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Mutual monitoring and HIV/AIDS: A case study of a labour-intensive SME

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Introduction

More HIV positive people reside in South Africa than in any other country. If not carefully controlled, the epidemic could impede the country's progress including the evolution of small and medium enterprises (SMEs) which are integral to the success and growth of the economy (Fraser, *et al,* 2002). While some progress has been made in understanding the impact of HIV/AIDS on SMEs, there is still a lot to be learned – especially about how SMEs are responding. This paper makes a contribution to this emerging research issue through a case study of how a single labour-intensive SME in the fast food industry in Cape Town has confronted HIV/AIDS in its workforce.

This study provides insights and information into the nature of the epidemic experienced at the SME level, and illustrates that socially desirable and economically feasible interventions are possible in South Africa – and at relatively little cost to SMEs. The paper draws on detailed observations of how the labour-intensive firm in question responded to the endemic through a customised voluntary counselling and testing (VCT) intervention and then assisting sick staff to go on antiretroviral (ARV) treatment.

The existing literature suggests that HIV/AIDS testing and treatment programs, especially for low skilled workers, are uneconomical for SMEs (Rosen, *et al*, 2004). This paper argues, by contrast, that there were good economic reasons for the owner of this firm to have confronted the economic threat posed by AIDS by initiating the VCT intervention whilst reassuring his workers that the testing was confidential and that no one would be fired if they became sick with AIDS. In the current context where ARV treatment can be attained free of charge through the South African public sector, there is no reason why HIV/AIDS should impose significant costs to SMEs if managed well.

This is illustrated in the following quote by the owner in an interview shortly after the results of the VCT intervention (which revealed that about a third of the core business workers as HIV-positive) had been released:

> "The interesting thing about our business before this study was that we didn't think we had a problem with HIV/AIDS. We didn't have absenteeism caused by it, we didn't have anyone come to us and mention it, and we didn't have anyone dying. That was until last year when we had an unexplained death. After that, we found out that another staff member was sick and eventually it turned out that she was positive. What I realised then was that we hadn't been proactive about the problem, yet there didn't seem to be a need for it either. I wish that we could have changed that now. The public sector is giving out general treatment and while we paid for the initial drugs it hasn't been difficult to transfer our sick staff to the public sector. Nobody is going die and there is no reason why they should. I wish we had done this five years ago"[1].

Following this I asked him what he would do if the government wasn't paying for treatment? Jokingly he replied, "Well then we would just be complicit with the current culture of denialism!"[2] This suggests that the public sector provision of ARVs is an important factor in shielding the SME sector from the impact of HIV/AIDS. However, in order for this to enhance productivity, it is essential that workers actually access the ARV program, and the first step down this road is to ensure that they know their HIV status, and that they will be supported – rather than discriminated against – by their employer when they need help. This paper demonstrates that the VCT intervention at this particular firm was able to educate and reassure the workforce about HIV and boost trust and morale – thereby ensuring that HIV would not undermine efficiency or productivity.

This argument is developed by analysing firm-level qualitative information through the theoretical lens provided by Bowles' and Gintis' (1993) depiction of firm management being involved in a process of 'contested exchange' with workers. Bowles and Gintis (1993) distinguish between a 'capitalist' model of the firm, where managers struggle to extract labour

[1] Interview with owner, 17/06/06.
[2] Interview with owner, 17/06/06.

effort from workers, and a 'democratic' model in which workers, by virtue of shared ownership are 'residual claimants' and thus more likely to be productive and to engage in mutual monitoring to prevent other workers from shirking. While this perspective sheds important insights into potential social determinants of labour productivity, neither approximates the way this particular firm operates. For this reason, the paper develops a third, high-wage 'paternalistic' model whereby the workers are not residual claimants but nevertheless engage in forms of mutual monitoring and assistance which is beneficial for productivity enhancement. Note that while Bowles and Gintis (1993) have received much criticism for their models, (e.g. McCloskey (1990), Roemer (1990), Thompson (1990)), these criticisms do not apply to the labour agency problems highlighted in this study.

As noted earlier, there is currently only a sparse literature on the broad-ranging effects of HIV/AIDS on SMEs. There are a few studies of the direct costs of HIV/AIDS in Africa and in particular, South Africa (e.g. Avetin and Huard (2000), Booysen and Molelekoa (2001), Connelly and Rosen (2005), Ellis and Terwin (2003), Fraser, *et al* (2002), Morris and Cheevers (2000), Morris, *et al* (2000) Rosen and Simon, (2003) and Rosen, *et al* (2001)). This study differs from such studies in that it focusses on the typically neglected "un-measurable" yet important costs associated with firm level productivity such as "morale", "team spirit" or "increased worker effort as a result of belonging". Especially within the SME environment, these so-called "indirect" costs tend to be difficult if not impossible to monitor in the conventional sense (Rosen, *et al*, 2004). They thus tend to be ignored in economic costing studies. For this reason the approach adopted in this study was to determine, through interviews and participant observation, how the firm was being affected, and how management was responding to the problem.

Whilst qualitative firm-level studies in economics are unusual, they are not without precedent – see Nattrass (1992) and Burawoy (1979). The qualitative aspect of this study was two-fold. The first aspect involved a series of interviews with employees at all levels of the firm. The second aspect involved "participant observation" in which I spent three working days working alongside the workers in an attempt to understand the day to day tasks of the business, to observe the "face to face" (McCloskey, 1990) functioning of the firm and to understand better the nature of the labour process itself. It was as a result of knowledge gained through this experience, that the Bowles and Gintis (1993) model was extended to

include a third 'paternalist' model in which productivity-enhancing mutual monitoring and support is obtained without making workers into residual claimants – but instead by building on existing relations of trust and support.

How and Why the Firm Tested its Employees for HIV

The firm used in this study is a labour intensive operation which produces fast food in the service industry. It employs approximately 220 individuals of which approximately 30% (the 'kitchen ladies') are employed on a full time basis. More than 90 percent of the full time employees in the firm are Xhosa women over the age of 30 who are closely connected either by kinship networks, close friendships or come from the same geographical location.

The firm's full-time staff produces output from kitchens located in the main suburbs of Cape Town. The food is then delivered to clients by the firm's part time employees. Most of the full-time employees have worked with the firm for longer than ten years. Remarkably, many of these employees have been with the firm since it started over fifteen years ago. This phenomenon is not widespread in the rest of the market. According to a competitor operating in the same segment of the fast food market, "In our firm, labour turnover changes faster than the oil price"[3]. Other competitors agreed that because labour in fast food production is easily replaceable, such long-term commitment was unusual. One exclaimed in surprise "Ten years! Bull Shit! Five years is a 'hell' of a long time to have someone working with you!"[4]

One of the reasons for this was that the owner of the firm had opted for an 'efficiency wage' model by paying his workers higher than the prevailing market wages. Full-time employees are paid approximately R2,200 a month and are linked to an old-age pension fund. By contrast, similarly placed workers in the firm's three main competitor firms earn between R800 and R1,400 – and without pension benefits.

[3] Interview with one of the firm's competitors, 08/07/06.
[4] Interview with one of the firm's competitors, 09/07/06.

The structure of the firm also differs to the structure of its competitors. Specifically the firm is not franchised which is unique in the industry. Instead, the owner of the business 'paternally' controls the whole operation. He argues that it gives the firm a comparative advantage in achieving a sense of "teamwork", "family" and "belonging" which its competitors do not. These difficult-to-measure aspects of productivity are crucial: The owner recognised this explicitly when discussing the economic impact of AIDS on his firm:

> "Obviously if you do a costing exercise on my business it will turn out that a certain percentage of the firm will be positive and then I could probably get away with replacing the sick ones with healthy ones. But my business doesn't work like that. All of my staff have been with me for longer than ten years and I would never replace any one of them! How do you measure the value of that?"[5]

In December 2005, the firm became aware of its first HIV positive employee. The owner responded by funding and treating this employee anonymously in the private sector. Following this the firm's management decided to investigate how high their prevalence rates really were. In February 2006, the owner, management and firm's head kitchen ladies agreed that a VCT intervention was the best strategy for the firm to begin addressing the challenge of HIV/AIDS amongst its full-time employees.[6] There are several private institutions that have capitalised on the demand for this type of service and charge tremendous premiums for on site VCT. However, by utilising the services of non-governmental organisations (NGOs), a firm can acquire an identical service by making a small donation to the NGO. Having completed this market research, a decision was made by management to engage the services of Xhosa speaking counsellors from an NGO called Yabonga.[7]

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[5] Interview with owner, 01/05/06.

[6] An executive decision was made to offer the service to employees located in the business core (labour in the firm solely linked to production). Management decided that if the venture was successful then the VCT service would be extended to the rest of the firm's employees.

[7] Any governmental or non-governmental organisation that wishes to perform HIV tests on anybody needs to follow certain criteria and pass certain ethical committees as prescribed by the Department of Health. The NGO chosen by the firm in this study had all the necessary endorsements.

The Yabonga counsellors required the firm's management (also attended by the head kitchen ladies) to go through a counselling process to establish that the rights of employees (to confidentiality and employment) would not be violated and that the workers themselves were happy with the initiative. This matter was resolved half way through this meeting when one of the head kitchen ladies exclaimed: "We think testing is very important and we trust our employers, please can you come and test our ladies. Also bring us Chicken, Chips and Coke and everyone will do it!"[8] This demonstrated the good relations of trust between workers and management and a date was set for VCT (including the requisite lunch).

One working day was set up for a thorough counselling session on HIV/AIDS for all participating workers followed by three working days for on-site HIV testing and post-test counselling. Three working days were set up for on-site HIV testing and post-test counselling. The firm's staff were invited to make appointments to be tested over one of these working days. The NGO provided the results in an entirely anonymous manner to the firm and referred any HIV positive staff to the most convenient public sector institution for regular support and treatment if needed. Forty members of the firm were counselled and 34 agreed to be tested for HIV. Twenty seven were Xhosa women, eight of whom tested HIV positive. The remaining seven were managers, none of whom tested positive. Overall, 33% of those who tested turned out to be HIV positive. This news was a shock for the owner – especially given that all who tested were integrally involved in the firm's core production and he resolved to repeat the VCT intervention annually.

[8] Meeting with firm and Yabonga, 06/05/06.

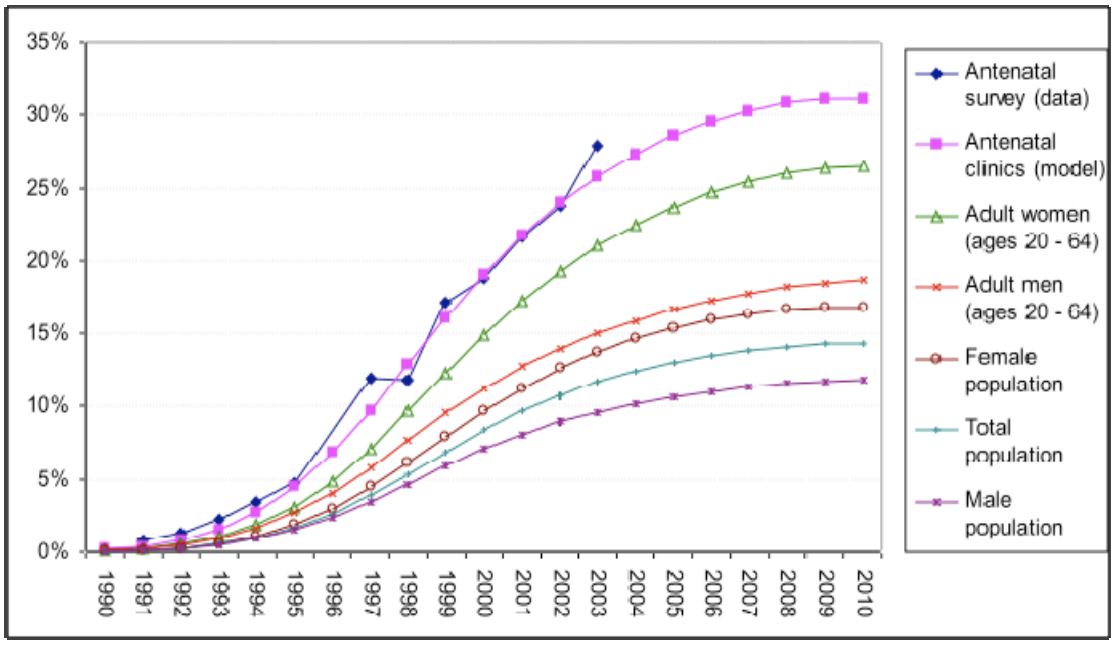

Figure 1: ASSA 2003 Provincial Model. HIV Prevalence amongst Africans in the Western Cape.
Available on www.assa.org.za

The ASSA 2003 provincial model (ASSA, 2006) provides a useful context against which to evaluate this firm's prevalence rate. As shown in Figure 1, the ASSA model predicts that for the cohort of child-bearing African women in the Western Cape, between the ages of 20-64 who are likely to become pregnant and present at antenatal clinics in 2006, 29.6% of them are likely to be HIV positive. The rates are correspondingly lower for the Western Cape African female population in general. These data suggest that the firm should have expected that between 25-30% of the kitchen staff would be HIV-positive. Thus while the recorded prevalence rates of the firm are on the upper end of this range, these results are not entirely out of line with what is understood about the AIDS epidemic amongst African women living in the Western Cape.

Towards a Theory of the Paternalist Firm

This story poses an interesting challenge for the standard economic model of the profit maximising firm. Conventional economic theory suggests that for a profit maximising enterprise, increased non-wage labour costs (such as those imposed by AIDS) would lead owners in a competitive environment to shed labour and hire new replacements whose non-wage labour costs were lower. Conventional economic theory also suggests that those workers, whose productivity falls (either through shirking or ill-health) relative to their wage, are likely to have their contracts terminated. With HIV/AIDS, firms are likely to experience both significant increases in the cost of labour and decreases in productivity (Rosen, *et al*, 2004). Labour shedding is thus to be expected. However, this model assumes that managers are easily able to monitor performance and that firing sick workers, rather than building morale and loyalty by looking after sick workers, is the most efficient economic response. As the actions of management in this firm are not easily understood within this perspective, an alternative theoretical framework – that of Bowles and Gintis (1993) – was explored.

According to Bowles and Gintis (1993), capitalist firms have to expend resources on monitoring in order to achieve the necessary labour effort commensurate with the payment of a wage (Bowles and Gintis, 1993: 14). Faced with a non-contractible input, i.e. labour effort, the capitalist designs a monitoring system and wage offer to maximise profits, taking the worker's 'best response function' (in terms of effort) as given. Competitive capital and labour markets are assumed in the model.

In this situation, the exchange is 'contested' and employers have to rely on the contingent renewal of contracts as endogenous enforcement mechanisms (Bowles and Gintis, 1993: 14-16). Bowles and Gintis (1993) argue that an employment relationship is established when, in return for a wage, the worker agrees to submit to the authority of the employer. However, it is difficult for management to enforce this bargain because labour effort is difficult to measure and costly to monitor and enforce.

To illustrate the problem schematically, let e represent the level of work effort provided by an employee B, who is a member of a team of identical employees. B's employer A, uses production $q = q(e)$, where q is output per worker hour (Bowles and Gintis, 1993:16). Effort is costly for B to provide

above some minimal level e*. A knows that B will choose e in response to both the cost of supplying effort and the penalty that employer A will impose if dissatisfied with B's performance (Bowles and Gintis, 1993:16). The penalty for shirking imposed by employer A is the non-renewal of the employment relationship (i.e. dismissal). The value of employment for B, v(w), is defined as the discounted present value of the worker's future utility, taking into account the probability that B will be dismissed (Bowles and Gintis, 1993:17). B's fallback position z is defined as the present value of future utility for a person who is currently unemployed (possibly including the present value of a future stream of unemployment benefits) and is exogenous in the model. A's threat of dismissal is only effective if $v(w) > z$. Furthermore $v(w)-z$, the difference between the value of employment and the fallback position (measured in common units, e.g. Rands), is called the employment rent or cost of job loss.

In the model of the capitalist firm, w* is the wage that equates v(w) and z (Bowles and Gintis, 1993:17). This wage rate implies a zero employment rent, and thus induces the worker's freely chosen effort level e*. The reservation wage, w*, corresponds to the fallback position z (Bowles and Gintis, 1993:17). The model assumes that A uses monitoring technologies to identify inadequate performance. Thus B's performance will be found inadequate with a probability p that depends inversely on B's level of effort and positively on the amount m of resources per hour of labour employed devoted to monitoring: $p = p(e, m)$, where $p_e < 0$ and $p_m > 0$ for e less than the effort level desired by the employer (Bowles and Gintis, 1993:17). If the workers level is found to be inadequate then B is dismissed. It is this link between effort and job retention which induces B to produce $e > e^*$. To bring about greater effort than e*, A must offer a wage that is higher than the reservation wage w*, balancing the cost of the larger wage against the profits associated with B's greater effort induced by the higher employment rent. Therefore B's best response function (also called a labour extraction function) is defined by the equation $e = e(w, m)$ (Bowles and Gintis, 1993:17).

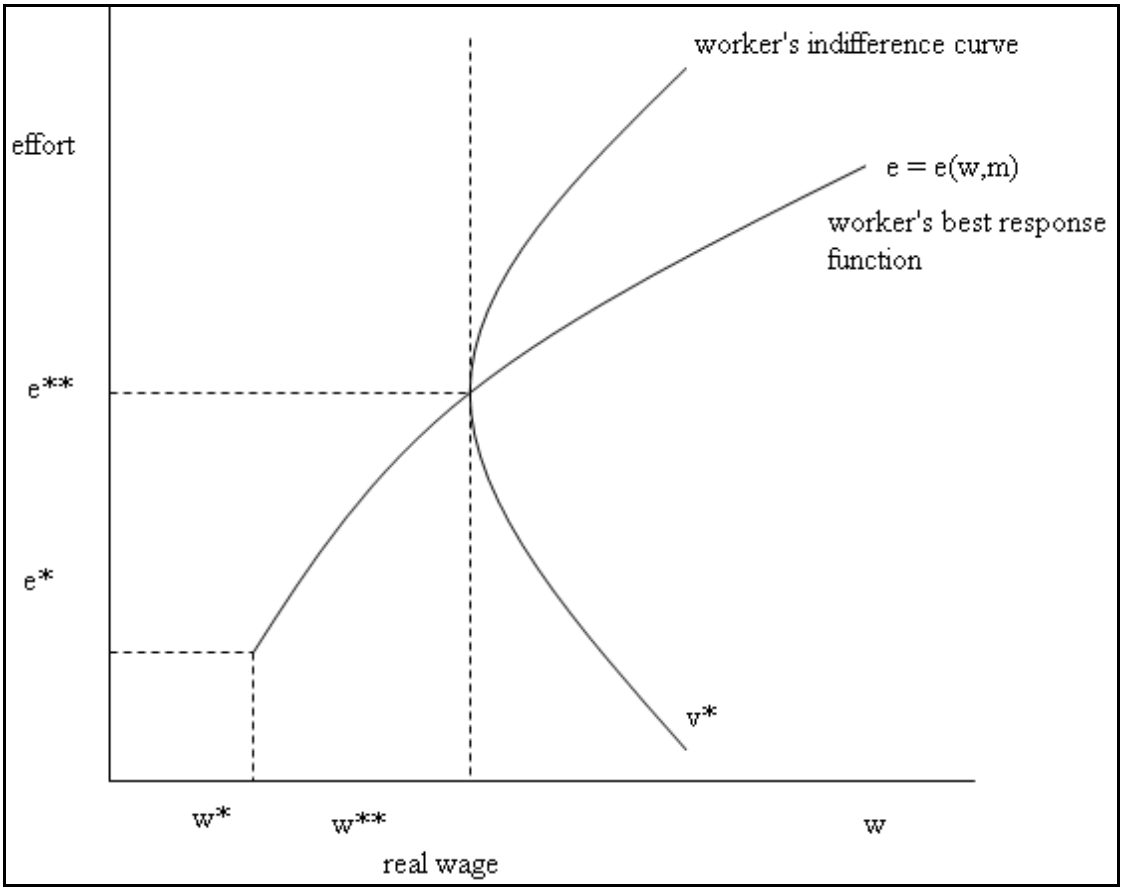

Figure 2: The worker's choice of optimal effort (Bowles and Gintis, 1993: 18).

In Figure 2, the labour extraction function represents wage effort combinations yielding the same present value of employment for each wage and level of monitoring (Bowles and Gintis, 1993:17). The iso-value function in Figure 2 represents wage/effort combinations yielding the same present value of employment, taking account of the implied level of employment rent and the relationship between the level of effort and the probability of job loss (Bowles and Gintis, 1993:17). The equilibrium wage is determined, granted that A knows B's best response function e(w,m). Once A selects the wage, the level of effort that will be performed is known with certainty. The profit maximising employer thus chooses the wage w to maximise e/(w+m) which is the work done per unit of labour cost where labour cost equals the wage plus hourly monitoring expenses, subject to B's best response function, e=e(w,m) (Bowles and Gintis, 1993:17). Therefore A will set w such that $e_{w} = e/(w+m)$, or such that the marginal effect of a wage increase on effort equals the average effort provided per unit of labour cost

(Bowles and Gintis, 1993:17). This solution equals the equilibrium effort level and wage level (w**, e**) shown in Figures 2 and 3 (Bowles and Gintis, 1993:17).

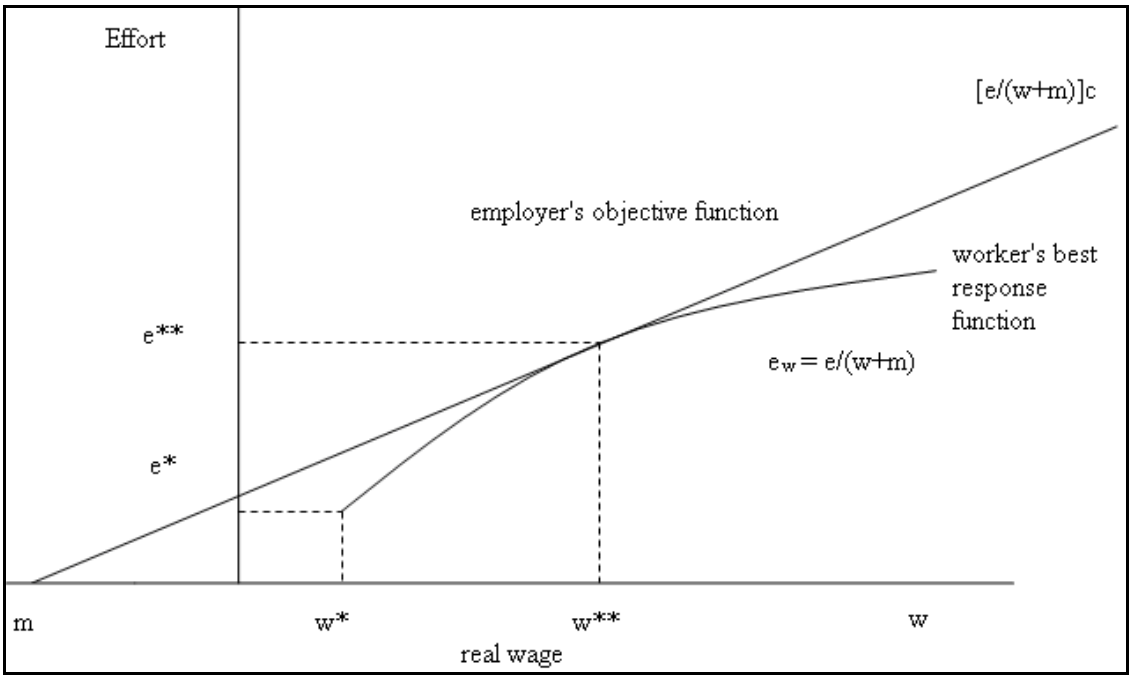

Figure 3: Optimal wages and labour intensity (Bowles and Gintis, 1993: 19).

There are two important results from this outcome. First, e** > e*, so B provides a level of effort greater than would have been the case in the absence of the employment rent and the employer's monitoring systems. Secondly, w**>w*, so B receives a wage greater than the reservation wage. According to Bowles and Gintis (1993) the first indicates that A's enforcement strategy is effective and the second indicates that the labour market does not clear in competitive equilibrium (i.e. workers holding jobs are not indifferent to losing them because w**>z), and there are identical workers who are involuntarily unemployed.

Figure 4 shows that the capitalist firm chooses a profit maximising wage given the worker's reaction function with the resulting equilibrium wage and effort level (w**, e** as in Figure 3). The area A comprises a lens of combinations of wage rates and effort levels superior to (w**, e**) from the standpoint of both the capitalist and the worker (Bowles and Gintis, 1993:23). Bowles and Gintis argue that these points are unattainable to the

capitalist firm because even where there are pay-schemes to reward team effort, these tend to fail in the face of free-riding (ibid). Instead, they argue that some of them are attainable by democratic firms as a result of the residual claimancy status of workers. This paper argues that these Pareto superior points are not exclusive to 'democratic' or worker-owned firms but to *any* firms which succeed in getting workers to engage in productivity-enhancing mechanisms of mutual monitoring.

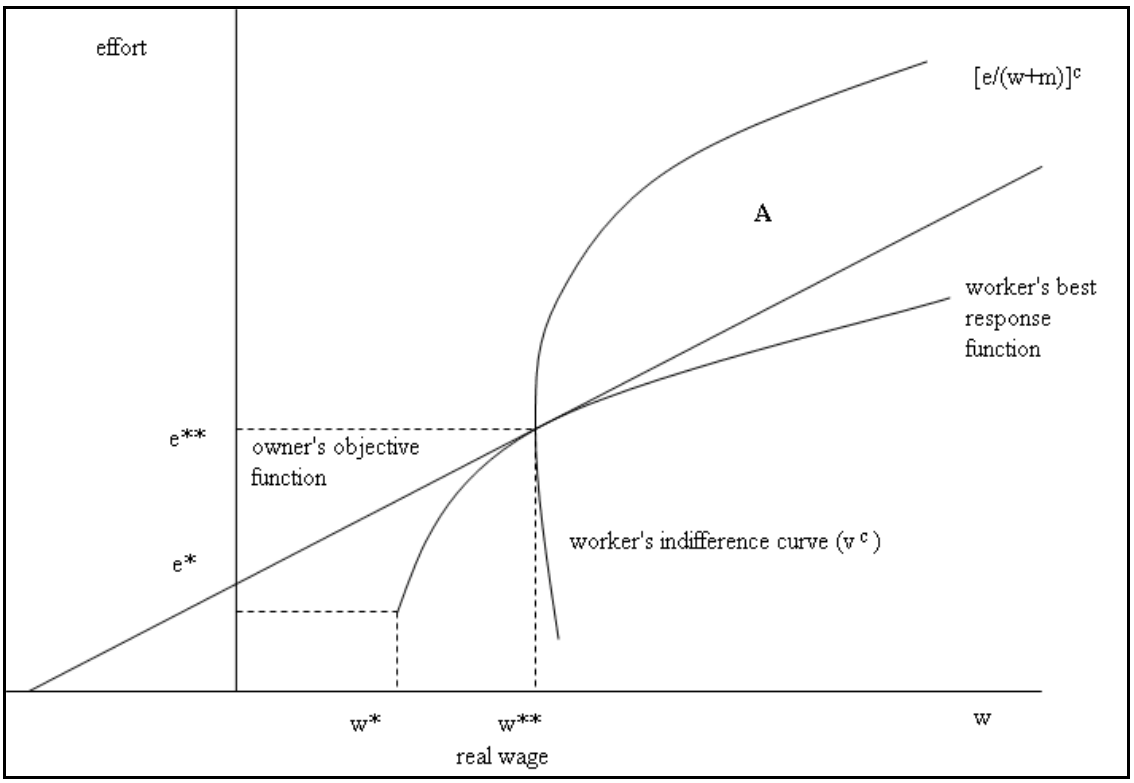

Figure 4: The lens of opportunity for efficiency gains (Bowles and Gintis, 1993:23).

The Democratic Firm and Efficiency

Bowles and Gintis' model of the democratic firm is set up such that both firms operate with identical employees, produce identical technologies, and make use of a dismissal-based system of labour discipline (Bowles and Gintis, 1993:27). In the democratic firm, workers direct managers to select a payment scheme and monitoring system to maximise the value created by workers subject to a budget constraint (Bowles and Gintis, 1993:27). Specifically, they argue that residual claimancy in democratic firms leads to mutual monitoring as well as increased participation effects and efficiency.

There are three reasons why democratic firms are argued to be more efficient than the capitalist firm. Firstly, workers integrated into a democratic firm with both political and property rights, are more likely to treat work as a more rewarding experience, and will therefore offer more effort than in the capitalist firm when facing a given wage and monitoring structure (Bowles and Gintis, 1993:27). This 'participation effect' operates alongside the 'residual claimancy effect' which reduces the incentive incompatibility in the employment relationship by giving the worker an incentive to increase total firm income (*ibid*: 28). Secondly, the residual claimancy status of workers provides the business with monitoring mechanisms unavailable or prohibitively costly to the capitalist firm. By giving workes a strong motive to monitor the productivity of others (the so-called 'mutual monitoring effect', the problem of free-riding can be over-come (*loc cit*). Thirdly, higher earnings boost the wage-incentive effect (as workers in democratic firms stand to lose more than those in capitalist firms if they are fired for shirking) (*ibid*: 29).

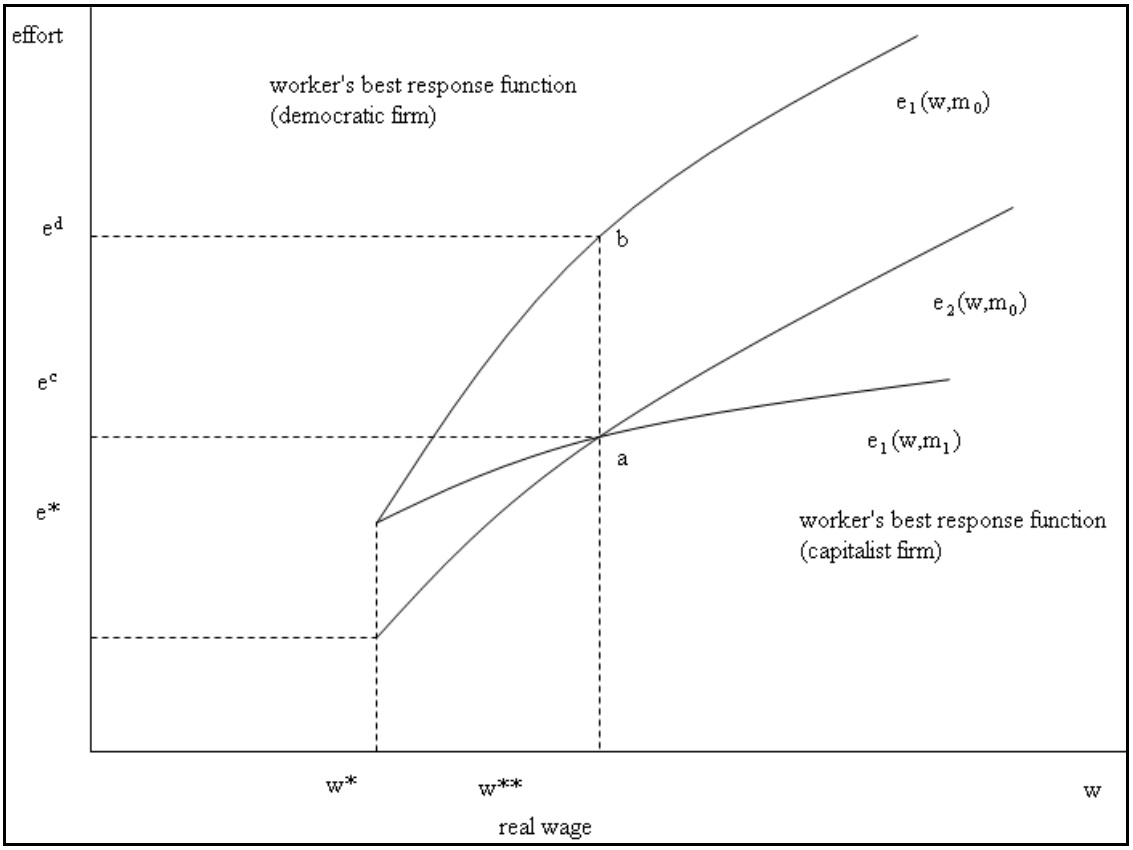

Figure 5: The gains from mutual monitoring (Bowles and Gintis, 1993: 29).

Figure 5 shows how mutual monitoring and participation effects generate technical efficiency as the worker's best response function in the democratic firm lies above the corresponding function in the capitalist firm (Bowles and Gintis, 1993:28). The enhanced utility of work shifts the best response function upward and the increased efficacy of monitoring both shifts the function upward and makes it steeper (Bowles and Gintis, 1993:28). Comparing the capitalist equilibrium at point a, one cannot say that the democratic equilibrium is more efficient as workers are exerting more effort at point b. However, it is possible to lower the monitoring costs in the democratic firm to m_1, thereby lowering e^d sufficiently so that point a (the equilibrium of the capitalist firm) now lies on the democratic best response function. In this case the democratic firm would extract the same amount of effort as the capitalist firm, but using fewer monitoring resources.

In short, Bowles and Gintis (1993) argue that democratic firms have a superior ability to deal with labour/agency problems and allow for the

democratic diffusion of power and democratic efficiency which capitalist firms do not (Bowles and Gintis, 1993:29). Specifically they argue that this is linked to the residual claimancy status of workers which results in higher participation effects and most importantly in mutual monitoring structures. I argue below that mutual monitoring can also exist outside of a democratic firm – specifically in a third 'paternalist' model, and that the social processes involved in mutual monitoring can be helpful in managing and reducing the negative impact of HIV/AIDS on the firm.

A Third 'Paternalist' Model

As shown above, the residual claimancy status of workers provides the democratic firm with monitoring mechanisms unavailable or prohibitively costly to a capitalist firm. However, this is not the only possible route to mutual monitoring. A high (efficiency) wage paternalistic model can also lead to mutual monitoring. Specifically this model is supported by qualitative evidence observed from the labour processes of the firm in this case study. It suggests that mutual monitoring arising from a sense of 'belonging' within the firm has helped provide an efficient way of addressing the threat posed by HIV/AIDS intervention.

The firm in this study can be described as a 'high-wage paternalistic' firm. Ownership of the firm lies in the hands of an individual and income generated from production is asymmetrically distributed, and determined by managerial fiat. Despite this asymmetric power relationship, both the owner and the workers of the firm are genuinely happy with the way the business runs. Turnover and profitability has grown steadily since its inception two decades ago, and labour turnover has been close to zero. In an interview with the owner, when questioned on this point, he responded proudly: "Well what can I say! We've found a formula that works and we've stuck to it. There is no need to change a system where everyone is happy and things are working."[9] The owner is clearly happy with the firm's productivity and, judging from the three days of participant observation, the workers appear to be happy with their work.

One of the reasons for this is that the owner has given the task of employing new people to his employees. Anyone who wishes to work for the firm must

[9] Interview with owner, 13/06/06

pass screening from the workers themselves. This gives workers the opportunity to provide work for their friends and family (thereby giving them an important socio-economic resource in today's high unemployment economy) – but it also gives them responsibility. Knowing that this power depends on the goodwill of the employer, his workers have an incentive to select hard-working new employees and to monitor their performance in the workplace. Thus, despite the fact that the workers are not residual claimants, an efficient system of mutual monitoring is in operation. The formula for workers is simple: employ workers who will be productive and provide an adequate level of effort relative to the wage, and in return, the employer cedes power to the workes to employ family and close friends, which in turn builds on the already existing sense of loyalty towards him that exists in this workplace. In this manner productivity is high, labour turnover low and a system exists where the owner does not need to monitor the work effort of his employees while the workers have some degree of accountability. Hypothetically, this could be illustrated by showing that the best response function of the 'paternalistic' firm lies above the corresponding function of the capitalistic firm with a higher wage.

Although the workers in this firm are not residual claimants, the experience gained from participant observation suggests that there is a positive participation effect in the firm, which is closely linked to mutual monitoring. Having interviewed a large cross section of the core labour division of the business, the overwhelming majority of the employees view their employment in this particular firm as an important asset and would not seek new jobs if given the opportunity. This appears to be a product both of the relatively high wages paid by the employer, and the positive work atmosphere arising out of his peculiar brand of labour relations. I recall a noticeably plump lady with a radiant toothless smile remarking "Ever since I found work here my stomach is full, my children can go to school and I can buy them shoes! I will never change my job."[10] Another employee said: "I enjoy my work so much and have such a good time at work that I want to make sure that nothing goes wrong so that none of this will change!"[11]

A further illustration of the utility that labourers extract from working for this particular firm is that only one employee has left the business in the last fifteen years (and this was not due to retrenchment either). On this matter a

[10] Interview with employee, 15/06/06.
[11] Interview with employee, 15/06/06.

senior employee exclaimed over a deafening jingling of pseudo gold ornaments on her forearms: "In this business we love our owner and he loves us! He has always been very kind to us and gives us anything important when we need it."[12] I investigated this claim by asking the owner's personal assistant what he gives his staff that other employers wouldn't give their employees. The reply was quite amusing: "Shit! Well I don't know if I'm allowed to tell you, but whenever there is a family death with one of our employees, he gives them R10,000 out of his own pocket! He loves his staff! I wished he treats management as well as he does the rest of the business"[13]. What emerged from this face value analysis is that this business has a benevolent paternalistic feel to it. Despite the fact that the workers in the firm are not residual claimants, the fringe benefits available to the employees create an incentive for mutual monitoring at the core of the business.

However, there were also some signs of concern about the limitations of the owner's loyalty to his workforce arising out of the impact of the AIDS epidemic. For example, when the core employees were informed of the VCT, several expressed concerns to the Yabonga counsellors about the possible impact of their HIV status on job security. Bowles and Gintis (1993) argue that such negative participation effects are not necessarily bad from an economic point of view. Specifically, negative participation effects arise out of the high employment rent that workers associated with a job. However, in the case of AIDS, concerns about possible job loss (as a result of becoming HIV positive) may lead to fewer people getting tested and to workers failing to get treated timeously. This, as the existing literature on the impact of AIDS on firms shows, will result in productivity losses. In the case of this particular firm, it could also easily undermine the existing relations of trust between workers and management – thereby eroding the unique productivity-enhancing labour relations that exist within this firm.

A key objective of the participant observation part of the study was to gain a sense of how skilled the workers actually are. Having allocated a working day to spend in the production side of the firm (in the kitchen) it turned out that this was far too long. In fact after four enthusiastic hours of being 'shown the ropes' by the other employees, I was reasonably efficient at replicating most of the core activities. This raises an obvious question: if

[12] Interview with head kitchen lady, 15/06/06.
[13] Interview with owner's personal assistant, 16/06/06.

labour is so easy to replace in the firm why does the owner regard them as being so intrinsically valuable to the firm?

The answer to this question points to the importance of the unique system of mutual monitoring that operates within the firm. It is easily shown why these workers have a particular interest in keeping an eye on the work activities of their peers. Every single employee in this firm is related by direct family, close friendship, and in instances where this is not the case, live in the same geographical location with the other workers. This participation effect thus forms the platform of for the mutual monitoring effect in this 'high wage paternalist' version of the Bowles and Gintis (1993) model. It is in the employees' interests to monitor the behaviour of other employees because if any shirk, all are likely to be held accountable. Additionally given that all are on close terms, there is a high level of trust and cooperation among employees in the firm. I experienced first hand the friendly assistance and support provided to newcomers when learning the basic tasks in the kitchen. This demonstrated to me very concretely the importance for productivity of good, supportive relationships between workers. Workers support each other to keep production operating at high levels, and there is no need for the employer to devote additional resources to monitoring his staff (as is the case with the standard capitalist firm).

As noted earlier, the wages paid to employees are significantly higher than other firms in the same industry. This is both a product of, and reason for, the high levels of trust and co-operation that exist between the owner and employees. Any capitalist firm can, of course, opt to pay an 'efficiency wage' to elicit worker effort and productivity. However, in this firm the form that this efficiency wage effect takes is to strengthen mutual monitoring and enhance productivity in ways that are more reminiscent of Bowles and Gintis' (1993) model of the democratic firm than of the capitalist firm.

Mutual Monitoring and HIV/AIDS

This study has attempted to show through participant observation that the firm is able to harness mutual monitoring structures without turning workers into residual claimants. In this regard this paper argued that the firm in this study approximates a third high-wage paternalistic model. Specifically this high wage combined with mutual monitoring has enabled the firm to compete successfully in the industry. This section provides qualitative evidence supporting the argument that mutual monitoring has also helped the firm deal with the threat posed to its operations by AIDS.

To gauge this, employees were asked questions concerning how they planned to help their friends with HIV/AIDS in the workplace. One employee said, "The business has helped us with testing and now many of us feel that we can talk about HIV without being scared of losing our jobs or friends. This makes it easier to help people."[14] In this regard I got the strong impression that many of the employees will encourage others to get tested and to monitor their peers in a sympathetic and supportive fashion for signs of AIDS-related illnesses. This appears to be happening already as one of the ladies I spoke to said that she was helping an HIV positive friend with her medicine checklist. It is her task to make sure that her friend is taking her medicine by reminding her about this once a week. When I asked her whether she was prepared to do this for other people she replied "Of course! At this place we all love our job and we also always help and watch each other with whatever we do. I will help my friends here at work with anything they need, including HIV"[15]. In this instance, mutual monitoring is playing a role in making sure that staff can stay healthy through employee support.

One of the head kitchen ladies, when asked whether she was worried about HIV/AIDS in the workplace, replied, "Yes, if people are sick, do not work hard or go to funerals then we are all in a bad position. That is why it is my responsibility to make sure that if someone is sick then they must see a doctor and take medicine. Then there are no problems for anyone"[16]. In many instances, employees now find that they are in a position to talk more about HIV/AIDS. Many feel that they can look out for their colleagues in the work place and approach them if need be. However, this is not without

[14] Interview with employee, 15/06/06.
[15] Interview with employee, 15/06/06.
[16] Interview with head kitchen lady, 15/06/06.

sensitivities. In one instance a lady reportedly called another one a "Lazy HIV!"[17] While this situation was handled promptly there is also scope to use increased HIV awareness as a negative manner.

The VCT intervention has also contributed to improved understanding of HIV/AIDS. As an employee put it:

> "HIV is a funny disease. No one talks about it at work or in the townships. It is also very hard to tell if somebody has HIV. Most people think that thin people have HIV. That is why I am fat and have a big bottom. But testing has changed this now. Many people are talking about it and the ladies are not as scared anymore. This makes it simpler to look after my friends."[18]

According to a manager at one of the firm's branches, his employees are much more open about HIV/AIDS in the work environment since the testing occurred: "A few of the ladies have asked me when the firm was planning to do the testing again!"[19]

One key finding from the VCT intervention was that almost all of the Xhosa women do not use condoms in sexual relations. When asked why they do not, most said that it would indicate a lack of 'faithfulness' to their partners. When I asked one lady to elaborate on this point she said, "If I ask my husband to use a condom then he thinks that I do not trust him! In my culture it is a sign of disrespect to ask a man to wear a condom."[20] According to the Yabonga counsellors, this specific problem was common with all the participants. When I asked an employee about this issue, the shocked Xhosa lady said to me, "I will never talk about sex to anyone and especially not to a young man like you!"[21] Her colleague interjected "Calm down sissie. Let me explain to him: Xhosa's believe that your private life must be private."[22] However, since then management has tried to address this problem by informally talking to its employees about the problem.

Interestingly, over the duration of this study I observed a noticeable change in attitudes towards this issue. On my last shift in the kitchens I raised the

[17] Interview with employee, 15/06/06.
[18] Interview with employee, 15/06/06.
[19] Interview with manager, 16/06/06.
[20] Interview with employee, 15/06/06.
[21] Interview with employee, 15/06/06.
[22] Interview with employee, 15/06/06.

issue once more while making food. The response was very encouraging, "Testing has made me realise that wearing condoms is very important. It is possible to get HIV aids from your husband."[23] Another lady commented "Yes, for the first time we have talked about these things at work and have agreed to insist on condoms."[24] This is an important breakthrough which will help the workforce face up to the challenges posed by AIDS. It was made possible only by the existence of previously existing relations of trust and friendship between the workers. This unexpected benefit of the firm's peculiar system of labour-relations has thus positioned it favourably to deal with the AIDS epidemic.

Finally, it is worth noting that the mutual monitoring which has helped the firm deal with HIV/AIDS extends beyond the workplace. As the head kitchen lady pointed out to me "I know who is going to the clinic because many of us live in the same place. I think it is important that they go and I'll keep an eye on them. I want my friends to be healthy."[25] Given that many of the staff live in close proximity, mutual monitoring for the firms employees functions outside of the workplace too. This may well reinforce mutual monitoring at work.

Concluding Comment

This paper has argued that the high-wage paternalist model described in the case study is a good vehicle for addressing the challenge of AIDS. Not only does it make sense for the owner to have introduced the VCT intervention, but it has reinforced the existing system of mutual monitoring and made it less likely that AIDS will negatively affect production. However, it is important to emphasise that this happy scenario is made possible by the public sector rollout of ARV treatment. If the employer had had to confront the additional costs of providing ARV treatment himself, then his economic calculations would have been very different (as indicated in the openning quote). Given that a third of his core workforce tested HIV positive, he may have reconsidered his entire paternalistic approach if the treatment costs were to be for his own account. Fortunately, the public sector rollout made it possible for him to build on and reinforce the relations of trust and mutual monitoring that lie at the heart of his firm's competitiveness.

[23] Interview with employee, 16/06/06.
[24] Interview with employee, 16/06/06.
[25] Interview with head kitchen lady, 16/06/06.

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