

# Shoprite in Malawi, Swaziland and Zambia

A Report by the Bench Marks Foundation



**The Bench Marks Foundation**  
**April 2009**

“The community rather than the company is the starting point of economic life” – *Bench Marks for Measuring Business Performance*

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## Foreword

The Bench Marks Foundation of Southern Africa is committed to providing leadership and advocacy on issues such as good corporate governance, and ethical and socially responsible investment. Its focus is thus on promoting a climate of ethical and sustainable investment choices, monitoring corporations and encouraging a climate of positive corporate social responsibility, and promoting an ethical and critical voice regarding what constitutes socially responsible business practices.

It is within this context that the Bench Marks Foundation has conducted a research study on Shoprite, Africa's largest retail group. The research forms part of a broader research initiative, aimed at studying the operational behaviour of multinational companies within different Southern African Development Community (SADC) countries. It explores Shoprite's impact on the local economies of host countries, and investigates the development of local supply chains and the company's policies regarding, *inter alia*, worker rights, gender and health and safety.

The research analysis is informed by the departure point that South African retailers opening retail stores in other African countries have a responsibility to promote meaningful sustainable development in the region. This means that business is conducted in an ethical manner and in accordance with the principle of good corporate citizenship, making provision for integrated community participation and stakeholder engagement. By implication, not only should a company seek to comply with the legal imperatives required to operate in a given country, such as obtaining a social license to operate. It needs to address the social and economic impact on the communities in which it conducts its business, with the construct of corporate social responsibility permeating its operations, be such operations tactical or strategic. Good corporate citizenship entails also clear and accurate reporting and showing that company policies are practiced not only at home, but also wherever business is conducted.

The research was conducted in Zambia, Malawi and Swaziland, with its key areas of enquiry addressing matters of legislation, the development of local economies and supply chains, employment and working conditions, health and safety, and corporate social investment.

The research conducted by the Bench Marks Foundation on Shoprite has high utility because it seeks not only to derive an analysis of the existing situation. Rather, it produces a number of penetrating findings which are presented in such a manner as to indicate both the change imperative required to support principles of empowerment and sustainable development through corporate social responsibility, and the necessary guidance to initiate such change.

The research findings have important implications, and will prompt much analysis and reflection, both on the part of those conducting business within the SADC, and more broadly in the continental and international arena.

The Rt. Rev Dr. Jo Seoka  
Chairperson  
The Bench Marks Foundation

# 1. Introduction

The growing presence of multinational corporations around the world, especially in poor and developing nations, raises questions about the responsible conduct of these companies as they have a major influence on the environment, economies and social life of communities and countries where they conduct their business.

South African multinational corporations are fast expanding into the rest of Africa. This expansion comes with the hope of meaningful and sustainable development on the continent. However often local communities in host countries do not benefit from multinational investment and business practices further contribute to unequal development.

What is of concern to the Bench Marks Foundation is the ethics of business. How is business conducted responsibly in society and the broader environment? The ‘bottom line’ for any business is making profit and the financial well being of a business is portrayed in its financial statements and annual reports. But the world is now seeking more commitment from business by demanding changes in how businesses conduct their operations and sound reporting on not only financial status but also reporting on commitment to the environment and social developmental practices. Increasingly, corporations are asked to report on how money was applied to the benefit of others.

Businesses often showcase projects and donations on their promotional material and websites as part of their corporate social investment programmes yet fail to disclose the actual contribution. These contributions are often insignificant and amount to a fraction of the profits of some industries especially in the mining and retail sector.

Sustainability reporting is a key component of any ethical investment approach and it is worth investigating how a company reports on its operations and the quality of information provided. It also needs to be considered that companies often report on their well-intentioned policies whilst their practices in relation to these policies lag behind. Sometimes the little information available in a company’s reporting fails to demonstrate a sincere commitment to community participation and real stakeholder engagement.

The Bench Marks Foundation examines the gap between policy and practice and examines company performance in terms of economic, social and environmental sustainability. Research was conducted during 2007 – 2008 on the corporate social responsibility (CSR) issues surrounding Shoprite Holdings, a South African retail corporation. Three studies of Shoprite’s operations were conducted in Malawi, Swaziland and Zambia. The research was coordinated by the African Roundtable on Investment, a programme of the Bench Marks Foundation and a network of civil society organisations throughout the region whose focus is on monitoring investment on the African continent.

## 1.1 Choosing Shoprite as the research focus

The rationale for choosing Shoprite Holdings as the retail company to be studied is that it is Africa's largest retail group with stores and holdings in a number of African countries.

The Shoprite Group's primary business is food retailing to consumers of all income levels. According to Shoprite's literature and website, management's goal is to provide all communities in Africa with food and household items in a first-world shopping environment, at the lowest prices. It also aims to contribute to the nurturing of stable economies in Africa and the social upliftment of its people. It is this nurturing of stable economies and social upliftment by Shoprite that this report examines.

Shoprite draws its customers from the middle to lower-income consumers in the living standards measurement 4 to 7. Its market positioning is to provide millions of customers with everyday low prices while offering the lowest prices on basic foods.

The Shoprite website states that the company has always supported the idea of the African Renaissance and they believe their successes in Africa show the way for others to make this Renaissance a reality.<sup>1</sup> A quick glance at the Shoprite Annual Report for 2007 shows a slightly different picture. For example, there is little information available on Shoprite's operations in other Southern African Development Community (SADC) countries and there are no women represented on the board of directors. Of the 17 executive and non-executive positions white men fill 15. As with most big multinational companies there are some contradictions between stated policies and practices.

On the surface Shoprite comes across as a responsible and ethical investor. Nevertheless, Shoprite has often been the centre of controversy such as when Shoprite employees in South Africa went on strike to protest their low wages and poor working conditions. Shoprite's operations in Zambia were also placed under the spotlight when the company attempted to pull out of Zambia once the tax holiday had come to an end.

There have also been reports on several Shoprite stores in Zambia being burnt to the ground. This implies that Shoprite may have a way to go to have a social license to operate. This means that whilst Shoprite has government support they do not have the consent of local communities and it is this consent that Shoprite needs to pursue in order to have a social license to do business there.

John Capel  
Executive Director, Bench Marks Foundation

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<sup>1</sup> [www.shoprite.co.za](http://www.shoprite.co.za)

## 1.2 Scope of the Research

The Bench Marks Foundation research study on Shoprite attempts to analyse the operations of a large retailer in the context of the countries in which it operates outside of South Africa and to examine its effect on local communities and economies. Through this study it is hoped to evaluate the gap between Shoprite's company policies and its actual practice and to make recommendations for areas of improvement.

Three Southern African countries (Malawi, Swaziland and Zambia) were part of this research project. The Shoprite Head Office in South Africa provided some broad company information about their stores in these countries. This is presented below:

The number of Shoprite stores:

Malawi – 5 stores

Swaziland – 8 stores

Zambia – 19 stores

The total number of employees:

Malawi – 242

Swaziland – 652

Zambia – 1692

Breakdown of employee categories:

<b>Employees</b>	<b>Zambia</b>	<b>Malawi</b>	<b>Swaziland</b>
Women	874	111	429
Men	818	125	222
Local Citizens	1687	236	651
Foreign	5	6	1
Disabled	0	4	1

It was not clear from the information provided by the Shoprite Head Office the number of people employed in management and top management positions in the three countries and the breakdown of management in terms of the above categories.

## 1.3 Areas of Enquiry

The three country reports looked at a various aspects of Shoprite's operations in Malawi, Swaziland and Zambia and included the following areas of enquiry:

- The legislative and economic framework for retail and investment
- Development of local economies and supply chains
- Employment and working conditions
- Health and Safety
- Corporate Social Investment



## 1.4 Research Objectives

The objectives of the research on Shoprite were to:

- Gather information on operations in the three SADC countries with the intention of comparing Shoprite's operating standards outside of South Africa.
- Explore the impact that Shoprite has on local economies and businesses.
- Detail the wage levels, in relation to basic needs, and working conditions.
- Investigate the worker profile in terms of gender, race and disability.
- Detail the management structure with particular interest in local employees.
- Find out the extent Shoprite procures goods from local supply chains.
- Investigate the health and safety standards of workers.
- Understand the social and economic impact of Shoprite's operations with a particular focus on local communities and women.
- Outline recommendations for the improvement of Shoprite's corporate social responsibility in the different SADC countries.
- Raise awareness amongst countries and networks regarding multinational corporations and influence the formation of a joint programme of action.

## 1.5 Methodology

During August 2008 the Bench Marks Foundation met with Shoprite's head office in Cape Town. Shoprite was asked to participate in the research study and to answer questionnaires. Shoprite said that they would respond to the final study and present their comments. Please see Shoprite's comments on this study on **page 58** of this report.

Three research teams in Malawi, Zambia and Swaziland were contracted to conduct the research.

- In Malawi, Paul Kwengwere from PMK Associates<sup>2</sup> conducted the research.
- In Swaziland the research was done by the Council of Swaziland Churches with a research team consisting of Ms Zakhe Hlanze<sup>3</sup> as lead consultant and Dr Sabina s'Laula and Ms Khangezile Dlamini.
- In Zambia the Civil Society Trade Network of Zambia (CSTNZ)<sup>4</sup> conducted the research. Mr. Stephen L. Muyakwa was the research team leader assisted by Mr Zindikilani Jimmy Daka and Ms. Susan Mwape.

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<sup>2</sup> PMK Associates is a Malawian consulting company providing services in the area of development.

<sup>3</sup> Ms Hlanze holds a Post Graduate Diploma in Women's Law and she works for Women and Law in Southern Africa and Ms Dlamini works for the Council of Swaziland Churches as a Director.

<sup>4</sup> Was established under the guise of the Zambia Trade Network in 1999 (becoming CSTNZ in 2004). It is an alliance of NGOs, research institutes and church bodies that have organised to promote pro-poor trade policies through advocacy and by linking civil society to the policy-making process.

The research teams put together literature reviews of Shoprite's operations in their respective countries, conducted fieldwork and produced country reports. The Bench Marks Foundation consolidated these reports into one report.

- **Primary** documents and **secondary** documents included annual reports, government reports, research papers, media articles and journals as part of the literature review.
- **Questionnaires** were prepared using the *Principles for Global Corporate Responsibility: Bench Marks for Measuring Business Performance*<sup>5</sup> (known as the *Bench Marks*), which was contextualised and localised to suit each country. The questionnaires were either distributed to particular informants from Shoprite, workers, trade unions and local businesses or used to guide interviews and focus groups.
- **Interviews** and **focus groups** were conducted with a representative sample of key informants. Informants included shop stewards, local business people, union leaders, management at Shoprite and local suppliers.

## 1.6 Research Limitations

### *Malawi*

The sample of workers interviewed consists of four female and four male workers. Management was not cooperative in providing information; neither the Malawian general manager nor the South African office was forthcoming with requested information.

### *Swaziland*

No permission was given to interview Shoprite staff. Interviews were held with three Shoprite ex-employees (two managers and one casual employee) who provided information on Shoprite's operations. In-depth and focus group interviews with present Shoprite staff at all levels were not conducted because there was no clearance from Shoprite to do that. The information contained in the report is from ex-Shoprite employees, shoppers and observations.

### *Zambia*

The study targeted thirty Shoprite' employees, from five different outlets. Six employees (three males and three females) were randomly picked for interviews at each of the outlets. Non-cooperation by the management of the Shoprite stores made it difficult to obtain facts such as the total number of employees, supply chains and salary scales. The study is therefore one-sided and qualitative in nature. Local managers

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<sup>5</sup> The Bench Marks was developed by a global network of faith-based partner organisations and is based on a body of internationally recognised human rights, labour and environmental standards and principles.

required authorisation from head office before releasing information. Due to the lack of cooperation from management the only employees interviewed were those who were willing to be interviewed without management's sanction.

## 2. Shoprite Holdings Ltd

### 2.1 Profile

Shoprite Holdings is Africa's largest retail group with 1181 corporate outlets in 17 countries in Africa, the Indian Ocean Islands and Southern Asia, with a reported total group turnover of R38.9 billion for the 12 months to June 2007. For the 12 months to the end of June 2008, the Shoprite Group increased total turnover by 22.3% to R47.7-billion. Growth on a like-for-like basis was 18%.

During this period the more than 100 supermarkets Shoprite operated outside the borders of South Africa also saw growth and an increased turnover by 38, 2% from the previous year. The growth achieved on a like-for-like basis was 30, 5%.<sup>6</sup>

Shoprite is listed on the Johannesburg Stock Exchange, Zambian Stock Exchange and Namibian Stock Exchange.

The Company's head quarters are situated in the Western Cape, South Africa. The various chains and stores of Shoprite Holdings Ltd are all integrated electronically into a central database and replenishment system.

The company has stores under various names. They consist of: Shoprite, OK Furniture, Checkers, Hungry Lion (fast food), Usave, House and Home, Checkers Hyper, OK Power Express, Shoprite Hyper, Shoprite Superstore.<sup>7</sup>

A breakdown of the whole Shoprite Group provide the following entities: the Shoprite Checkers supermarket group, which consists of 366 Shoprite supermarkets; 115 Checkers supermarkets; 24 Checkers Hyper Markets; 99 Usave stores; 20 distribution centres; 171 OK Furniture outlets; 14 OK Power Express stores; 32 House & Home stores; and 97 Hungry Lion fast food outlets. Through its OK Franchise Division, the Group procures and distributes stock to 29 OK MiniMark convenience stores; 26 OK Foods supermarkets; 61 OK Grocer stores; 56 Megasave wholesale stores; 9 OK Value stores and 79 Sentra stores and buying partners.<sup>8</sup>

The Shoprite chain is the original business of the Group and its main brand. It is by far the biggest business unit. It is also the brand used predominantly outside the borders of South Africa spearheading the Group's growth into new markets.

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<sup>6</sup> Mail and Guardian online Jul 07 2008

<sup>7</sup> <http://en.wikipedia.org/wiki/Shoprite>

<sup>8</sup> [www.shoprite.co.za](http://www.shoprite.co.za)

## 2.2 Expansion into Africa

Shoprite was started in 1979 with the purchase of eight Cape-based supermarkets and has steadily expanded into the rest of South Africa and the rest of Africa. The first Shoprite store outside of South Africa was opened in Lusaka, Zambia in 1995.

Expansion beyond the borders of South Africa is an essential development for Shoprite as the potential for more large supermarkets in the country has almost reached saturation point.<sup>9</sup>

Outside South Africa, Shoprite is focusing on markets with growth potential and rich natural resources, which will drive future economic growth and therefore increased GDP per capita and consumer spending figures. Over the past 12 years, Shoprite has expanded its operations northward beyond South African borders. Currently, 194 outlets serve consumers in the following African countries where they operate outside of South Africa: Angola, Botswana, Ghana, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

The Shoprite 2007 Annual Report highlights the many challenges that come with doing business in the rest of Africa. Some of these relate to the provisioning of certain stores where infrastructure is seen as below internationally acceptable standards. The report also highlights some problems the Group faces in the specific countries it operates in. Malawi, with an economy based mainly on small-scale agriculture and tourism, showed little growth, while the local currency further weakened. However, Shoprite has continued to expand in Swaziland and can now boast of being the dominant food retailer there. This is also the case in Zambia, where the report says Shoprite in Zambia is ‘a mature operation and the Group is reaping the benefits of its substantial investment over the years’.<sup>10</sup>

In a recent media interview the CEO of Shoprite, Whitey Basson, said: “trading in Africa was still logistically difficult and the group had had to invest heavily in supply chains, information technology capabilities and international sourcing skills”. The research conducted by the Bench Marks Foundation highlights the problems experienced by local producers in the countries where Shoprite operate outside of South Africa and points to the need for Shoprite to develop local supply chains and not rely exclusively on South African suppliers.

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<sup>9</sup> [www.shoprite.co.za](http://www.shoprite.co.za)

<sup>10</sup> *ibid*

With the expansion into Africa comes the ethical obligation for multinational corporations to assist in the alleviation of poverty and the development of the local economy and local supply chains.

### **2.3 Competitor Scenario**

One of Shoprite's main competitors in Africa is Game. Game operates stores in Namibia, Botswana, Zambia, Uganda, Mozambique, Mauritius, Malawi, Tanzania, Nigeria and Ghana. Other South Africa companies are Pick n Pay, with a presence in Namibia, Botswana and Zambia. Additionally, Woolworths operates in Botswana, Kenya, Lesotho, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

### **2.4 Shoprite CSR and Sustainability Report**

"... The business is by its very nature profit driven, but the profit motive does not take precedence over the needs of the community or the environment".<sup>11</sup>

Shoprite's corporate responsibility and sustainability reporting covers a number of areas: employment equity, employee development, learnerships, staff training, educational assistance, HIV/Aids, internal communication, ethical behaviour, occupational health and safety, product safety and labelling, corporate social investment, broad-based black economic empowerment, government and investor relations and environmental impact.

The reporting is predominantly focussed on South Africa and describes under its succession planning and training that "the Group already employs more than 1518 graduates, a growing number of them from previously disadvantaged communities". The report provides no further information on the number of previously disadvantaged graduates employed and no information on similar initiatives in its operations in the rest of Africa.<sup>12</sup>

Despite their positive reporting on issues of sustainability, Shoprite did not fare as well in the recent Financial Mail and Empowerdex, Empowerment Companies list.<sup>13</sup> Shoprite ranked 159 out of the 188 top companies with a BEE score of 8, 11%. This is compared to other retailers, such as Pick n Pay, who were number 90 with a score of 33.73% and Massmart Holdings (Game), who were 58<sup>th</sup> on the list, with their BEE score at 49. 44%. It is noted with concern that there are no women and very few black people currently on the Shoprite Holdings board of directors.

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<sup>11</sup> Shoprite 2007 Annual Report.

<sup>12</sup> *ibid*

<sup>13</sup> <http://www.empowerdex.co.za>

Another area of concern is the excessive remuneration earned by Shoprite executives. According to the Financial Mail<sup>14</sup>, Whitey Basson, Shoprite CEO, earned R12.6 million in 2007, which was a 15.5% increase from the previous year. This excluded share options and bonuses. In 2005 Whitey Basson earned R59 million (total cost to company). It was also noted that Shoprite had the biggest gap between CEO pay and the rest of the company at 263:01. This is interesting in light of the many issues that Shoprite has faced regarding wage disputes in 2006. If we had to calculate this figure based on a total cost to company package the anomaly would be at least 4 times more than the 263 to 1.<sup>15</sup>

Shoprite's Annual Report for 2007 mentions some of its existing social responsibility projects and notes that all its CSI projects were evaluated during the year to determine their sustainability and whether they make a real difference to the social and economic growth of the country. Only CSI projects in South Africa are listed in the report. Unfortunately there is no mention of CSI projects in any of the other SADC countries where Shoprite operates.

#### *Shoprite's CSI projects in South Africa*

- The *Shoprite Checkers /SABC 2 Woman of the Year Award* remains the Group's most important social investment project. The awards are presented in seven categories to some of the country's most inspiring and outstanding women from all walks of life.
- A CSI campaigns known as the *Shoprite Soup Truck Initiative* was piloted in the Great North and Gauteng divisions. At present two fully equipped trucks are operated by dedicated staff distributing soup and bread to needy children and senior citizens. By the end of the reporting period some 200 000 needy people had benefited from the project. It is intended that the campaign will be expanded to the rest of the country in the new financial year with a further two "soup trucks" being brought into service.
- The Group is also continuing a grassroots upliftment programme supporting community projects countrywide. Known as the *Shoprite Community Network*, it invites listeners to three African language radio stations to nominate worthy causes or development projects in their area. Every month, the top project put forward by each of the radio stations receives R10 000 in aid from Shoprite. Since its inception in 2005, R2.4 million has been paid out to such projects, with R1.5 million donated during the period under review.

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<sup>14</sup> Financial Mail, July 2008, "Top Earning CEOs"

<sup>15</sup> *ibid*

- For the ninth consecutive year, the Group has provided R1 million to promote netball, South Africa's most popular female sport, among the millions of young girls at the country's 20 000 primary schools.
- The *RSG/KKNK Book Collection*, another great annual community drive supported by the Group, in March 2007 amassed more than 40 000 books – almost 8 tons of reading material –for libraries throughout South Africa to help promote literacy in the country.

## 2.5 Local Economic Development and Supply Chains

Publicity material states that Shoprite empowers local suppliers in the countries they operate in by procuring fresh produce and perishable products locally. Shoprite claims to offer assistance to these local suppliers to ensure that their produce is of a certain standard by offering extensive support and development programmes. The web site reads as follows:

*The Group actively empowers small local suppliers in virtually all the countries in which it does business in Africa for the delivery of a range of items, mainly fresh produce and perishable products. Most of these suppliers initially need assistance to meet the Group's requirements in terms of volumes and product specifications. To bring them to the required standard, the Group operates extensive support and development programmes aimed at assisting them to achieve the required standards and produce to our needs.*

*By opening stores across the continent, the Shoprite Group of Companies is also assisting with the upliftment programmes of other countries in Africa as we create both job and skills development opportunities. The Company currently provides employment to more than 8 873 local nationals in its non-South African operations.<sup>16</sup>*

While the above figures look impressive, a measurement done in Zambia in 2005 found that the net effect of new jobs created by Shoprite amounted to only 150 part-time jobs. This is because often Shoprite buys previously owned state run stores that are denationalized and jobs are lost and then replaced by Shoprite stores.<sup>17</sup>

In all three countries studied, most of the goods and produce available in Shoprite stores are still supplied by South Africa. The research conducted by the Bench Marks Foundation in Malawi, Swaziland and Zambia also shows that local producers experience a number of problems with working with Shoprite and that neither assistance nor training is always available to them. Shoprite has a highly centralized buying

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<sup>16</sup> [www.shoprite.co.za](http://www.shoprite.co.za)

<sup>17</sup> Bench Marks Foundation study on Shoprite in Zambia, conducted by Darlene Miller, 2005



system operating from Cape Town and this impedes local supply chains and producers entering into business relations with Shoprite. Employees and ex-employees have also stated in interviews that skills development opportunities are very limited and in many cases non-existent.

The company promotes efficiency and profit at the cost of the expansion of local supplier chains and community sustainability<sup>18</sup>. This emphasis on profitability is seen as beneficial to African development and is defended in terms of the company's 'modernising' role and success in the market.

Shoprite's stated policy is to establish and support local supply chains to stimulate the local economy and improve Shoprite's ability to meet specific local demands. Local supply can also reduce the in-store cost price, eliminating additional overheads such as transport, tariffs and exchange-related costs. Shoprite's policies emphasize the importance of supporting broad-based local economic empowerment. However, if the support for local suppliers only benefits a few and does not assist in the development of local farmers, then the company's policy objectives are not being attained in relation to less developed communities.

This report questions Shoprite's stated intentions and their actual impact. Often Shoprite's expansion into other African countries replaces locally owned stores, as in the case of Malawi, where the government owned stores called People's Trading Centre (PTC) made way for Shoprite; in Zambia, Shoprite bought over the previously state-owned stores. Thus whether Shoprite is contributing to the nurturing of stable economies and social upliftment of people is highly questionable. Malawi investment incentives offer extremely generous packages for investment that offer various tax incentives, and full repatriation of profits. This situation is the same in Swaziland and Zambia as countries try to attract foreign investment by offering all means of incentives as the report points out.

Shoprite's expansion is not based on benevolence and operates in a manner that causes the economic collapse of local trading stores, and then profits are repatriated, and with all the other incentives. It will be difficult for Shoprite to continue to state that they support the Africa Renaissance and the nurturing of stable economies. People interviewed, from workers to small supermarkets, all complain that they are losing business to Shoprite and their livelihoods are at stake. This is a recipe for disaster as already witnessed in Zambia with the burning of several Shoprite outlets.

People that work in Shoprite stores also complain about the level of remuneration stating that what they earn does not meet their own basic needs, never mind that of their dependents. In Malawi the Centre for Social Concern calculated an average salary for a

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<sup>18</sup> *ibid.*

family of six as \$207.14 a month and Shoprite pays \$71.00 a month. The Bench Marks Foundation classifies wages at various levels. A **Marginal Survival Wage (level 1)** does not provide for adequate nutritional needs but starvation is prevented. Other wage levels are defined as follows:

**Level 2: Basic Survival Wage:** Wage allows for meeting immediate survival needs including basic food, used clothing, minimal shelter, and fuel for cooking.

**Level 3: Short-Term Planning Wage:** Wage meets basic survival needs. Possibility of small amount of discretionary income allows for minimal planning beyond living from pay-cheque to pay-cheque. Allows for occasional purchase of needed item(s) as small amounts can be set aside from meeting basic survival needs.

**Level 4: Sustainable Living Wage:** Wage level meets basic needs including food, clothing, housing, energy, transportation, health care, and education. Ability to participate in culturally required activities (including births and related celebrations, weddings, funerals and related activities). Also allows for the setting aside of small amounts of money (savings) to allow planning for the future purchase of items and the meeting of needs.

**Level 5: Sustainable Community Wage:** In addition to meeting basic needs and allowing the worker to set aside money for future purchases, allows for the availability of enough discretionary income to allow the worker to support the development of small businesses in a local community including the support of cultural and civic needs of the community. Wage allows for long range planning and participation.

The Bench Marks Foundation evidence suggests that Shoprite pays at level 2 and that Shoprite must consider improving on wages and consider the ideal of level 5 of a sustainable community wage.

## 2.6 Summary of Findings

The following are some of the findings of the Bench Marks Foundation's research of Shoprite Holdings operations and practices in the three southern African countries studied:

1. Stable economies and the social upliftment of communities in Africa is a prerequisite for an "African Renaissance". As one of the largest retailers on the continent, Shoprite Holdings need to take its statements about the "African Renaissance" to heart and report more extensively on what role it plays in the sustainable, social and economic development of the African communities in countries where they do business.
2. Despite claims by Shoprite to support local economic development in African countries, local producers in these countries experience a number of problems with working with Shoprite and neither assistance nor training is always

available to them. The Bench Marks Foundation would like to see increased inclusion of local farmers and local products in Shoprite's stores and a decentralised buying and sourcing policy that will assist Shoprite to source locally.

3. In a recent article in the Business Report<sup>19</sup> the CEO of Shoprite, Whitey Basson, stated that the company had invested heavily in correctly positioning the groups' three supermarket brands, in operations outside South Africa and in extending and upgrading infrastructure. More information is required on the infrastructural development Shoprite claims to spend a fortune on.
4. Shoprite receive tax holidays and other incentives to invest in host countries and it is debatable as to whether Shoprite contributes in any significant way to local economic development. In fact the opposite seems to be true, Shoprite is increasing profits and shareholder returns at the expense of local host economies.<sup>20</sup>
5. In another recent article<sup>21</sup>, Mr. Whitey Basson, said that the decision to cut margins on basic foodstuffs led to "a sacrifice of R286 million in gross profits in the remainder of the year". This represents 0.6% of the reported R47.652 billion annual turnover and 12.5% of the total profit of R2.297 billion for the last financial year. Shoprite can be commended for dropping the margins on basic foodstuffs during a period of global price increases. Yet, compared to the earnings of the Shoprite CEO for 2007, reported at R12.6 million, R286 million to prevent starvation does not represent such a huge "sacrifice".
6. Shoprite's top management and board of directors is still the domain of white men with few women and other race groups included. Shoprite's ranking of 159 out of the 188 top companies with a BEE score of 8,11% compared to, for example Massmart Holdings with a BEE score of 49,44% should indicate that there is ample room for improvement in this area.
7. Shoprite does not report on any CSI projects in any of the SADC countries outside of South Africa. Is this an oversight in reporting or are other SADC countries only seen as platforms for making more profit? The researchers indicated that surrounding communities feel neglected by Shoprite and local farmers are excluded from Shoprite's supply chains.
8. Shoprite needs to consider how it is contributing to further widening the gap between rich and poor and the social consequences of this.
9. Shoprite needs to incorporate the Millennium Development goals into its investment policies and let this direct its CSI spend.
10. If in Zambia there is such resistance to Shoprite stores, questions need to be asked about Shoprite's social license to operate and how it can improve its relations with host economies.

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<sup>19</sup> Business Report article of September 2, 2008. "Shoprite is reaping rewards: Basson".

<sup>20</sup> Southern African Migration Project, January 2007

<sup>21</sup> <http://www.sharedata.co.za>, 2 September 2008

11. Shoprite should look at its uneven economic impact, such as putting out of business local farmers and producers and adopting policy and programmes to address this in a sustainable manner.
12. Shoprite has no holistic programme around HIV and Aids and has piecemeal programmes operating in its investment destinations. Shoprite needs to take advantage of programmes offered in some cases by the ILO and in others by NGOs to combat discrimination around HIV and Aids, have more peer-to-peer educators and better communication on Shoprite programmes. However Shoprite must be commended for starting to address this issue in Zambia as previous research in 2005 showed that it was just NGO's and the trade union that were taking up these issues.
13. Shoprite also needs to measure its impact on job creation by honestly reporting how it obtained its social license to operate and at what cost to local super markets and how many people lost their jobs when they opened their stores.
14. Shoprite must stop relying on public relations exercises such as the Women of the Year award, soup kitchens and adopt socially responsible practices that address economic marginalisation, empowerment of local farmers and producers and the empowerment of women in its own workforce, especially at senior management and board level.
15. Women need special attention especially around childcare facilities at work and when they work overtime as many reported threats and attacks when travelling home at night.
16. Another concern is the long hours women stand behind the tills without being able to sit. Surely this health issue can be addressed.
17. It would seem that in all the countries surveyed casual/part-time employees who are employed lack benefits such as social security, retirement provisions and this has serious implications for the economy and governments' strategies for poverty reduction.
18. Overtime should be voluntary and workers should be free to refuse to work overtime and special provisions made for women workers' safety.

### 3. Country Reports

The following section deals with the country reports and research studies of Shoprite in Malawi, Swaziland and Zambia.

#### 3.1 Malawi

##### 3.1.1 Overview

Malawi is one of the poorest countries and according to the Integrated Household Survey (IHS) of 2004/05, 52.4% of the population lives below the poverty line, i.e. 6.3 million Malawians are considered poor<sup>22</sup>. Income distribution is extremely unequal, with a Gini coefficient<sup>23</sup> of 0.62. Agriculture is the backbone of the economy, accounting for 30 – 40% of the gross domestic product (GDP). About 90% of all export earnings come from agriculture and the sector also employs over 80% of the rural labour.<sup>24</sup>

The share of the manufacturing sector to GDP is low and in recent years has been declining (in 1994 it was recorded 17.0%, but went down to 10.9% in 2002). Manufacturing includes tobacco, tea, sugar and other crop processing. The decline in the manufacturing sector reflected macroeconomic instability and policies that are not conducive to investment in the manufacturing sector, including the influx of retail investment that emphasizes importing finished products that compete with local products<sup>25</sup>.

Malawi has a diverse range of export products mainly in the agricultural sector. These include beans and pulses, chillies, tobacco, tea, coffee, macadamia nuts, rice, confectionery, ceramics, textiles, crafts, farm implements, fishing flies, furniture, gemstones, enamelware, rubber, live tropical fish, cut flowers, buses and trailers. Production levels and world market prices for tobacco, tea, sugar and cotton dominate Malawi's foreign trade balance.

Malawi is predominantly an importing country, mostly importing twice what it exports. For example in 2006, exports amounted to US\$649.2 million while imports were US\$1,175.7 million. In 2005, the country exported US\$503.3 million while imports were US\$1,016.3 million<sup>26</sup>.

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<sup>22</sup> Poverty in this case is calculated using the global standard of earning less than a Dollar a day. Malawi Growth and Development Strategy, 2005, Malawi Government. Pg 4.

<sup>23</sup> 0=perfect equality; 1 = perfect inequality

<sup>24</sup> Malawi Economic Annual Report, 2005.

<sup>25</sup> See Booth et al (2006), *Drivers of Change and Development in Malawi*, IPRA and ODI, London.

<sup>26</sup> From Malawi NSO Statistics 2007 Report

South Africa is Malawi's dominant trading partner in terms of both imports and exports. The balance of trade relationship weighs heavily in South Africa's favour despite an asymmetrical trade agreement that favours South Africa<sup>27</sup>. On the other hand, Malawi enjoys modest trade surpluses with developed country partners in the European Union and the United States of America.

### **3.1.2 Conditions for Retail Investment**

The Malawian government encourages both domestic and foreign investment in most sectors of the economy, without restrictions on ownership, size of investment, source of funds, and destination of final product<sup>28</sup>. The Competition and Fair Trading Act – made operational in April 2000 – aims to regulate and monitor monopolies and the concentration of economic power, protect consumer welfare, and strengthen the efficient production and distribution of goods and services. The Act calls for the formation of a Commission that will approve only those acquisitions, mergers or takeovers that increase employment and net exports, and lower prices for consumers. The Ministry of Trade and Private Sector Development has appointed Competition Commissioners and a secretariat will be set up to oversee implementation of the Competition and Fair Trading Act.

There is no government screening of foreign investment in Malawi. Apart from the privatisation programme, the Government's overall economic and industrial policy does not have discriminatory effects on foreign investors. Since industrial licensing in Malawi applies to both domestic and foreign investment, and is only restricted to a short list of products, it does not impede investment, limit competition, protect domestic interests, or discriminate against foreign investors at any stage of investment. Restrictions are based on environmental, health, and national security concerns. Affected items are firearms; ammunition, chemical and biological weapons; explosives, and manufacturing involving hazardous waste treatment/disposal or radioactive material. All regulations affecting trade apply equally to domestic and foreign investors.

#### *General Incentives*

- Additional 15% allowance for investments in designated areas of the country;
- Allowance up to 20% for used buildings and machinery;
- 50% allowance for qualifying training costs;
- Allowance for manufacturing companies to deduct all operating expenses incurred up to 24 months prior to the start of operations;
- Zero-duty on raw materials used in manufacturing;

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<sup>27</sup> An agreement between South Africa and Malawi was reached in 1967 and provided for preferential rates of duty, rebates and regulations on certain goods traded between the two countries. The agreement has been amended and all goods of Malawian origin enter South Africa duty-free. South African goods entering Malawi receive the most-favoured-nation rate of duty.

<sup>28</sup> See Investment Promotion Act No. 28 of 1991.

- Indefinite loss carry forward enabling companies to take advantage of tax allowances;
- 40% investment allowance for new buildings and machinery;
- Agreement for the reduction of withholding taxes on remittance and payments.

#### *Fiscal Incentives*

Investors have free access to foreign exchange in Malawi, both for paying for imports and transferring financial payments abroad. This free access includes:

- No licensing requirements for importing foreign exchange;
- Full repatriation of profits, dividends, investment capital and interest and principal payments for international loans;
- Local and foreign investors have unrestricted access to local financing facilities;
- Market-based interest rates and no direct government controls on credit.

The government encourages the development of securities markets. Under the Capital Market Development Act there are:

- No restrictions on private placement of securities to Malawian residents although transfer of securities to non-residents are registered with the Reserve Bank of Malawi;
- No restrictions on issues of securities to the public.

A retail company coming to Malawi receives the same incentives. This is not much compared to a company coming to establish a manufacturing plant because of the country's policies to improve the manufacturing sector. Companies like Shoprite have tried to negotiate for the inclusion of capital equipment such as shelving and any goods that are used to perform minor processing to be regarded as duty free for promotional purposes, but this was turned down.

#### *Growth in the Malawian Retail Sector*

The growth in the retail sector in Malawi is due to two main reasons. In the first place Malawi liberalised retail foreign direct investment<sup>29</sup> in 1994. The opening up of the economy in 1994 inevitably made Malawi a preferential destination for foreign direct investment, including investment of foreign retail chains that were seeking a competitive territory. The opening up of the economy created opportunities for foreign retail operators, especially well developed South African retail chains.

Secondly, Malawi, just like most of the countries in Southern Africa, has witnessed high levels of urbanisation rates, as people move to cities and towns in search of

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<sup>29</sup> The foreign direct investment here is taken as presented in the International Monetary Fund's (IMF) definition, meaning net inflows of investment to acquire a lasting management interest (at least 10 percent of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, and other long-term capital, and short-term as shown in the country's balance of payments.

employment, educational opportunities and higher standards of living. For instance, according to the United Nations Centre for Human Settlements<sup>30</sup>, at 6.3% Malawi has the highest rate of urbanisation of all African countries. Rural to urban migration is very high in the region because of rural poverty. With increased prices of agricultural inputs, returns in the agricultural sector have been very low for most of the poor smallholder farmers. Due to few economic opportunities in the rural areas, most of the rural residents migrate to cities in search for employment. The increase in the urban population consequently leads to the growth of markets for supermarkets. This is because the proportion of people who depend on direct agriculture production declines.

### **3.1.3 Shoprite Positioning in Malawi**

Shoprite started operating in Malawi in 2001 and currently has eight outlets. It operates two supermarkets, one in Lilongwe (the capital city) and one in Blantyre (the commercial centre); has four U Save stores, one each in Lilongwe, Mzuzu (the third largest city), Zomba (fourth largest town in Malawi), and Limbe (a commercial town within the city of Blantyre); two Hungry Lion outlets exist in Lilongwe and Blantyre.

For a small economy like Malawi, Shoprite is a dominant figure in the supermarket arena. Until last year Shoprite was the only foreign-based supermarket in the country competing with local supermarkets. Game, another South Africa company, joined Shoprite in 2007 to share Malawi's "supermarket" market.

Shoprite's 2007 Annual Report states the following for Malawi in its operating review of supermarkets outside of South Africa:

"The economy of Malawi, based mainly on small-scale agriculture and tourism, showed little growth during the year, while the local currency weakened further. The group's two supermarkets (in Blantyre and Lilongwe) and three Usaves performed well and ended the reporting period in profit. The store in Lilongwe, where parliament moved three years ago, benefited from the continuing capital investment in infrastructure and construction. The store's enlargement, completed early in the financial year, facilitated the introduction of more extensive higher-margin non-food ranges. The store in Blantyre, located in a recently upgraded centre, attracted more shoppers."

#### *Competitor Scenario*

Prior to the establishment of Shoprite stores in the country, Malawi's retail marketing did not involve many supermarkets. The only shops that came close to a supermarket's role were a chain of stores called the People's Trading Centre (PTC), government-owned, trading mostly in grocery items and some fresh foods. Obviously, there was

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<sup>30</sup> UNCHS 2001



little competition in the system and it was clear that PTC enjoyed a monopoly prior to the coming of Shoprite and other supermarkets that have opened since.

The period after 2001 saw a number of new players in the retail system including Malawians. Those from outside that helped boost the competition include Asians and Lebanese (who introduced a chain of stores called 7-Eleven), and lately more South African retailers (e.g. Game) started coming in. The location of these supermarkets has been in the urban areas clearly showing that the purchasing power still lies in the towns rather than the villages. Most of the people who utilize these shops are the middle class, and very few are from the lower class who only frequent the shops on paydays.

### **3.1.4 Corporate Social Investment in Malawi**

In Shoprite's annual reports, corporate social responsibility is one area the company boasts of doing wherever they are. According to the 2004 Annual Report, it was reported, "each operating division is awarded a special budget to support local community needs". In that report, examples of initiatives of corporate projects aimed at fulfilling the Group's commitment to the community were listed. These included the development of suitable infrastructure that belongs to the community, provision of prefabricated mobile classrooms to a school in a marginalised community, etc. In Malawi, it was clear that this does not exist at all. All the staff, from the lowest levels to local managerial levels could not recall any corporate social investment by Shoprite. The Lilongwe branch did mention that there is a small orphanage organisation that comes to the shop to request some foodstuff, but this organisation is only given items that have expired or are going bad.

### **3.1.5 Local Economic Development and Supply Chains**

The guiding mission of the Shoprite Group includes an assurance that the Group is inextricably linked to Africa, contributing to the nurturing of stable economies and the social upliftment of its people.

Local findings show most goods, even basic vegetables, are imported from South Africa despite being available locally in abundance. Onions, carrots, cucumbers, oranges, tomatoes and even eggs come from South Africa into Shoprite Malawi supermarkets. Local purchase of some vegetables is done in Malawi but local producers indicate some difficulty with the arrangements with Shoprite.

During the interviews the researchers were not able to interview local Shoprite management on contracts with local producers. Contractual agreements with local producers are highly centralised. All contracts, administration and possible support for local producers are situated in Blantyre. Long distances need to be negotiated to have a working relationship with Shoprite. For example, a producer based in Lilongwe has to

travel to Blantyre (almost 400kms away) to get a contract to supply vegetable produce in Lilongwe. Problems in the contract, payments etc. are dealt with at this main office. This situation also applies to those who wish to supply to Usave in Mzuzu, about 850km from Blantyre.

The research suggests that Shoprite neglects the surrounding communities where they are located. It is not clear if and how they have created social development programmes, nor have they given the local farmers any share of the market. For the few farmers they have dealt with, Shoprite has not really shown support for contributing to the improvement of the agri-industry of Malawi and the development of local supply chains.

The ethical obligation that is supposed to exist in Shoprite's operations in Malawi to assist in poverty reduction is overshadowed by the retailer's efficiency and the maximisation of profits.

### **3.1.6 Employment and Working Conditions**

In 2006 Shoprite stipulated that it would provide employment for more than 8 000 local nationals in its non-South African operations.<sup>31</sup> This is not far from the truth. In Malawi, although the exact figures were not available, the retail supermarket provided employment for a number of new employees targeting mostly school leavers. However, as will be noted, the main problem faced by the employees lies in the conditions of service.

Shoprite employs a balance of men and women. According to an estimate of some of the employees, 45% of those working in Shoprite are female. The workforce comprises permanent and casual workers. An average permanent employee works for forty-eight hours in a week or approximately seven hours every day<sup>32</sup>. Local staff members occupy positions like branch managers, administrative managers, and sales managers, while the expatriate staff (mostly from South Africa) occupies the top management positions.

Women occupy positions across the spectrum on an equal footing as all other local staff. A negligible number of disabled people appear to be employed.

#### *Wages and Benefits*

Some respondents expressed dissatisfaction with what they were getting from Shoprite. In their own words they stated that their salaries did not give them enough "purchasing power" to allow them to take care of their families at a basic level.

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<sup>31</sup> [www.shoprite.co.za](http://www.shoprite.co.za)

<sup>32</sup> This is on par with the average working time for workers in Malawi.

The Centre for Social Concern, a Malawian NGO that looks at the basic food requirements for an average Malawian, in their monthly surveys on the cost of living in Lilongwe established that the average cost of living in a city environment for an average family (of six) is estimated to be US\$207.14 per month. Shoprite is offering its employees an average of US\$71 per month for permanent workers. It appears that the lowest paid workers get a mere \$50 per month.<sup>33</sup>

Remuneration packages for general employees do not include benefits like house and transport allowances, although management receives these<sup>34</sup>.

#### *Maternity and Compassionate Leave*

Shoprite provides for maternity and compassionate leave. However, while the permanent workers are given the minimum conditions acceptable in the labour laws (for example paid maternity leave of two months), casual labourers are laid-off and requested to reapply when they are ready to return to work. Compassionate leave is available for permanent workers only. Permanent workers who have been employed by Shoprite for less than a year go on maternity leave without pay. Malawi's labour laws do not cover paternity leave.

#### *Educational Loans and Grants*

According to the Shoprite website, staff members have access to an education assistance scheme, for themselves and their dependants. Grants for school fees are given to lower-income staff. Interest-free educational loans and bursaries for full-time and part-time study are also made available. External applications for educational assistance are also granted with preference given to full-time study in retail-related courses.

During the interviews, it transpired that only loans are granted to permanent employees to upgrade and develop one self<sup>35</sup>. On the other hand casual workers were exposed to 'on the job training' in areas like stocktaking, customer care, and shrinkage. In rare circumstances, casual workers have a chance to join their colleagues on training programmes.

#### *Training and Development*

Training, development, promotion and advancement opportunities exist within Shoprite. At store level, staff and management are trained to enforce the Group's consumer

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<sup>33</sup> Even though this may be slightly above what is required by the Malawian labour laws, Shoprite need to look at the wages of the private sector industry and take into consideration the monthly survey done by organizations like Centre for Social Concern to determine the minimum wage.

<sup>34</sup> Some of the local Supermarkets, e.g. People's Trading offer the local management employees at least some housing and transportation.

<sup>35</sup> All permanent workers interviewed for purposes of this study stated that the loan was too small vis-a-vis the development needs and levels in the country.

policies geared at ensuring a satisfying and convenient shopping experience. While embracing the International Code of Consumer Rights, the Group encourages and welcomes feedback from its customers in order to live up to evolving consumer needs. Its commitment to consumer education is underscored by its informative range of consumer leaflets distributed through its supermarkets throughout Africa free of charge.

### *Overtime*

Overtime is voluntary. In the words of one respondent: “A supervisor will approach you to work overtime and you are free to refuse. However, if you refuse you are somehow seen as a lazy person so we normally accept.”

All efforts to obtain terms of conditions for the workers or the contractual agreement between the employee and Shoprite were futile. However, an article by Mandisi Majavu<sup>36</sup> in 2003 revealed that Shoprite pushes its employees to a point where they are forced to sign contracts that read as follows: “you agree that from time to time you may be scheduled and required to work up to 12 hours a day, inclusive of meal intervals, without overtime pay”. Normal working hours according to South African labour law is eight hours a day. According to the article, the contract goes further to say: “your usual meal interval will be one hour, to be taken at times determined by the company; [furthermore], you agree, when required to do so, to reduce your meal interval to 30 minutes.” The Malawi laws also require that one should not work over eight hours per day. Explaining the failure to produce the terms of conditions, one local manager told us that the terms of conditions are going through a review and they were therefore advised that only the top managers could release them to an outsider.

Malawi’s labour laws are not particular when it comes to the working environment, and conditions such as overtime pay, standing hours, etc. Consultations with the Ministry of Justice revealed that Malawi’s laws have not yet reached that level of sophistication. This leaves a lot of loopholes that are being exploited by investors in Malawi promoting Malawi’s image of having cheap labour.

### *Freedom of Association*

Shoprite employees are free to join trade unions. The main organisation for workers in Malawi is called the Malawi Confederation of Trade Unions (MCTU). There was mixed reaction to the question of whether there is an organised workers’ union for Shoprite employees. It was noted that because workers have been negotiating with management for a Shoprite workers’ union, most of the workers interviewed were of the view that the union was already established (because of lack of transparency in the negotiations). However, there were other respondents who reported that the two had failed to reach an agreement and talk of such a union had been shelved. When we queried why they could

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<sup>36</sup> See <http://www.pambazuka.org/en/category/development/18096>. This article titled “Africa’s Biggest Retailer” about Shoprite was first published on <http://www.zmag.org>.

not just organise themselves and just inform management of their decision to form a union, the respondents felt that such an action would cause problems for management and risk dismissal, a common sentiment in Shoprite Malawi outlets.

### **3.1.7 Health and Safety**

All issues concerning occupational health and safety, stress and all forms of harassment are communicated to employees through a document on company policies. Observations reveal that Shoprite does not post messages on its walls aimed at communicating to their employees. It was difficult to establish whether the employees had a clear understanding of any of the articles of the Company Policy Documents.

The overall perception of the respondents was that Shoprite provides a working environment that supports health and wellness. The following indicators were given:

- a. They have a first aid box
- b. A home affairs group which supports the well-being of employees<sup>37</sup>
- c. Management makes sure the place is clean and tidy. Food handlers go for check-ups every six months and the washrooms are kept clean and tidy
- d. Training is available on how to escape or avoid different aspects of accidents

In the case of accidents in the workplace, management is responsible for medical bills when presented with a certificate from a medical practitioner. Otherwise Shoprite does not have a medical aid scheme in place that covers their employees and their dependants. Management says they are waiting for the workers to get organised so that they can negotiate a package with the union.

Shoprite places great emphasis on HIV/AIDS awareness in a bid to combat discrimination and stigmatisation of employees infected and affected by HIV/AIDS. A programme has been institutionalised where members of staff are made aware of issues using video shows and IEC materials.

Shoprite does not require health testing as a condition for employment. An exception is made for food handlers whose nature of work necessitates that they undergo some medical examinations. The researcher could not establish the extent of the medical examination i.e. if it includes HIV/AIDS testing, and also what happens if the candidate fails this examination.

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<sup>37</sup> Not clear on how this group supports the employees. Indications were that it was the key support group in the case of family bereavements.

## **3.2 Swaziland**

### **3.2.1 Overview**

Swaziland is the smallest country in Southern Africa with a population of a million. The recent statistics from the Demographic and Health Survey revealed that Swaziland is experiencing a shrinking population due to possibly the impact of HIV and AIDS. Swaziland's Gini coefficient is 0.61.

Administratively, the country is divided into four regions, namely, Shiselweni, Manzini, Hhohho and Lubombo regions. The Nation's capital is Mbabane and it falls in the Hhohho region, which is the seat of government as well as the legislature.

Swaziland has a mixed economy with a distinct orientation towards private ownership and a relatively open market economy. The economy itself has experienced significant structural changes over the years since independence in 1968.

The economy has shifted from primary production such as agriculture, forestry and mining into secondary production (manufacturing, construction, etc.) and tertiary production (public and private sectors). At one level the shift in the composition of production reflects a diversification of the economy and to a certain extent an increase in the degree of industrialisation. However, considering that much of the manufacturing industry is agri-based (for example, as in the sugar-refining, pulp-milling, fruit-canning and textile industry) the degree of secondary production is low. Despite the persistent drought conditions and turbulent world markets, agriculture still accounts for a sizeable contribution towards the country's GDP. Furthermore, the agriculture sector is the country's major employer and a source of livelihood for the rural economy considering that more than 70% of the population lives there.

Although Swaziland is classified as a lower middle-income country, the majority of the population (about 66%) suffers from acute material poverty. The poor in Swaziland also suffer from a high degree of vulnerability to HIV and AIDS, natural disasters and economic shocks. They do not have reliable sources of income and are usually employed as labourers, casual or seasonal employees that attract very low wages. This unfortunate situation has led the Swaziland government to place the reduction of poverty as a central challenge and a number of initiatives have ensued to address inequalities, poverty and the economy as a whole.

### **3.2.2 Conditions for Retail Investment**

Economic growth and foreign trade in Swaziland have been driven mainly by the performance of the agricultural and manufacturing sectors. Agriculture has been the leading sector until the mid-80s when the manufacturing sector took the lead and that

resulted in the contribution of agriculture to GDP dropping from an average of more than 25% to 16%. Wood pulp, sugar and sugar concentrates and most recently the garment industry dominate the manufacturing sector. This sector has kept an average of 35% of GDP. The manufacturing sector is export-oriented with South Africa as the major trading partner. More than 45% of Swazi exports are destined for South Africa whilst 80% of imports come from there.

Swaziland has been experiencing declining economic growth rates, a shrinking industrial base as well as a drop in the level of foreign direct investment resulting in increased unemployment rates. On revenue, the country continues to rely heavily on the Southern African Customs Union (SACU) receipts that account for more than 50% of the country's revenue.

Against the backdrop of a growing economy in a country with a long history of stability, investors stand to derive distinct benefits in locating their business in Swaziland. Below we examine the macroeconomic scenario and indicators, general and fiscal incentives and competitor scenario:

#### *Macroeconomic Scenario*

In Swaziland both the economic and fiscal policy environments and regulatory frameworks<sup>38</sup> are enabling and supportive as the Government has embarked on a broad based strategy for increased job creation as a strategy for poverty reduction for which there are discernible targets to be realised by 2022. The Retail and Wholesale Sectors have thus been identified as critical stakeholders in this regard and, as a beneficiary of the improved macroeconomic landscape - if they would seize the opportunities.

Swaziland's economic growth picked up marginally to record 2.8% in 2006/7 from 2% in 2005/6. The growth represents an improvement in many of the sectors that contribute to GDP, of which the retail, wholesale and construction sector contributed 7.1%. This slight growth also implies a slightly improved standard of living in the population and a probable increase in the demand for certain consumer goods. Another important feature in the economy was the fact that the inflation rate was kept under control (within single digits of around 9%) by astute monetary policies. Such shifts in the economy, albeit small, cause shifts in the demand and preference of consumer goods hence the need for a locally based research and development department. Towards the end of 2007 there has been a significant shift towards a picture that reflects a sluggish economy in the higher inflation and interest rates.

#### *General Incentives*

Swaziland promotes economic growth through a number of initiatives in all sectors, including the retail sector. Below is a list of general incentives for the retail industry.

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<sup>38</sup> Ingcamu 2006; Central Bank Report, 2007; Small and Medium Enterprise Policy, 2006

- Updating the Companies Act by producing the Companies Bill and the passing of the 2000 Industrial Relations Act.
- Reviewing general business regulations to ensure minimum bureaucracy, with no attempt to control trade.
- Greater efficiency in granting work and resident permits and citizenship.
- An infrastructure that is one of the best in Southern Africa.
- Ensuring that physical infrastructure is robust, reliable and competitive.
- The ongoing expansion of Matsapha and other industrial sites, including new developments at Ngwenya Border Port of Entry, and the constant upgrading of the country's infrastructure. This will facilitate quick transit of goods en-route to Swaziland as most supplies come from South Africa.
- Commitment to free enterprise, a free market economy and private ownership with investment security assured (nationalisation and the forced taking of property are illegal).
- Ready access to export markets through excellent road and rail links as well as the Matsapha dry port.
- Readily available commodities, support services and professional people such as accountants, attorneys, engineers and architects.
- High literacy rates of at least 81%, which ensures easy communication and trainability of employees.
- An established history of socio-economic stability and generally a peaceful country.
- A low crime rate, superb infrastructure, scenic beauty and an alert and willing workforce add to investor friendly ambience of the country

#### *Financial Incentives*

The financial incentives by government to promote economic growth include:

- Membership of several economic and trade agreements giving Swaziland's export commodities preferential access to many markets.
- The creation of an autonomous entity (The Swaziland Investment Promotion Authority), which is a vehicle and catalyst for investment promotion and facilitation in Swaziland.
- The ongoing review of investment incentives and any legislation that creates bureaucratic obstacles.
- The Common Monetary Area and Exchange Control between Swaziland and the Republic of South Africa that provides for the free flow of funds between the two countries with no exchange controls.
- Various financial incentives and allowances, and the easy repatriation of profits and dividends subject only to a withholding tax (although this is sometimes abused by some investors).
- Various banking and monetary transaction products and facilities to support varying business clientele requirements. Professional services through banks and agents ensure that procedures are properly implemented.



- A human resource- training rebate of 150% of cost written against tax.

### *Inflation*

Since 2002, the inflation had significantly reduced during the last few years to 4.35% in mid 2005; 5% at the end of 2006 and single digit swinging between 4.35% in 2005 to 9.8% in 2007 with food as the primary inflation mover.

Investment in small to medium sized businesses and their development are considered vital to job creation and economic growth and several channels of support are available to provide assistance that seeks to promote this sector, such as the development of entrepreneurial skills and loan guarantee schemes.

### *Unemployment*

Despite sustained investment and a growth in GDP terms of 2.8% up from a previous 1.8%, unemployment remains high at around 29% (some statistics estimate it at 33%) The Small and Medium Enterprises (SME) sector remains an important arena for job creation. It conforms to ILO standards and conventions, and provides a structured framework for effective industrial relations, ensures an ideal environment for new investors, and enables procedures to be conducted in an unbiased manner.

Like many other retail outlets Shoprite has casualised its workforce. Casualisation of labour is a major problem because it deprives workers of social security or retirement provision and this has serious implications for the economy and the government strategy for poverty reduction.

### **3.2.3 Shoprite Positioning in Swaziland**

The trading environment for consumer goods in Swaziland is fairly competitive. Shoprite offers a range of products similar to other local supermarkets in the country such as the Spar group and Pick n Pay, all of which are foreign-owned franchises.

Shoprite's target and client base in Swaziland are the middle, lower middle and lower income groups and an occasional handful of the thrifty higher middle-income earners. Other occasional Shoprite patrons are bulk buyers like institutions and food service outlets.

Shoprite retail outlets are strategically located, typically in towns with dense populations. The recent additions of two Shoprite outlets in the country (Matsapha Industrial Town and Big Bend) are indications of growth. All in all there are six Shoprite outlets in Swaziland with Manzini and Mbabane being the largest. The Mbabane Shoprite also accommodates the Hungry Lion food outlet.

The Shoprite 2007 Annual Report describes its operations in Swaziland as follows:

“The Group operates two Shoprite supermarkets in Manzini and one each in Mbabane and Siteki, as well as Usaves in Piggs Peak and Matsapha. It acquired three supermarkets in November 2006, of which two have been converted to the Shoprite brand, while the third will house a Usave and an OK Furniture branch. The acquisition has enabled the Group to double turnover in Swaziland in the last six months of the year and it is now the dominant food retailer in this country.”

#### *Competitor Scenario*

Shoprite operates in Swaziland along side other South African companies such as the Spar Group and Pick n Pay. Small local supermarkets and mini-supermarkets are mostly situated in the outskirts in the townships and service mostly township shoppers. Recently, a number of smaller supermarkets and mini-supermarkets operated by investors of Asian origin have mushroomed.

#### **3.2.4 Corporate Social Investment**

No information on Shoprite CSI projects in Swaziland were recorded in the research and neither was there information on these available in the 2007 Shoprite Annual Report.

#### **3.2.5 Local Economic Development and Supply Chains**

The researchers were unable to get detailed information from Shoprite of its operations in the country. Shoprite is centrally managed from South Africa and the chain “buy, make, move and sell” from raw material suppliers through to manufacturing and distribution to final consumers. Most if not all the products go through processes that conspire to bring a product to a market entirely through one horizontal line with minimal collaboration from other supply networks.

Most of the goods that are sold originate from outside the country, and they come from South Africa. Researchers observed that the containers that packaged the goods came from South Africa and most of them were labelled Cape Town, which is Shoprite headquarters. The trucks that make deliveries to Shoprite shop in Mbabane are all foreign registered with no local registration. According to an ex-employee locally Shoprite source its goods from South African based suppliers some of whom are based in Swaziland and not necessarily Swazi suppliers. The conclusion made was that Shoprite does not empower local suppliers in Swaziland, as they do not procure produce from them.

The only products that can be supplied by locals are fresh produce. These are leveraged products where a buyer can exert leverage because there are many suppliers

competing with each other including suppliers from South Africa. In this the buyer dominates, hence the purchase price is kept very low. An insignificant number (one or two) of local suppliers supply agricultural based produce such as vegetables and other agricultural products.

Shoprite supposedly provide training to these local suppliers, but according to one ex-employee Shoprite issues bogus certificates to these suppliers who accept and present these to government when required. They do this in order to ensure that they secure their contracts over a long time as the company may revoke them when they sense lack of cooperation. This is an indication that Shoprite does not offer any assistance to local suppliers to ensure that their produce is of high quality. There were no programmes in place that Shoprite had put in place to assist local suppliers hence their claims that they support these suppliers are baseless.

Headquarters in Cape Town pays local suppliers by cheque and this delays payment, as the suppliers have to wait for the arrival of the cheque and its clearance from the bank. This is the case even for small amounts of payments for small-scale local farmers. This discourages them from supplying Shoprite and they opt to sell where they are paid on delivery. This gives Shoprite a licence to source goods from outside the country. This practice discourages local suppliers and favours their South African counterparts.

### **3.2.6 Employment and Working Conditions**

#### *Training and Development*

Shoprite provides jobs to both South African and local Swazi employees. Jobs that are normally available for locals are mostly for less educated and low skilled Swazi people as Shoprite reserve the higher paying jobs for South Africans who are mostly white and skilled workers. Jobs for locals include till operators, packers, cooks in the food outlets and other jobs for unskilled workers. Local Swazi employees can also be employed as branch managers. In-house training for the local employees including the managers is decided and done in South Africa and this training provides them with the necessary skills in their jobs and positions at Shoprite.

The most senior position is that of country manager and is occupied by a South African white male who is based in Manzini and who is the liaison officer between the Cape Town Head Office and Swaziland. Most administration and decision-making functions are based in the Cape Town Head Office. Branch managers did not have any decision-making power and they were expected to report everything to Cape Town. They could not decide even to employ or fire an employee as headquarters did this. All the managers, including the country managers, wait for headquarters to tell them what to do and the way forward for Shoprite.

Although the workforce at Shoprite comprise both male and female employees, from observation there seemed to be a clear demarcation of roles as males were responsible for packing produce on the shelves and women were cashiers. The till supervisors in Mbabane were also female and from our observations there was no male cashier and no male till supervisor.

### *Casual Labourers*

Globalisation has led companies like Shoprite to shed a lot of their labour force and opt for the casualisation of labour. For workers this means no security and according to an ex-Shoprite employee: “to be a casual employee means that you are paid a very low wage and that you have minimal benefits”.

The current legal provisions in Swaziland allow casual labour. The workers’ union, the Commercial and Allied Workers Union Swaziland (CAWUSWA) is working hard to come up with legislation to address casualisation. According to one union leader casualisation is a violation of the rights of workers as it deprives them of their benefits. However, he admitted that this is difficult citing the unfavourable economic conditions, as people would rather be employed in a low paying job than stay unemployed. Casualisation promotes underpayment of staff and it is a way of avoiding paying wages stipulated in the Wages Act. This situation creates a class of the working poor.

### *Wages*

Although no calculations were made on whether the wages cover the basic needs of an average Swazi family, information gathered indicated that the wages were too low to cover the basic needs of a single employee. An ex-employee pointed out that although he was at management level he could not afford to eat lunch every day except on pay days. Another ex-employee who worked as a casual worker at a Hungry Lion food outlet pointed out that although she was working at a food outlet she was expected to buy her meals and with her small wage she could not afford it.

Wages are apparently the same for the same kind of job. However, most local staff members are channelled towards lower paying jobs as foreign workers occupy higher paying positions. There are wage differences between local staff and South African staff, even among those who are doing the same job. For example, managers in Swaziland are paid lower wages than managers who occupy the same job in South Africa. An ex-employee who was once a manager pointed out that the difference in wages was as high as 50% even at managerial level. He attributed this to the fact that South African employees were unionised and their union played an active role in negotiating for better salaries whereas in Swaziland this was not the case. Management on the other hand justified the differences by pointing out that there is more turnover in South Africa than in Swaziland so they cannot justify paying the same salaries.

It appeared that there are no wage differences based on gender and disability except that most women and people with disability are employed as cashiers and packers and these are by nature low paying. According to an ex-employee women are rarely promoted to managerial positions and hence are paid the lowest wages.

### *Benefits*

Workers employed at Shoprite often are not aware of their benefits, as most of the staff members are not actively involved with their workers' union.

Shoprite workers do not receive many benefits, even at managerial level. An ex-employee pointed out that even the benefits that are there are not easily accessible by Swazi Shoprite employees as it is not clear how they can be accessed. For example, in his case, he got benefits such as severance pay when he left Shoprite and he did not know prior to departure that he had this benefit. It is his lawyer who told him that he was entitled to this benefit.

Benefits that are accessed by some workers include: a Shoprite meal card, medical aid 50/50 (optional), educational loan (payable over three months) and death benefit. The Shoprite meal card entitled an employee to a meal at Shoprite on credit and the balance payable at the end of the month. The medical aid cover entitled an employee to hospitalisation and other health benefits and employees were expected to contribute 50% of the monthly contribution as the employee contributed the other 50%. The education loan on the other hand was to assist employees' families in paying school fees and other educational needs and the death benefit was to assist in funeral costs. One ex-employee indicated that the family of a deceased employee received a coffin from Shoprite as a contribution. However, the representative of the Shoprite workers' union revealed that casual workers received R750 and the permanent employees received R1 500 as cash benefits.

Because of low wages most employees do not use the meal card because food prices are not subsidised for staff members. Some employees skip meals and only use the card at month end. The medical aid is also not accessible to most Shoprite employees and they opted out of it because they are compelled to pay half the cost and most of them could not afford it. SwaziMed, for example, charges more than R2000.00 for an average family of six people. Very few Shoprite employees even at management level could raise half that amount.

Most employees accessed the educational loan to pay school fees for their children. Although most employees benefited from this loan, they could not benefit from the three months' free interest credit due to low wages. Their educational loan attracted a lot of interest as it was paid over a longer period.

Other staff benefits included training in South Africa and in-service training. However, most workers did not access the training because of lack of information about such benefits. One ex-worker pointed out that he managed to access most of the training both in-service training and skills training in South Africa.

#### *Maternity Leave*

Women employees at Shoprite are entitled to maternity leave as per the Swaziland Employment Act. Women employees are entitled to three months maternity leave, one month full pay and half pay for subsequent months. However, casual employees are not entitled to maternity leave and this can lead to problems as the following example indicates.

One casual employee was fired from her job in 2004 allegedly because of pregnancy. The hostile conditions towards pregnant women may also promote back street abortions as a means of keeping the job because abortion in Swaziland is illegal. A discovery of 71 foetuses in one of the Swaziland industrial areas in Matsapha where casualisation of workers is very common was made at the beginning of the year.

There is no paternity leave for fathers and this deprives them of the opportunity of bonding with their children. This is not peculiar to Shoprite, as even the Swaziland labour law does not offer such leave.

There are no facilities at Shoprite outlets to cater for breastfeeding mothers and young children. As soon as a mother resumes her duties she is forced to stop breastfeeding. There are no flexible hours mentioned for breastfeeding mothers. Shoprite does not provide any social infrastructure for child-care facilities such as nursing rooms and pre-school facilities. This is a shortcoming for most establishments in Swaziland and not just Shoprite. Provision of such infrastructure would offer women employees a peace of mind, as they will be assured of the safety of their infants and young children. This could also increase productivity if mothers are not worried about their children and may also reduce incidences of baby dumping which are a common problem in Swaziland particularly in areas with poor conditions and a large workforce of women employees such as textile and shopping malls.

#### *Freedom of Association*

Workers' rights in Swaziland are governed by the Employment and Industrial Relations Acts, which among other things provide for workers to organise into workers organisations. Workers of the Shoprite Group in Swaziland belong to the Swaziland Commercial and Allied Workers Union and they are affiliated to the umbrella unions such as the Swaziland Federation of Trade Unions (SFTU) and the Swaziland Federation of Labour (SFL).

The Federation of Swaziland Employers and Chamber of Commerce (FSE&CC) is a merger that services registered businesses in different spheres of business. This is an entity that is recognised by businesses, organised labour and the international community. Its main objectives are to promote and protect the interests of its members and to encourage industrial harmony, productivity and prosperity for all.

### *Gender*

Males hold most management positions, and women hold very few as most of them are employed as till supervisors. According to one ex-employee when he was still at Shoprite all the branch manager positions were held by males and there was not one woman. The situation is likely to have changed slightly as researchers observed that in Mbabane out of 11 employees in management positions three were women. Most women employees were still the ones who were attending to till enquiries and were formally dressed which was an indication of seniority. A woman in the history of Shoprite in Swaziland has never occupied the country manager position. Most women are employed as cashiers and males as packers.

### *General Working Conditions*

It was not possible to peruse the contracts for employees, but observations made at different Shoprite shops and other outlets were no different from other shops and were characterised by long-standing hours in the shops with only a one-hour break. One ex-employee who was fired due to pregnancy indicated that she was sickly and exhausted everyday because of standing for between 6-8 hours per day as a cashier at a food outlet. As the current labour laws in Swaziland do not specify working conditions, employees do what employers command them to do and when they complain they are likely to be dismissed. The current unemployment rates running at double-digits also offer a favourable environment for Shoprite and other companies to take advantage of the situation.

Shoprite employees are also expected to do overtime work such as stocktaking, which according to an ex-employee could last for more than 16 hours on weekends. This is not paid for as employees are usually told that in essence 'they are employed 24 hours a day and 7 days a week'. Women are not spared from working at night for the purpose of stock taking which is a violation of the Employment Act, which prevents women from working at night. This protective provision for women is to ensure their safety as walking at night could expose women to rape and other forms of violence against them.

The nature of the Swazi people does not help much to address the situation because they generally are uninformed in relation to their rights. The Workers Union is also failing to address the issue, citing the unfavourable economic conditions whereby people would rather have any job even if the working conditions were not favourable

than be unemployed. This creates a class of the working poor who are not contributing much to themselves let alone the economy.

It is also unfortunate that there are no legal provisions to address the working conditions of such workers. The law itself allows casualisation of workers and this means that exploitation of workers arises from the law. When there are no legal provisions to protect workers the working conditions would deteriorate and the employees would be demotivated and demoralised.

### **3.2.7 Health and Safety**

Shoprite like many other retail establishments has been sensitised on issues of health and safety for its employees. The International Labour Organisation (ILO) Swaziland Office was requested to develop a programme for retail to come up with gender sensitive policies including HIV and AIDS policy. According to the Coordinator of the Programme most shops have taken advantage of this programme and had been assisted to develop HIV and AIDS policies. She however, expressed concern on progress made at Shoprite as she felt that Shoprite was lagging behind and not taking full advantage of the programme. She pointed out that although Shoprite signed the MOU to participate in the programme they were in most instances failing to stick to the agreements made such as distributing condoms to staff members, appointing peer educators and a focal person. Where a focal person was appointed a junior person who did not take decisions was appointed and the department could not access him for training. She was also disappointed that Shoprite was not attending most of the meetings and were elusive. Up to now Shoprite has no peer educators and this makes it difficult for ILO Swaziland to intervene and assist the employees.

It was not possible to find out from Shoprite whether they had an HIV and AIDS programme and whether they had an HIV and AIDS policy at the workplace. This made it difficult to triangulate this information. However, it is a fact that Shoprite needs to take measures to address the issue of HIV and AIDS seriously and try to access the free services provided by ILO in order to improve the welfare of their staff members. Other supermarket outlets were taking advantage of this free service and ILO had specific HIV and AIDS programmes with them and their staff members are already empowered to demand their right to life from spouses and their colleagues.

There are no provisions to ensure the safety of employees particularly women employees, as there is an increase of violence against women especially during late hours. This is worse during stocktaking that normally ends late evening. One ex-employee narrated a story of one Shoprite employee who was dropped off a distance from home after stocktaking and she was gang-raped. Shoprite apparently never addressed this issue.



## 3.3 Zambia

### 3.3.1 Overview

Zambia is a landlocked country surrounded by Mozambique and Malawi in the east, Tanzania in the northeast, Democratic Republic of Congo (DRC) in the north, Angola in the west, Botswana, Namibia and Zimbabwe in the south. The country covers a land area of 752,612km<sup>2</sup>. The country is divided into nine provinces and 72 districts.

Zambia is richly endowed in mineral resources. Copper, cobalt and coal are mined on a large-scale. The country also boasts deposits of gold, diamonds, zinc, uranium, gemstones and a variety of gemstones that include emeralds, amethyst, aquamarine, tourmaline, garnet and citrine. The mining sector, particularly copper mining, has been the prime mover of economic development in Zambia since independence. From 1965 to 1975, copper was responsible for 95% of Zambia's export earnings and 45% of government revenues.<sup>39</sup> In the mid-seventies Zambia suffered huge economic shocks as a result of the collapse of metal prices on the international market.

The decline in Zambia's terms of trade brought about by the fall in world copper prices, which coincided with the increase in world oil prices, was not the only reason behind the dire straits in which the economy found itself for the most part of the 1980s and 1990s. It is widely acknowledged that an inappropriate policy regime played a role in aggravating Zambia's economic crisis<sup>40</sup>. With regard to the mining sector, output declined due to a host of reasons, including lack of re-investment in existing mines, political influence in economic decision-making and no exploration for new mines.

The improvements in the performance of the copper mining industry have taken place within the context of on-going efforts to bring about macroeconomic stability. A notable achievement has been government's effort to bring down the inflation rate, which in 1992 when the new Movement for Multiparty Democracy (MMD) administration was taking over was 168%.<sup>41</sup> The annual inflation rate had been brought down to a single digit of 8% by the end of 2006.<sup>42</sup> Equally impressive has been the resumption of positive rates of economic growth. Real GDP has grown from an annual rate of 3.6% in 2000 to 5.1% in 2005.<sup>43</sup>

The Zambian economy improved during the period of the implementation of the Poverty Reduction Strategy paper (PRSP) and Transitional National Development Plan (TNDP) from 2002 to 2005. The improvements in performance represented a marked

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<sup>39</sup> FNDP MoFNP Lusaka, Zambia

<sup>40</sup> Mutesa F. and ODCMT (2008)

<sup>41</sup> Ibid

<sup>42</sup> Ibid

<sup>43</sup> Ibid

reversal of the economic stagnation experienced during the 1990s. Per capita income grew at 2.3% annually. These positive growth trends are due largely to the overall impact of the economic reforms that started in the early 1990s. The rapid expansion of mining and construction were the key drivers of growth during the period. The renewed expansion of the mining sector was as a result of recapitalisation and new investments following the privatisation of state-owned mines and the buoyant world commodity markets. The construction sector recorded rapid growth as a result of private construction activities, especially in residential housing in the main urban centres and in facilitating mining sector investments. Manufacturing and tourism also recorded strong growth, averaging 5.2% and 7.4%, respectively. The growth in manufacturing was driven by the food and beverages sub-sector while growth in the tourism was largely on account of private sector investment in the sector. Growth in the agricultural sector averaged only 2.6%, with variations in weather patterns as well as inadequate infrastructure and generally poor market access<sup>44</sup>.

This improvement in the economy has not fully translated into improvements in the living standards of the ordinary people. This is mainly due to the nature of the urban centred growth that has not reached most of the population living in rural areas. The other reason is that Zambia lacks proper legislation and implementation strategies to ensure that both local and foreign investors provide decent working conditions, such as wages, health education and the right to unionise. The country also lacks proper laws and implementation to ensure that investors protect the environment. Put together, these factors have limited the poverty reduction impacts of recent economic growth<sup>45</sup>.

### **3.3.2 Conditions for Retail Investment**

The Zambian government has put in place measures to attract and retain foreign direct investment (FDI). This saw the creation of the Zambia Investment Centre (ZIC). This was subsequently merged with similar institutions to create the Zambia Development Agency (ZDA). The incentives under the Zambia Investment Centre, which applied to Shoprite at the time, consisted of general incentives and specific incentives. The general incentives provided in the Act were the a) wear and tear of equipment invested and b) transfer of losses from one year to the next year c) education and training deductions for tax purposes and d) incentives for investments in rural areas.

In addition to the general incentives, investors were entitled to an exemption from customs duties and sales duties and sales tax on all machinery and equipment (other than motor vehicles) required for the establishment, rehabilitation or expansion of that enterprise.

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<sup>44</sup> For details see GRZ (2006): Fifth National Development Plan. Lusaka, Zambia

<sup>45</sup> Muyakwa S. (2007): The Millennium Development Goals Report for Zambia- a Civil Society perspective. Lusaka, Zambia.

The incentives under the Zambia Investment Centre have been altered and enhanced under the new Zambia Development Agency Act. An incentive offered under the Act is valid for a period of five years from the grant of the licence, permit or certificate or for such period as the Minister responsible for finance may prescribe. Shoprite benefited from these incentives.

### *Development Challenges*

The macroeconomic achievements of the Zambian economy hide some of the problems facing Zambian society. Poverty ranks number one on the list of development challenges confronting Zambia. Current efforts to resuscitate the economy have done little to improve the livelihoods of the majority of the Zambian population. Poverty in Zambia is pervasive and multi-dimensional.<sup>46</sup> According to the Living Conditions Monitoring Survey (LCMS) of 2004, not less than 68% of the country's population lives below the national poverty line. This figure represents a marginal improvement to the figure of 73%, which was recorded by the LCMS of 1998. Two-thirds of the population live in poverty in a country so richly endowed with natural resources.

One reason why poverty has only marginally decreased while the economy has improved has to do with those sectors of the economy showing steady growth: mining, wholesale and retail trade and construction. These sectors tend to be urban based and are highly capital intensive. Most of these sectors have not generated sufficient employment because of weak linkages with the rest of the economy. Government states that if the country continues on such a growth path, headcount poverty will only marginally decline to 62.3% by 2010 from 68% in 2004<sup>47</sup>.

It is against the above backdrop that the Zambian government has articulated its long-term development objectives in a major policy document known as the *National Vision 2030*. The *National Vision* is to transform Zambia from its current low-income status to a prosperous middle-income country by the year 2030. Other key objectives of the *National Vision* include (i) significantly reducing hunger and poverty; and (ii) fostering a competitive and outward oriented economy. The government has also committed itself to implementing policies that will lead the country to the attainment of the Millennium Development Goals (MDG) by 2015. The first goal of the MDG is to reduce hunger and halve the population living in poverty by 2015. In recognition of the importance of these social and economic objectives, the government has made 'broad based wealth and job creation' the theme of its current Fifth National Development Plan 2006-2010.

It is clear from looking at the country context that Zambia's attainment of the development objectives it has set itself depends on the pursuit of prudent economic

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<sup>46</sup> All the statistical data unless otherwise stated is from the FNDP, MoFNP, Lusaka, Zambia

<sup>47</sup> Mutesa and ODCMT (2008)

policies that will consciously and deliberately advance its development agenda. It is in this light that the impact of South African investments in Zambia, such as Shoprite Stores needs to be assessed.

### **3.3.3 Shoprite Positioning in Zambia**

Shoprite's expansion plan into Africa started in 1995 with the purchase of six buildings in Zambia in accordance with a transaction concluded with the Privatisation Agency of the Zambian government. Refurbishment programmes were put in place and by October 1995 the first Shoprite retail store opened in Cairo Road, Lusaka. A further two stores opened later that year in Ndola and Kitwe. During 1996, four stores were opened in Kabwe, Chingola, Mufulira and Livingstone and in the period 1997 – 1999 a further six stores opened with the store in Manda Hill being the flagship of the Shoprite investment in Zambia.

Shoprite Zambia currently operates 18 retail supermarkets (including those which were gutted by fire) together with seven Hungry Lion outlets, Shoprite's fast food initiative. Fresh Mark, Shoprite's distributor of fresh fruit and vegetables, also operates in Zambia with a depot in Lusaka and Kitwe.<sup>48</sup>

In November 2005, Shoprite announced the intention to pull out its operations from Zambia because it had completed the sale of its shares. This pullout would not have affected the job situation in the company as it only entailed a change of ownership. After the announcement, the workers sought court action against the supermarket store. Zambia's High court blocked Shoprite from leaving the country and taking its assets with it, until it paid benefits to its Zambian workers. According to the High Court judge, Shoprite could not transfer its funds and assets back to South Africa - even though it had completed the sale of its shares and wanted to exit Zambia - until some 800 workers received their benefits. After the judgment, the issue has been silent but Shoprite has continued to operate in Zambia.<sup>49</sup>

Shoprite's operations in Zambia are described in its 2007 Annual Report as follows:

“The local economy, boosted by record-high commodity prices, is growing at such a rate that fears of overheating are starting to surface. Mining operations are growing exponentially to keep pace with the demand for especially copper. However, as the economy spurts ahead, competition from especially South African retailers is also growing. The core of its complement of 7 supermarkets and one Megasave was acquired from the government when the Group expanded its operations to Zambia. Most of these are located in central business districts. In addition to upgrading existing ones, new stores are being moved increasingly to the outskirts

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<sup>48</sup> Source: Miller Darlene 2005

<sup>49</sup> For details see Post Newspaper of January 2<sup>nd</sup> 2006.

where they can compete more effectively. Shoprite in Zambia is now a mature operation and the group is reaping the benefits of its substantial investments over the years.”

### 3.3.4 Corporate Social Investment

The respondents noted that corporate social investment for Shoprite was only in the form of donations of foodstuffs and other goods. They said that in most cases the company donated items that were either slow selling stock, damaged or nearing expiry. Some employees regretted that Shoprite made donations to orphanages, just to lift the image of the company at the expense of the plight of its employees who were subjected to poor wages and weak conditions of service. One respondent cited Celtel Zambia as one of the best companies with regards to CSI because she felt that Celtel invested genuinely and was giving back some of its profits to communities. She gave an example of the donation of school desks that Celtel Zambia made.

On environmental issues, one respondent observed that Shoprite Manda Hill alone sold between 150 and 200 packs of plastic bags which contain 50 bags each per day and the Manda Hill outlet had about 35 till machines. She wondered how many plastic bags all the Shoprite outlets dispatch every day and where all those plastic bags went.

The respondents further observed that Zambian labour laws were weak and working to the disadvantage of its citizens. The employees felt that corruption took place when workers reported the bad behaviour of companies in Zambia to relevant authorities.

Although the Mongu Shoprite manager indicated that the company was doing something around ensuring that it developed long-term business relationships in local communities, the management only indicated that the company provided support such as footballs and foodstuffs to community groups and members.

### 3.3.5 Local Economic Development and Supply Chains

The table below shows that the source of Shoprite goods is predominantly South Africa except for a few local products like mealie meal. Out of the selected goods, South Africa has a share of 59.3% while Zambian products account for 36.4% and the rest of the goods 4.3% are sourced elsewhere.

Commodity	Quantity Surveyed	Number and source of product		
		South Africa	Zambia	Other
Breakfast cereals	19	14	5	-
Insect killer	9	9	-	-
Body lotions	22	3	19	-
Baby foods	13	10	2	1

Sugar	1			1
Biscuits	29	20	7	2
Tea	10	5	3	2
Rice	9	5	3	1
Pasta	3	3	-	-
Toiletries	10	6	4	-
Soups	9	9	-	-
Mealie Meal	4	-	4	-
Bath products	4	1	3	-
Soaps	9	5	4	-
Detergents	11	6	5	-
Total	162 (100%)	96 (59.3%)	59 (36.4%)	7 (4.3%)

Regarding the company's recognition of various stakeholders groups, the management indicated that they (management) sometimes held meetings with the local Chapter of the Chamber of Commerce and discussed different issues.

Shoprite's code of conduct for suppliers provides strict quality control when goods are received from Lusaka. All goods are also subjected to the company's control procedures and standards. During the research study literature on these were not available to researchers preventing further referencing and verification.

The management at the branch indicated that Head Office in Cape Town supplied most of the goods to the branch. This confirmed that the Mongu Shoprite branch did not do much to capacitate local suppliers. A sole trader that was interviewed expressed the following view:

*"I have been operating this small shop for over 10 years. When I started this shop, there was no Shoprite outlet here and when Shoprite opened its outlet, I viewed Shoprite as competition but I later discovered that it was pointless as Shoprite's goods are very cheap, so I had to change my approach. My new strategy involves selling goods on credit. Initially the competition with Shoprite was stiff because of the fact that Shoprite offers better quality products i.e. their bread is very fresh so in order to sustain the shop, I started buying bread in bulk from Shoprite and reselling it at a slightly higher price as Shoprite usually runs out of bread. This has worked well for me so far.*

*The only problem that I have seen is the plastic bags that Shoprite clients throw around my shop. It is difficult for me to control the situation. I have tried to talk to the Shoprite management but all they say is that they will look into it and they have been saying that for the past 3 years. I work very long hours and I usually make sure that I take advantage of the closure of Shoprite during public holidays and I close my shop very late (well after Shoprite closes) as it is a home shop and I am a sole trader" - A 31 year*

old retailer operating outside the Chilenje Shoprite outlet (a Lusaka residential area).

### **3.3.6 Employment and Working Conditions**

#### *Discrimination*

It was observed that the majority of the employees at Shoprite, including management, were of Zambian origin. Out of the five outlets that were targeted for the study, two (Manda Hill and Matero outlets) had top management of South African origin. The respondents, especially those from Matero and Manda Hill outlets, indicated that although there was generally a reduction in cases of racial discrimination, there were still cases of racial discrimination in Shoprite. They alluded to cases where foreign (mostly white) managers were given personal cars while Zambian (black) managers were not, foreign managers insulting and shouting at Zambian managers and employees in the presence of their juniors and customers and that over 80% of management at Manda Hill were foreigners. Despite the indications of reduction in racial discrimination, it was reported that harassment and abusive language were growing by black managers on members of staff. Manda Hill branch is Shoprite Zambia's Head Office.

#### *Wages*

Apart from only one female interviewee who said that Shoprite was paying enough wages to its employees, the rest indicated that the company was not ensuring that all employees were paid a wage, which, at least, provided sufficient purchasing power to enable employees to meet the basic needs for themselves and their families<sup>50</sup>. One employee noted that his housing allowance per month, which the company provided, amounted to only ZMK150 000.00, while he was paying ZMK350 000.00 per month. It was observed that the majority of employees at Shoprite were paid basic salaries ranging from ZMK300 000 to ZMK1 000 000.00. Most of the respondents complained that it was difficult for them to meet most of the basic needs as their monthly expenses usually exceeded their incomes. They indicated that their monthly expenses exceeded ZM K1 000 000.00 and that most of their expenses went towards housing, school fees for their children and dependants and food.

When asked how they determined what would be a living wage, most of them cited the Jesuit Centre for Theological Reflection's (JCTR) monthly Basic Needs Basket as a yardstick. JCTR is a Zambian Faith Based Civil Society Organisation that works around issues of social justice. The organisation produces a Basic Needs Basket on a monthly basis, giving a minimum monthly income for an average Zambian family of six

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<sup>50</sup> The Zambian Government has set ZK 289,000 (US\$80) as minimum wage. The Trade Unions and CSOs have stated that this is too low and would rather have the JCTR basic needs basket as a minimum. The rate used is ZK 3500= 1 US\$.

members<sup>51</sup>. However, some employees observed that even though Shoprite wages were low, these wages were better than what some other companies in Zambia are paying.

It is worth noting that while the respondents made unsatisfactory remarks about the wages and conditions of service, most of the workers interviewed have been working for the company for as long as ten years. It is also worth noting that Zambia, like many other African countries suffers from high levels of unemployment meaning that people with jobs are reluctant to give it up.

The following items appeared on a sample of a Shoprite pay slip: Medical allowance; Lunch allowance; absent short time; Overtime allowance and Housing allowance.

### *Benefits*

Shoprite did not provide social infrastructure such as childcare, elderly care and community services, which allowed workers, especially women, to participate as employees. This made it difficult for female employees who had little children to work if they had no one else to take care of their children while they were at work.

Two female respondents said that Shoprite provided adequate coverage for its employees and their families; however, the rest said that the company did not. The majority said that the company was paying low wages and had poor conditions of service for its employees. They observed that the funeral grant that Shoprite provided was not progressive as it did not contribute to the advancement and sustenance of the livelihoods of its employees. The employees further indicated that the funeral grant was limited only to close relatives of the employee, for instance wife, husband or child.

### *Leave*

Shoprite provides paid maternity and compassionate leave to its workers and paternity leave was provided to some male employees. The majority of the employees interviewed indicated that about three months paid maternity leave per annum was available and six paid for days were given as compassionate leave days per annum. The employees also indicated that compassionate leave was provided but only when an immediate employee's family member, like wife, husband or biological child was sick or passed on.

### *Training and Development*

Most of the employees interviewed indicated that training, development, promotion and advancement opportunities at Shoprite were not made available to most of the employees. It was noted that most employees served for more than five years without any promotion or technical training. The respondents indicated that a few fortunate

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<sup>51</sup> The JCTR basic needs basket as the word basket suggest is composed of very basic needs of food, shelter and transport for the various urban and recently rural locations in Zambia.



employees got promoted only after they had served for a very long period of time. A considerable number of respondents however pointed out that the company had an education scheme, through the provision of a loan facility for Shoprite' employees who desired to advance their education. It was also noted that the loan facility was only available to permanent employees and their children who were thirteen years or below. Internal training programmes were available at Shoprite but these are basic training, such as, how to order, receive and package Shoprite goods.

The interviewed employees stated that Shoprite did not provide technical training that contributed to the advancement of all workers, especially women. They stated that the company only provided internal basic on the job training, which was directly benefiting the company. Some of the training, which the company provided include packing, receiving stock, and till operations etc. The workers however indicated that the company provided an educational loan facility which permanent employees were allowed to access.

Shoprite Mongu management confirmed that short-term training courses were available within the company but that employees (regardless of their status) who desired to take on long-term training (more than one year) were asked to resign and re-apply for their jobs after the training.

#### *Freedom of Association*

Out of all the employees interviewed, only two employees (who were employed on casual basis) said that they were not allowed to join the union. The rest indicated that they were free to organise and join workers' organisations without discrimination or interference and to engage freely in collective negotiations to regulate the terms and conditions of employment, and that they belonged to the workers' unions at their branches.

#### *Grievance Procedure*

The management at the branch indicated that the company ensured that no person was subject to any discrimination in employment, and that there was a grievance procedure manual that guided those employees who felt aggrieved. The management also indicated that workers were free to take their cases to the courts of law if they felt victimised by management. Management indicated that people were employed on the basis of their qualifications.

#### *Overtime*

Most interviewees felt that the issue of overtime was difficult to explain because Shoprite management did not seem to be concerned about the rights of the workers. They (employees) felt that the company did not limit overtime work to a level that ensures humane working conditions because the workers were made to work extra

hours without being paid. They indicated that some workers, especially those working on the tills were made to work long hours when senior managers from Head Office in South Africa visited the company, so that they could increase sales and impress the senior managers. One interviewee complained that at times management did not pay workers for the extra time they worked and that when the same workers reported late for work, management automatically deducted that time when paying. Three employees indicated that the conditions were okay and that overtime depended on how busy a particular day was.

The respondents also noted that management did not allow them to refuse to work overtime if they did not want to. They said overtime at Shoprite was compulsory and those who refused to work overtime were charged for insubordination and at times dismissed instantly.

### *Gender*

Shoprite recognises and observes that there may be particular barriers to the full participation of women. According to some of the respondents, there was equality at Shoprite. It was observed that both men and women took up management positions and there was a balance between male and female employees in most of the Shoprite departments. However, some respondents observed that some barriers existed at the company. They alluded to the company's non-observation of important days such as Women's Day. In cases when a female employee was sick or had to take care of a sick child at home, management asked them to sign against their annual leave days. They also said that even though some women were holding management positions at the company, the majority were still male.

All the respondents indicated that they were not aware of policies or policy statements of equality of opportunity for women in the workforce that Shoprite have in place. However, some workers observed that in practical terms, Shoprite provided equal opportunities for men and women within the workforce of the company. They also noted that women were being promoted to higher management positions and even to the regional level.

Most of the employees interviewed said that Shoprite did not effectively respond to the needs of women regarding pregnancy and family care because the company was not concerned about other things such as care for the employees' children when their parents (mothers or fathers) were on duty. They regretted that in most cases management did not allow women to take care of their sick children or husbands and those employees were expected to use their leave days if they had to absent themselves from work.

### 3.3.7 Health and Safety

A few employees felt that the working environment at Shoprite was a beneficial place to work. However, the majority said this was not so. Twelve respondents said that the company did not provide a working environment that supported health and wellness of both its workers and its customers, while the rest said that there was a lot of room for improvement. They indicated that safety and hygiene standards were not observed. At the Manda Hill outlet, which is also the Zambia Head Office, renovations and repair works were being done on the roof of the building while normal business continued.

The respondents also indicated that while the sewer system had been blocked, there was spillage in the bakery and it was suspected that the water had been contaminated. The workers were made to continue using the place and even the allegedly contaminated water. This was not only posing danger to the workers but also the consumers of Shoprite's products. Others also noted that departments such as the canteen, dairy and the bakery were very small, hot and dirty.

At the time of the interviews the employees at Manda Hill outlet pointed out that two employees had been victimized because they were suspected to have been the ones who reported these cases to the government Health Department. One of the two employees was fired instantly while the other one was still awaiting the verdict<sup>52</sup>. The workers wondered why and how Shoprite Checkers' management managed to make donations to orphanages when their own workers had serious problems.

#### *Health Cover*

Two female respondents said that Shoprite provided adequate coverage for its employees and their families; however, the rest said that the company did not. The majority said that the company was paying low wages and had poor conditions of service for its employees. They observed that the funeral grant that Shoprite provided was not progressive as it did not contribute to the advancement and sustenance of the livelihoods of its employees. The employees further indicated that the funeral grant was limited only to close relatives of the employee, for instance wife, husband or child.

#### *HIV/ AIDS Programmes*

Shoprite Mongu branch respondents said that they were not aware if the company committed to any programmes that were aimed at overcoming discrimination and stigmatisation of employees with HIV/AIDS. However, respondents from other outlets/ branches noted that Shoprite was making efforts on issues of HIV/AIDS. They said a lot

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<sup>52</sup> The research team did not explore the level of influence the trade union had in resolving workers' problems. It is, however, common to hear trade union leaders in Zambia complaining that the labour laws are not conducive to effective trade union activism in Zambia.

of awareness programmes among Shoprite employees were being conducted. They noted that employees were being sensitised on prevention, effective condom use and that condoms were being distributed at Shoprite outlets.

During the study, it was observed that at some outlets, there were posters and notices on the walls which were aimed at communicating issues of HIV/AIDS, such as the use of HIV prevention and treatment and that condoms were being sold at Shoprite outlets for ZMK500 for a pack of three condoms.

The employees spoke well of the company for educating its workers on HIV/AIDS. They said that Shoprite had been working with a Zambian civil society organisation on issues of HIV/AIDS, and that in 2007 some workers from different Shoprite branches (from different provinces) were trained as peer educators. They said however that the process was a bit slow. The union leadership indicated that they had started discussions with management on the possibilities of developing a clear workplace policy on HIV/AIDS in Shoprite. The employees emphasised that cases of discrimination against those living with HIV/AIDS within Shoprite were rare.

All respondents indicated that Shoprite's management does not use health testing as a condition for employment, including pregnancy testing. The workers said that the company encouraged its employees to undergo health testing.

### *Communication of Policies*

It was not clear as to whether or not Shoprite clearly communicated policies on occupational health and safety. Pressed on the issue, most of the respondents appeared to be ignorant of how this was being done. They indicated that most of the issues around health, safety and harassment only appeared in the conditions of service.

According to the union leadership at Matero branch, the company tries to communicate its policies to its employees and customers (the public). Sometimes the company puts up posters outside at the entrance and inside the shops but workers and community members removed such posters. They further indicated that safety rules were in place, especially on fire (this is after Shoprite suffered several fires in the recent past, including in a big fire in 2007 at one its large outlets). The union leadership expressed concern that despite having the rules and policies on safety, harassment and health, there was still a lot to be desired in terms of implementation as casual workers were not provided with protective clothing, like permanent workers, some managers were still using sarcastic language to their juniors and employees.

In terms of health, the company provides protective clothing to its workers (especially cleaners, bakery and butchery workers) to ensure that the workplace is free from toxic substances. It was indicated by management that the company provided

medical allowances to its employees as a way of providing universal health coverage. The management did not indicate whether or not Shoprite provided adequate health care coverage for all its employees and their dependents

With regard to HIV/AIDS, management at the Mongu branch indicated that Shoprite adopted a policy of non-discrimination but no mention was made of whether or not the company was committed to programmes to overcome discrimination and stigmatisation of employees with HIV/AIDS.

## 4. Conclusions

### 4.1 Malawi

Malawi has a strong agricultural sector, but its manufacturing sector has seen a decline in recent years. It is also a predominantly importing country, with South Africa as a dominant trading partner. The Malawian government encourages conditions for retail investment in the country.

Shoprite's corporate social investment in Malawi (as in other countries outside of South Africa) is not clear. Other than the Lilongwe branch giving some allegedly expired foodstuff to a small orphanage, there is no evidence of social community investment despite the fact that Shoprite's web site states that there is social investment at all its outlets.

Despite Shoprite's guiding mission to contribute to the nurturing of stable economies and the social upliftment of communities, local producers in Malawi are not included in any significant extent in Shoprite's supply chains. Only a very small proportion of fresh goods are bought locally, while many imported goods are produced locally. Local producers also complained about access to contracts and support.

Shoprite provides employment for a number of people, including school leavers. Some employees expressed dissatisfaction with their wage levels.

What is of concern in terms of working conditions is the allegation that Shoprite lays off pregnant casual workers who have to reapply for their jobs when they are ready to return to work. It is unfortunate that the researchers were not given access to the conditions of employment for Shoprite employees.

Shoprite appears to provide some training and development opportunities for their workers and allow their workers to belong to trade unions. While Shoprite appears to show sufficient concern for workers' health and safety, including providing HIV/Aids awareness programmes, there does not appear to be a medical aid scheme in place that covers employees and their dependants.

#### *Recommendations*

- Shoprite should be involved in community investment by contributing a certain proportion of its profits to social investment programmes that will benefit local economies and communities. Shoprite should also report on these initiatives in its company reports.

- The basic living costs should be taken into consideration when determining minimum wages at Shoprite. Shoprite should use the purchasing power index to set wages of workers and ensure that the wages paid improve living conditions.
- There appears to be some evidence that local employees are discriminated against in favour of expatriate employees. This is obviously not an encouraging situation.
- Shoprite should stop hiring people on a temporary basis<sup>53</sup> for extended periods to encourage employees to all enjoy the same privileges.
- Local farmers should be given priority in supplying fresh produce to the shops. Importation should only be used as a last resort. In the case of Malawi, possibly only fresh produce not available in the country.

## 4.2 Swaziland

South Africa is a major trading partner of Swaziland. It is reported that 66% of Swaziland's population, mostly in the rural areas, suffers from material poverty. Investment in small to medium sized businesses and their development are considered vital to job creation and economic growth.

Shoprite has a large casual workforce. Casualisation is seen as a problem as workers do not have sufficient work security and cannot make provision for retirement.

No information on Shoprite CSI projects in Swaziland were recorded in the research and neither was there information on these available in the 2007 Shoprite Annual Report.

A very small number of local producers provide produce for the Shoprite stores. It was reported that no programmes were in place to assist local suppliers to meet Shoprite's standards.

There is a perception that highly skilled jobs are only provided for South Africans, although Swazi employees are also employed as branch managers. Training for employees is done in South Africa. The country manager of Shoprite in Swaziland is South African. Branch managers do not seem to have much decision-making powers. Women are seldom promoted to managerial positions.

Employees were concerned about their wages and felt they could have been paid more. Wage differences were reported between local staff and South African staff.

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<sup>53</sup> While the law does not allow an organisation to employ casual/temporally labourers for a long time that is overruled when the organisation goes into a short-term contract with the employee. Thus an organisation can "legally" employ somebody on a temporary basis for a few years as long as they go into three or six months contract and keep on renewing when the contract expires.

Workers at Shoprite indicated that they were not aware of their benefits and attributed this to little active involvement by the union. Benefits such as medical aid, educational loans and death benefits were available to Shoprite employees. Workers reported that in most cases they were unable to afford the medical aid contributions.

Permanent women employees are entitled to maternity leave at full pay for four weeks, but casual workers do not have access to this benefit.

The working conditions leave a lot to be desired as employees are expected to work for long hours with no overtime pay. The unemployment rates offer a favourable environment for Shoprite to take advantage of the situation and exploit the workers. Although the workers are unionised their union does not attempt to deal with their unfavourable conditions because of fear that the employees could lose their jobs.

It was reported by the researchers that Shoprite did not take advantage of the free service offered by the local ILO office in educating the workforce about HIV and AIDS. General safety measures for workers are not given priority and workers are not provided with transport to their homes after work although they finish work late particularly during stocktaking. This latter issue is particularly a problem for women employees who are vulnerable during these late hours.

#### *Recommendations*

- Information on any corporate social investment projects in Swaziland needs to be reported on.
- A large casual workforce is problematic for the economy and the employment of more permanent workers is recommended.
- Plans to assist and develop local producers to provide produce for the Shoprite stores are required. Local producers need to be educated on quality control and the pricing of produce.
- Employing more local personnel in management positions will dispel perceptions that locals are being discriminated against.
- The vulnerability of women workers during late hours after stocktaking needs to be considered. Transport should be made available to employees after hours particularly after stocktaking.
- Shoprite should take advantage of the free educational services of the local ILO office around HIV/AIDS. Shoprite should also train the peer educators on HIV and AIDS issues and counselling.
- Shoprite should provide adequate information to its workforce on benefits and how to access them. Shoprite could also educate and encourage its workers to be actively involved in their unions.
- There is a need for improved amenities for people with disabilities, both employees and shoppers.



### **4.3 Zambia**

South Africa is a major player on the Zambian economic scene. Shoprite possesses the capacity to contribute to sustainable development and poverty reduction. This can, however, only happen if pro-poor government programmes and policies are put in place, implemented and monitored. The views of workers are that they appreciate some of the benefits they are getting from Shoprite (such as employment opportunities) but more needs to be done.

#### *Recommendations*

The main recommendations are:

- Shoprite in Zambia should take a long-term view of the retail and wholesale sector and plan to develop the sector in addition to making profits.
- Shoprite in Zambia should develop a culture of dialogue with stakeholders and put their cards on the table to ensure that each player gets a fair share of the rewards of their input in the operations.
- It was reported that Shoprite donates some items, but a lack of information exists on other corporate social investment in the country.
- The issue of plastic bags around Shoprite store was raised by the research and as an environmentally conscious corporation, Shoprite should do something to clean up the environment.
- Once again, it was reported that very few local producers were involved in Shoprite's supply chains.

## 5. Shoprite's Response to the Bench Marks Report

OCTOBER 2008

### Introduction:

The company questions the methodology of the research and the scientific value thereof. Some of the comments are based on assumptions and are not based on thorough research. The fact that the result of the research is based on interviews with ex-employees brings the scientific objectivity of the research in question. There is a marked difference in the results from the Zambia report to that of Malawi and Swaziland. The reason for this is that in Zambia interviews were conducted with a cross section of 30 employees. This resulted in a much more balanced view of the employees' opinion of the company. In both Swaziland and Malawi interviews were conducted with ex-employees which resulted in a much more skew result.

Pg 17

The report claims that the company took over previously state-owned companies in Zambia and Malawi and that this resulted in the denationalisation of jobs and the collapse of the local trading stores, with specific reference to PTC. This is untrue as PTC is still operating alongside Shoprite. The "local traders" the report refers to are mostly Indians and Lebanese nationals. We therefore fail to see how the "local" traders could have been affected. We fail to see how denationalisation of jobs could have taken place, because we now employ more local staff than the previous owners.

Pg 18 and 19

The report claims that Shoprite does not support the development of local producers and suppliers. However, the Group is actively involved in the development of local people, e.g. farmers, especially in the central and southern part of Malawi. This is done in cooperation with the Bvumbwe Research Station, Kasinthula Research Station, Local Land Care and the Human Institute. The company has also set up an office in Lilongwe to assist local farmers. The following farmers in Malawi are involved with the program and could be contacted as reference: Garden Corner, Mr. G.A. Njati, Mr. Khonje, Mr. Khuwi, Mr. I. Lockington

Pg 25

Claims are being made that Shoprite hands out expired stock to charities. This allegation is unfounded. We have a very strict corporate policy that all expired stock must be destroyed and not donated or sold to any person and we are unaware of any charity that has complained in this regard.

### Employee benefits: Malawi

Pg 27

The report claims that management receives housing allowances, transport allowances while staff do not. This is not true. Management and staff packages are structured on the same basis. The only difference is that the two branch managers of the supermarkets qualify for a car allowance as an incentive. This benefit is in line with what is being applied in other countries, including South Africa where a manager qualifies for benefits based on his performance.

The salaries are based on what is being paid in the market place. Salary increases are negotiated with the labour union annually. The salary levels are also based on salary surveys which we do every year amongst other retailers in Malawi.

Casual workers do not get “laid off and have to re-apply” as is stated in the report. They return to work in the same position upon completion of their maternity period.

Pg 28

The section on overtime refers to a so-called section from a contract forcing staff to work up to 12 hours a day. This does not appear in the Malawi employment contract. It is not clear where the reporter, Mr. Mandisi Majavu sourced this information. Shoprite adheres to the labour laws of Malawi and does not force staff to work overtime. Staff is guaranteed a 1 hour meal break every day as well as 2 x 15 min tea breaks, one in the morning and one in the afternoon. As far as safety at night is concerned, we provide transport home to all the staff that has to work after 18 h 00.

Staff has total freedom of association and the allegations of intimidation of union members are totally unfounded. A recognition agreement exists between the labour union and Shoprite. Wage negotiations take place on an annual basis.

#### **Swaziland:**

Pg 35

The allegations of discrimination against local suppliers are unfounded. The company’s philosophy is to procure locally providing the product meets Shoprite’s food safety and price requirements. The payment of local suppliers is transacted in Swaziland and not from South Africa.

Pg 36

All managerial positions are manned by Swazi’s except the General Manager who is a South African expat. The purpose of his assignment to Swaziland is to train and develop the local staff in retail operations.

Pg 36

Shoprite does not employ casual labour in Swaziland. Staff who are employed as permanent part timers is paid weekly and receive the same statutory benefits as permanent staff such as paid maternity leave and sick leave. The claim that Shoprite contributes to abortions in the Matsapha industrial area due to the employment of “casual” labour is therefore unfounded.

Pg 39

Equal opportunities exist for females to occupy managerial positions. Currently 35% of the managerial positions are filled by females.

As Shoprite does not take stock at night, the allegation that women have to take stock at night is untrue.

Pg 39

Overtime is paid in accordance with the Labour Act. Staff attendance is recorded electronically and will not be changed or amended by management provided the overtime has been agreed by management.

**Zambia:**

Pg 47

The report claims that 80% of the management team at Manda Hill and Matero is from South African origin. Factually, none of the store managers in Zambia are from foreign origin. Only four South African expats are employed at the Zambian head office, which is situated in the Manda Hill centre. The report furthermore refers to the lack of training, development and advancement opportunities for employees. The fact is that Shoprite give local staff equal opportunity to occupy senior executive positions. Shoprite currently has nine Zambians in executive positions in Zambia, which includes regional managers, regional admin managers, creditors' manager, deputy divisional manager and human resources manager.

In addition to the above, four Zambians occupy senior positions in other African countries.

Pg 49

Overtime work is limited to the minimum and staff is not forced to work overtime. Should staff be required to work overtime, they are paid in accordance with the labour act. The allegation that staff is dismissed when they refuse to work overtime, is untrue. This can be verified on the pay slips of the staff.

Pg 50

Equal opportunity exists for females to become branch managers as well as become senior executives. Two of the regional admin managers are female and 30% of the total management complement is female.

Pg 52

An independent survey on the hygiene of our service departments was conducted last year and the results were satisfactory. The areas of concern have been addressed.

**Bench Marks Foundation Response**

The Bench Marks Foundation thanks Shoprite for reading the report and sending a response. This is very encouraging and opens up possibilities for dialogue with Shoprite in relation to their role as a good corporate citizen. The Bench Marks Foundation makes the following points in relation to the response received from Shoprite.

- It is unfortunate that Shoprite management gave no permission for interviews and provided little in the way of requested information. The resultant interviews in Swaziland and Malawi may have been more insightful if Shoprite provided support for the research.
- The point made in the research is that it appears that Shoprite has a negative impact on local economic development. Shoprite's expansion comes at the expense of local trading stores who are unable to compete with Shoprite. While Shoprite does create jobs in local economies, other jobs are lost and more importantly, profits are repatriated to South Africa.

- One of the main findings of the report is that Shoprite could improve in their support given to local producers.
- The research in Malawi could have benefited from information provided by Shoprite through the questionnaire that was sent to Shoprite to be completed. In the absence of such information a local supplier was interviewed and his views incorporated in the report.
- The Malawian researchers point out that they would have appreciated a response from Shoprite with regard to the specifics of their social responsibility programmes, for example, what items are given to which charity institutions.
- The main point in relation to the issue of wages is that even though salaries may be based on what is being paid in the market place, this may not represent a living wage. In the research report an outline of the different kinds of wages are given (pg. 18).