulu-Natal.

Ngcobo, S., & Sukdeo, R. (2015). Challenges facing SMMEs during their first two years of operation in South Africa. Journal of Corporate Ownership and Control, 12(3), 1-5.

OECD. (2015). OECD Economic Surveys South Africa. Retrieved from http://www.oecd.org/eco/surveys/South-Africa-OECD-economic-survey-overview.pdf.

Ogujiuba, K. K., Boshoff, E., Agholor, I., & Olamide, E. G. (2020). SMEs and sustainable entrepreneurship in South Africa: impact analysis of contextual factors in the services sector. Business Administration and Business Economics, 1(1),7-28.

Oosthuizen, R. M., & Mayer, C. H. (2019). At the edge of the Fourth Industrial Revolution: Employees' perceptions of employment equity from a CIBART perspective. SA Journal of Industrial Psychology, 45(1), 1-11.

Ouma-Mugabe, J., Chan, K. Y., & Marais, H. C. (2021). A critical review of policy instruments for promoting innovation in manufacturing small and medium enterprises (SMEs) in South Africa. Entrepreneurship, Technology Commercialisation, and Innovation Policy in Africa, 1(1): 237-258.

Pallant, J. (2011). A Step by step guide to data analysis using SPSS. (4th ed.), Allen and Unwin.

Petra, Š.S.J. (2016). Measuring the Business Performance of Czech Manufacturing Companies. International Atlantic Economic Society Journal, 22(1), 229-230.

Peyper, L. (2017). 72 JSE-listed firms flagged for employment equity inspections. Retrieved July 5, 2019, from https://www.fin24.com/Economy/72-jse-listed-firms-flagged-for-employment-equity-inspections-20170810.

Ramukumba, T. (2014). Overcoming SMEs challenges through critical success factors: A case of SMEs in the Western Cape Province, South Africa. Economic and business review for central and South-Eastern Europe, 16(1), 19-20.

Rautenbach, I.M. (2016). The Constitution and recent amendments to the definition of unfair discrimination and the burden of proof in unfair discrimination disputes in the Employment Equity Act. Journal of South African Law / Tydskrif vir die Suid-Afrikaanse Reg, 1(1), 110-125.

Sitharam, S., & Hoque, M. (2016). Factors affecting the performance of small and medium enterprises in KwaZulu-Natal, South Africa. Problems and perspectives in management, 14(2), 277-288.

Squire, D. (2015). Employment equity in human resources : feature- employment equity. Retrieved August 6, 2019, from https://journals.co.za/content/om_hrf/06/1/EJC170652

State of the Ethekwini Economy. (2016/17). State of the Ethekwini Economy. Retrieved June 15, 2019, fromhttp://www.durban.gov.za/City_Services/Economic_Development/InvestDurban/Documents/State%20of%20the%20EThekwini%20Economy%20Oct%2020\

Stine, A. (2015). Over 1000 firms in court over EE targets. Retrieved September 5, 2019, from http://www.fastmoving.co.za/news/marketing-74/over-1-000-firms-in-court-over-ee-targets-7287

Stoddard, E. (2020). SA’s shocking unemployment rate remains unchanged. Retrieved March 20, 2019, from https://www.smartclub.co.za/SmartClub/NewsViewRedirect.do?NewsId=723170.

Tapanya, G. (2015). The constitutionality of the concept of demographic representivity provided for in terms of the Employment Equity Amendment Act 47 of 2013 Retrieved July 23, 2019, from http://ukzn-dspace.ukzn.ac.za/handle/10413/13403

van Zyl, B. (2017). Equal pay for equal work dispute. HR Future, 1(1), 40-44.

Vargas, M.I.R. (2015). Determinant factors for small business to achieve innovation, high performance and competitiveness: organizational learning and leadership style.’ Procedia-social and Behavioral Sciences, 169(1), 43-52.

Wagner, D., Block, J.H., Miller, D., Schwens, C., & Xi, G. (2015). A meta-analysis of the financial performance of family firms: Another attempt. Journal of Family Business Strategy, 6(1), 3-13.

Webster, E., & Francis, D. (2019). The paradox of inequality in South Africa: a challenge from the workplace. Transformation: Critical Perspectives on Southern Africa, 101(1), 11-35.