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## **Effects of Non-Payment of Mining Employees and their Survival Strategies: The Case of Hwange Colliery Company Limited in Zimbabwe**

**Mhau Ndlovu**

Graduate Student, Zimbabwe Open University, Matabeleland North Region, Zimbabwe

**Wisdom Moyo**

Lecturer, Zimbabwe Open University, Matabeleland North Region, Zimbabwe

**Douglas Gasva**

Quality Assurance Coordinator, Zimbabwe Open University, Matabeleland North Region, Zimbabwe

**Fortune F.T. Chisango**

Lecturer, Zimbabwe Open University, Matabeleland North Region, Zimbabwe

### **Abstract:**

*The current study sought to unveil the effects of non-payment of employees and their survival strategies at Hwange Colliery Company Limited (HCCL) in Zimbabwe. HCCL employees have gone for over a year without receiving their salaries and wages. The study utilised the descriptive survey design. The population of the study comprised of HCCL employees and a sample of 20 employees (N=20) was selected using convenience sampling technique. The study found out that non-payment of employees at HCCL has had several effects; including; psychological effects, family separation, family conflicts, poor corporate teamwork, and diminishing family health status. The study concluded that the strategies used by non-paid employees at HCCL in order to survive included cash advance, time off for self help projects, medical benefits, food hampers and use of canteen facilities at work; were not adequate to sustain the diverse needs of HCCL employees and their families. The study recommended that there is need for the adoption of a holistic approach in order to address the chief causes of failure to pay salaries and wages by organisations and address them together with the effects of non-payment of the salaries and wages on employees and their families. The study further recommended that in order to share experiences, future studies should include all companies in the country that are not paying salaries and wages to their employees so as to interrogate the effects of the non-payment on employees and their families as well as survival and intervention strategies.*

**Keywords:** *Effects, employees, non-payment, survival strategies*

### **1. Background to the Study**

Remuneration of employees is generally considered key to organisational effectiveness, yet, several companies, including Hwange Colliery Company Limited (HCCL) in Zimbabwe, have gone for several months if not more than a year without paying their employees' salaries and wages. HCCL is an Anglo-American established company located in Matabeleland North Province in Zimbabwe, where government owns 37% of the company's shares, while other key financiers include financial backer Nicholas Van Hoogstraten, a businessman who at some stage during the company's economic turmoil made a takeover bid for the struggling HCCL, offering a \$50 million bailout package that came with demands for reforms which would put him in control of management (Zimbabwe Newsday of April, 2013). No solution to the non-payment of salaries and wages at HCCL has since been found since 2011 when this problem started and worsened gradually.

Generally, the non-payment of salaries and wages has obviously brought economic hardships upon HCCL employees and their families. Yet, HCCL, according to the Quality control document 1.04 of 15 March, 2012, kept at the Quality Assurance Services department, was certified ISO 9001: 2000 compliant. The HCCL Malasha Post of 23<sup>rd</sup> of June, 1990, reported that HCCL is listed as a company in the Zimbabwe International Stock Exchange, making it one of the professionally established and run organisations nationally and internationally. Thus, under normal circumstances, the company was expected to pay its employees' salaries and wages accordingly and timorously.

Shumbayawonda, (2000) notes that HCCL is the largest producer of coal and its related products in the country. The company used to enjoy large reserves of coal seams but with the recent introduction of the indigenization policy by the government of Zimbabwe, the company lost many of its concession areas and it found itself being surrounded by numerous small coal mining companies like Makomo Resources, Coal Brick and W & K Minerals; which are now a threat to the giant company which used to enjoy a business monopoly. Consequently, the company has lost most of its traditional customers both locally and internationally.

The general economic meltdown in Zimbabwe since the mid 2000 also affected HCCL's financial status and the company ended up failing to pay its creditors as well as employees' salaries and wages. Many organizations lost trust in the company and they started to demand for cash transactions which worsened the situation of the company and production levels consequently started to decline drastically. The company was then forced to stagger employees' salaries and wages, and as time went on, it failed to pay completely. The change of trade partners by government from western countries to the eastern countries through the look east policy also contributed to the HCCL losing most of the valuable customers from the western block. Many companies and industries in Zimbabwe also closed down due to the economic downturn and this contributed to HCCL losing even more local customers, such as Zisco-Steel, which used to buy a large consignment of coal for its coke production (Chronicle Newspaper, April, 16, 2014)

However, in spite of long periods of non-payment stretching to over a year, HCCL employees have continued going about their normal day to day work business perhaps because of fear of victimization and uncertainties of the future. Other employees may have feared that the economic situation may normalize in the near future and if they leave the company, it will be difficult for them to be re-engaged back. The morale in the company has generally been weakened and many seem to be affected psychologically, which is evidenced by absenteeism and a constellation of family related challenges. It is against this background that the current study sought to create an awareness to concerned stakeholders of the effects of the non-payment of salaries and wages to employees and their survival strategies thereof.

### *1.1. Statement of the Problem*

HCCL employees have gone for a long time without getting their salaries and wages, which obviously has had several consequences on their lives and that of their families. However, the unpaid employees are still surviving and going to work as usual. The problem at stake is how the employees are enduring under the difficult circumstances and what could be the associated effects?

### *1.2. Purpose of the Study*

The purpose of the study was to interrogate the effects of non-payment of HCCL employees and how the employees are surviving under the difficult circumstances. The study also sought to explore the intervention strategies used by HCCL to sustain its employees' livelihoods in order to come up with a more holistic solution to the problem of non-payment of salaries and wages.

### *1.3. Research Questions*

1. What are the effects of non-payment of salaries and wages on the existence of HCCL employees and their families?
2. What strategies do HCCL employees use to curb the effects of non-payment of salaries and wages?
3. How can the concerned stakeholders alleviate the predicament of HCCL employees who have gone for a long period without receiving their salaries and wages?

### *1.4. Significance of the Study*

The study will be an eye opener to concerned HCCL stakeholders to take appropriate intervention as light will be shed on the effects of non-payment of employees and their survival strategies. Employees of HCCL and other employees in the same quandary in other organisations in Zimbabwe will also benefit from the findings as it will impart them with knowledge and skills of surviving in such intricate circumstances. The nation will also benefit from the study since the non-payment of employees' salaries and wages is not a problem peculiar to HCCL alone, but has since affected many organisations in Zimbabwe since the emergence of the economic crunch as reported in the national media including newspapers and the television. (Zimbabwe News Day, December 19, 2013).

## **2. Review of related literature**

### *2.1. Non-Payment of Employees*

An employee is a person who is hired for a wage salary, fee or payment to perform work for an employer. It refers to persons working for another person or a business firm for pay (Hill, 2005). The pay may be in the form of a wage or salary. Non-payment is the act or state of not paying, defaulting, dogging, evasion or failure to pay. In these difficult economic times, many employers are finding it difficult to make ends meet, and sometimes they cut the pay of employees or fail to pay at all. Employees and contract workers have the right to expect to get paid and it's difficult to know what to do when payment is not made. In most cases where companies do not pay, it is because they do not have the money or they are simply reluctant to respect the law (Murray, 2010). Non-payment of employees by some organisations may be a result of a temporary cash flow shortage or a more permanent situation such as bankruptcy. In some cases, employees and contractors are not paid because there are other more pressing monetary needs.

Unfortunately, when organisations do not have money to remunerate, employees suffer, as they often the first to be unpaid, rather than the last. One of the primary obligations of employers is to pay employees, and the standard is that employers must pay a fair wage (minimum wage, in most cases), must pay for overtime, and must pay immediately after work has been done for over an agreed period, usually, monthly (Murray, 2010).

### *2.2. Effects of Non-Payment on Employees*

According to Zimbabwe Daily News of 10<sup>th</sup> of November, 2013, scenes of unpaid workers in agitated mood showing up in person to hold employers hostage have not yet become much of a common feature at cash-strapped firms in Zimbabwe. Simmering discontent,

however, might prompt hordes of rankled employees to snap hard on their employers' heels demanding salary and wage arrears as happened in post-independence war America when employees reached the end of the tether over unpaid monthly remuneration and overtime pay. The non-payment of employees, therefore, steers hostility between organizations and its employees ([www.citizensinformation.ie/Home/employment](http://www.citizensinformation.ie/Home/employment)). Furthermore, workers who went for months without pay, instead of picketing job lines demanding wage increases as has been the custom in the past, would turn to staging work boycotts to pressure employers to pay them outstanding salaries and wages (Zimbabwe Daily News, 10 November, 2013).

Desperate to keep firms running, some employers have resorted to reducing the workforce hoping that re-configuring staff complements could allow them leeway to pull through hard economic times. A report by a probe team deployed by the Zimbabwe Local Government, Public Works and National Housing Minister revealed that Chitungwiza municipal workers who had gone for 11 months without salaries were engaging in massive corrupt activities to survive (Chronicle Newspaper, 12 April 2014). This clearly shows that the workers are practising corruption, which may eventually lead to dismissal from work. Company executives have learnt to duck and dive in the face of workers' unstinting demands, resulting in some employees being retrenched, consequently contributing to breach of the psychological contract (Murray, 2010).

Thus, one of the areas considered by this study is the effect of non-payment of employees on organisational contract. Organ (1998:4) defines organizational contract as:

Behaviour that is discretionary, not directly or explicitly recognized by the formal organisational reward system and that in aggregate, promotes the effective functioning of the organization.....the behavior is not an enforceable requirement of the role or the job description.....the behavior is a matter of personal choice.

Researchers have argued that exchange based frameworks are especially relevant to understanding discretionary behavior at work as situational constraints may limit an individual's ability to lower their in-role performance in response to employer treatment. It is important to note that the non-payment of employees' salaries and wages, as the case with HCCL, is part of breach of contract (Arnold, 1996).

### *2.3. Survival Strategies Used by Employees in Non-Payment of Salaries*

Survival strategies according to Institute of Strategic and Business Management (2014) refers to a logical and or rational pattern that is implanted and implemented to continuously overcome life's challenges so as to gain sustainability in one's chosen environment and in turn, gain financial peace. Some workers, frustrated by non-payment of salaries and wages, may end up resorting to pilfering from the company in an effort to make the ends meet. A study by Sandino (2005) cited in Mcgeoch (2008) suggests that an increase in wages will decrease theft, but won't fully pay off. The same study also observed that organisations offering salaries and wages consistently and higher than the local competition experienced both increased productivity and lower turnover. This clearly shows how salaries and wages affect employee behaviour and social norms in the workplace.

The issue of not getting salary payment has resulted in employees resorting to resigning and claim constructive dismissal. There is, though, an express or implied term in every contract of employment that one's employer will pay his/her salary and a persistent failure to comply with this obligation would indeed entitle one to resign and claim constructive dismissal and a breach of contract. Non-payment of dues, as noted by Mcgeoch (2008), "automatically entitles the employee concerned to bring a claim against his or her employer. It also exposes the company to penalties under the Wages Protection System Law," which may also cause damage to the reputation of the company. "If an employee isn't paid for up to two months, he can complain to the Ministry of Labour and also request that his current employment work permit is cancelled without the registration of an employment ban," (Landau 2012). In short, if one is not paid by a company, either as an employee or contractor, there is little one can do to get paid quickly, or at all. Filing a claim form as described can help, but it still doesn't speed up the process.

The issue of non-payment of salaries has multiplier effects to nation at large in one way or the other, and the employees have devised several survival strategies which cushion them during these hard times and keep them active up to such a time when the economy stabilises. The strategies include cash advance, time off for self help projects, medical benefits, food hampers and use of canteen facilities at work. Zimbabwe Daily News dated 19<sup>th</sup> December, 2013, points out that out of desperation; unpaid workers have resorted to trudging a beaten path to media houses, hoping to get their plight publicized, hoping to shame their employers into taking action.

## **3. Research Methodology**

### *3.1. Research Design*

The study used a descriptive survey design. Borg (1989) says that the descriptive approach is used to quantify attitudes, opinions, behaviors, and defined variables and generalize results from a larger population. The target population for this study was all the employees of HCCL totaling 2081 (HCCL Human Resources records of 2014). A sample of 20 employees was extracted using the convenience sampling technique. Thus the research cut across all the departments of HCCL. The term universe is used interchangeably with population. In line with the definition used by Neumen (1997) in which the population studied is defined by the elements to be sampled, which in this study are the employees of Hwange Colliery Company. The geographical boundary in this study was Hwange urban in 2014. A sample of 20 participants was used to take part in the study. The sample was carefully chosen such that throughout the study, the researchers were able to see typical characteristics of the unpaid employees' at HCCL. The systematic sampling technique was preferred and the reasons for this were the advantages that it offered a good sampling frame as the population is not dispersed and it was not to be too costly to reach out to sampled elements. The first step was to number each element

in the sampling frame and a sampling interval was calculated to get a sample of 20, the researcher selected every 100<sup>th</sup> person from 2081 of the population. The sampling ratio 2081/100 therefore gave 20 elements.

The questionnaire was used as the primary research instrument of collecting data in the current study. It comprised of closed ended questions, rating scale questions, and multiple choice questions so as to facilitate an easier collection of quantifiable data. These questionnaires were completed both in the absence of the researcher and filled in when the researcher was present. A self administered questionnaire in the presence of the researcher was found advantageous in that it enabled queries or uncertainties to be addressed immediately with the questionnaire design (Chikoko and Mhloyi, 1995; Babbie, 1997). Its other advantage is that it ensured a hundred percent response rate and that all the questions are completed and filled in correctly. The researchers classified data according to responses from different respondents in the questionnaires. The researchers then carried out an inferential analysis of the data and arrived at generalized judgments about the whole research.

#### 4. Results

HCCL employees were asked how they were affected by non-payment of salaries as well as their survival strategies.

##### 4.1. Effects of Non-Payment of Salaries on Employees

###### 4.1.1. Emotional Effects

The employees were asked about their self esteem, confidence, dignity and respect and how they were affected by non-payment of salaries and wages:

Psychological effects	Number of respondents	%
Self esteem	4	20
Confidence	5	25
Dignity	6	30
Respect	5	25
Total	20	100

Table 1: emotional effects

The findings indicated that most employees have been affected emotionally by non-payment of salaries and wages. This affected their self esteem (4) 20%, confidence (5) 25%, dignity (6) 30% and respect (5) 25%. Respondents believed they had lost self esteem, confidence, dignity and respect due to non-payment of salaries and wages at work. This could be because salaried employees' self worth is often ascribed to financial benefits.

###### 4.1.2. Access to Medication

The respondents using a range from strongly agree to strongly disagree were asked if they were able to access medication.

Medication accessibility	Number of respondents	%
Agree	14	70
Not Sure	2	10
Disagree	4	20
Total	20	100

Table 2: Access to medication

HCCL employees according to results were not able to access medication, as (14) 70% of them indicated that they were not able to access medication. A total of 4 (20%) said they accessed medication while 2 (10%) were unsure. Due to non-payment of salaries and wages, there is very little if not nothing being remitted to the company's hospital by employees, resulting in the shortage of medicine in the hospital. Also, due to non-payment of salaries, the employees could not afford to buy prescribed medicines from the pharmacies.

###### 4.1.3. Negative Corporate Teamwork Due to Non-Payment of Employees

The respondents were asked to what extent they agree that there is negative corporate teamwork if there are salary payment challenges and they responded as evidenced by the responses below.

Negative corporate teamwork	Number of respondents	%
Yes	16	80
No	4	20
Total	20	100

Table 3: Negative corporate teamwork

Findings indicate that there is negative corporate teamwork due to non-payment of employees. A total of (16) 80% agreed that teamwork is negatively affected by non-payment of employees' salaries and wages while only 4 (20%) disagreed. The difference in staff perceptions could be a result of their different values and beliefs.

#### 4.1.4. Loss of Employee Control by Management

The respondents were asked to state whether management had lost control over non-paid employees and they responded as tabulated below.

Loss of employee control by HCCL Management	Number of respondents	%
Yes	15	75
No	5	25
Total	20	100

Table 4: Loss of employee control by management

Findings indicate that HCCL management has lost control of employees where, (15)75% believe that as well as the fact that psychological contract has been undermined. This could mean salary related matters matter most in enhancing worker satisfaction. Psychological contract relates closely to employment contract and literature notes that it is the employer who is in the wrong for having breached the terms of the employment contract.

#### 4.1.5. Family Separation

Family Separation	Number of respondents	%
Family separated	12	60
Family not separated	8	40
Total	20	100

Table 5: Family Separation

Table 6 above shows family separation where (12) 60% agreed that non-payment of salaries and wages has separated families, while (8) 40% did not buy the trend. This could mean that salary is a driving force to family togetherness and where it is not available; families disintegrate as family security is threatened.

#### 4.1.6. Family Conflict

The employees were asked to indicate whether non-payment of salaries has led to family conflicts. Their responses were recorded as tabulated below.

Family conflict	Number of respondents	%
Agree	11	55
Not Sure	2	10
Disagree	3	35
Total	20	100

Table 6: Family conflict

The findings indicate that non-payment of salaries led to family conflicts where (11) 55% of the respondents agreed while (7) 35 % did not. This could mean that non-payment is a major driving force behind family conflicts.

#### 4.2 Survival Strategies used by HCCL Employees

The respondents were asked to identify and evaluate the survival strategies which they used as a result of non-payment of salaries.

##### 4.2.1. Provision of Food Hampers

The employees were asked to evaluate the adequacy of food hampers which they were being given by the company.

Food hampers provision	Number of respondents	%
Adequate	4	20
Inadequate	16	80
Total	20	100

Table 7: Food hampers provision

The food hampers provision as a survival strategy is not working well as evidenced by the (16) 80% of the respondents who say it's not adequate. The reason being that the quantities issued are too little compared to individual family needs and also the contents do not cover all the needed basic food items. Only (4) 20% said they were adequate.

#### 4.2.2. Time for Self Help Projects

Respondents were asked to indicate whether they have time for self help projects to source money to augment non-payment of salaries and the responses are as tabulated below.

Time off for Self help projects	Number of respondents	%
Yes	2	10
No	18	90
Total	20	100

Table 8: Time off for self help projects

The findings indicated that the bulk of HCCL employees did not have time off for self help projects where (18) 90% of the respondents said it was inadequate. This could mean that seeking extra time while one is a full time employee for self help projects is not a viable option for employees in a quest to survive. Only (2) 10% indicated they got such time.

#### 4.2.3. Cash Advance System

Respondents were asked whether the cash advance system was being abused and the responses were as tabulated below.

Cash advance system abuse	Number of respondents	%
Agree	2	10
Not sure	5	25
Strongly disagree	13	65
Total	20	100

Table 9: Cash advance system

Findings indicated that there is no cash advance system abuse where as many participants as (13) 65% disagreed. This could mean unpaid employees believe cash advance is their right as they are getting monies in advance from their salaries lawfully and in line with corporate policy. Therefore, where employees are unpaid, cash advance is a viable and ethical strategy to access cash from the company or the longer the company does not pay; the more employees opt for cash advance from the company in order to survive. However, a total of 5 (25%) were unsure while only (2) 10% agreed.

#### 4.2.4. Use of Canteen Facilities by HCCL Employees at Work

The employees were asked if they were using canteen facilities at work so as to remain active at work and they responded as elaborated by the below responses.

Use of Canteen services at work	Number of respondents	%
Yes	14	70
No	6	30
Total	20	100

Table 11: Use of Canteen facilities

The findings indicated that (14)70% employees were using canteen services at work while (6) 30% said they did not use canteen services at work. This could mean that, if the company does not pay salaries regularly, the more employees would opt for using canteen services at work so as to remain active at work.

### 5. Conclusion and Recommendations

Based on the findings, the study concluded that non-payment of employees at HCCL has led to many problems, including; psychological effects, family separation, family conflicts, organizational wellness compromised, negative corporate teamwork, and diminishing family health status. Due to non-payment of salaries and wages to employees, some children have also resorted to disrespecting their parents because of lack of financial support.

The study also concluded that the strategies used by non-paid employees at HCCL included cash advance, medical benefits, food hampers and use of canteen facilities at work. However, findings revealed that these strategies could not substitute salary as they still could not sustain the bottom-line livelihoods of most families.

Based on the above findings and conclusions, the study recommended that:

1. There is need for a holistic approach in addressing the chief causes of failure to pay salaries and wages by organisations as a way of minimizing the effects of non-payment of salaries.
2. There is need to tackle the key factors causing non-payment of salaries and wages together with their associated effects on employees and their families.
3. In order to share experiences, the study could in future include all companies in the country that are not paying salaries and wages to their employees so as to interrogate the effects of the non-payment, survival and intervention strategies.

4. In the event that the non-payment of salaries and wages persists in HCCL, and other companies in the same predicament, there may be need to introduce the voucher system with a value that covers basic needs which will allow employees and their families to access food items from major retails shops like OK, TM, Choppies and so on.

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