

Wholesale&Retail

LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities



Retail's Contribution and Strategies for Job Creation and Retention A SUMMARY

The retail sector, with its large footprint in both urban and rural areas, has the potential to create more sustainable jobs in South Africa, something that is widely recognised as essential for the country's political and economic stability.

INTRODUCTION

Achieving full employment, decent work and sustainable livelihoods is the only way to improve living standards and ensure a dignified existence for all South Africans. The retail sector, with its large footprint in both urban and rural areas, has the potential to create more sustainable jobs in South Africa, something that is widely recognised as essential for the country's political and economic stability. Nevertheless, there are many factors at play, among them the phenomenon of 'jobless growth', a widening skills gap, continual technological changes and shifts in consumer behaviour. This research report makes a number of pertinent recommendations in an effort to remedy the situation.

THE BACKDROP

The retail sector contributes a substantial percentage of jobs in the South African labour market but around half of these are casual in nature, which could result in the sector facing a potential collision course with the trade unions.



In addition, the retail sector has followed an international trend of an 8% decline in employment since the start of the financial crisis in 2008, flattening out since 2010.



In the wake of the 2008 financial crisis, retailers have also sought ways to reduce and cut operating expense by reducing the size of their stores, lowering employee head counts and reducing their inventory exposure.



A combination of weak consumer demand and uncertain economic growth continues to see employers holding back on the hiring of new staff, with the ever-present risk of further job-shedding should the economy take a downward turn.



Although South Africa is a developing country, its 'mature' retail market is dominated by a small group of large companies able to absorb losses to gain market share, thereby squeezing out any potential competitors. This makes it difficult for small players to enter the market, further limiting prospects for job growth.



A change in consumer lifestyles has led to the emergence of smaller convenience stores particularly at petrol station forecourts. These stores are typically open for longer hours, offering South Africans a safer and more time-efficient way of shopping, even after hours.



In tandem with this is the rise of e-commerce. Even though the country still lags behind internationally, the fact is that e-commerce is going to be a major driver of change in this sector with further major implications for employment. In 2010, South African e-commerce had already passed the R2-billion mark.



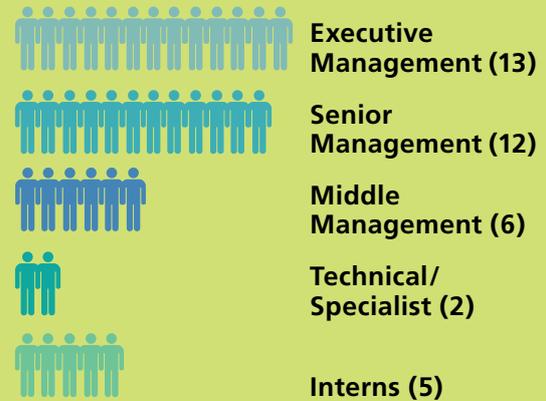
South Africa has a high proportion of low-skilled workers, yet structural changes such as the rise of e-commerce and convenience stores, leads to a demand for more mid- to high-level skills. Low-skilled workers are most likely to be affected by these technological changes and a concerted effort is needed to address this emerging gap.



METHODOLOGY

The study looked at the retail sector in a global context but focused on South Africa's major retailers operating within the country's urban hubs of Johannesburg, Cape Town and Durban. In addition to a literature review, it included a structured online questionnaire and interviews. Data came primarily from people in management positions, from executive managers to specialist or technical staff. Of the 33 people who participated in the study, the majority work for large retailers. In addition, a series of telephonic interviews were conducted with five interns to solicit their views on their experiences within the retail sector.

PARTICIPANTS



There were 33 organisations represented by 33 participants and 5 Interns who participated in the survey.

POTENTIAL STRATEGIC INTERVENTIONS

Internationally, retailers have been exploring several options to maintain growth.

Value versus price offerings: This complex subject involves unpacking what consumers really regard as added value, and are willing to pay for, and what they would happily see fall by the wayside.

Personalised products and services: By harnessing the power of technology, retailers can use available data to build more personal relationships with their customers, offering them what they want, where they want it.

Expanding into Africa: South African retailers have not been shy to spread their wings. Shoprite has opened stores in 17 countries, Mr Price recently opened its first store in Ghana and Pepkor have spent R100 million expanding in Nigeria. The question is how this growth can help to stimulate job growth within South Africa.

Using e-commerce to sell abroad: Small producers and retailers are able to overcome access to market by using e-commerce platforms to sell into a global market.

Government support: Five key areas of useful government intervention to help stimulate growth should include identifying areas of competitive advantage; improving access to finance; offering support through appropriate infrastructure; reducing regulation and bureaucracy, and entering into public/private partnerships.



DETERMINE
COMPETITIVE
ADVANTAGE



ACCESS TO
FINANCE



APPROPRIATE
INFRASTRUCTURE



REDUCED
REGULATION AND
BUREAUCRACY



PUBLIC/PRIVATE
PARTNERSHIPS

THE ROLE OF SMALL BUSINESS

NICHE MARKET



ONLINE TRADING



LINKS WITH LARGE RETAILERS



COOPERATIVE NETWORKS



GOVERNMENT OR SETA INTERVENTIONS



The single most cited reason for companies not hiring more employees was the perceived restrictiveness of the current labour environment.

Small businesses are able to respond more quickly to gaps in the market, which in turn can help to create jobs. However, there are constraints. These include high start-up costs, difficulty competing with larger retailers, bureaucratic requirements and exclusivity agreements in malls along with high rentals. The following were some of the suggestions on how to help small businesses out of the starting blocks:

- **Niche markets:** Small businesses are uniquely placed to deliver specialised services.
- **Online trading:** Small businesses can expand their reach and customer base through online trading.
- **Links with large retailers:** Facilitated partnerships could, for instance, see large partners using smaller partners to increase their footprint or operate as agents for specific products.
- **Cooperative networks:** Small retail cooperatives could help to overcome problems of economies of scale and access to markets.
- **Government or SETA interventions:** These could include support centres offering help with compliance, agreements with larger malls around more affordable rentals, the relaxation of red tape for small businesses; a youth wage subsidy and finding ways to connect retailers with local manufacturers.

WHAT THE RETAILERS SAID

Can the sector create jobs in the short to medium term?

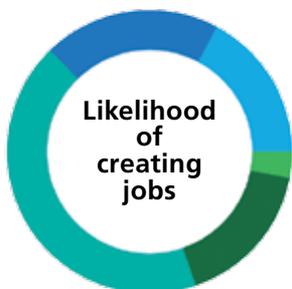
Most respondents were neutral on this point with equal numbers being either negative or positive. The sense espoused was that while there were opportunities for growth, these were being hampered by the identified specific constraints.

Why don't retailers hire more employees?

The single most cited reason for companies not hiring more employees was the perceived restrictiveness of the current labour environment. Among the issues raised were the inability to fire poor performers, the risks associated with industrial action and the restrictions imposed by a minimum wage requirement.

Is bureaucracy getting in the way?

Respondents felt that the bureaucratic burdens on business were onerous and limited the size to which smaller businesses were willing to grow.



- Very unlikely (3%)
- Unlikely (17%)
- Neutral (43%)
- Likely (20%)
- Very likely (17%)

What entry-level skills are needed?

Poor literacy and numeracy skills were cited as a major problem even for entry-level workers. Respondents indicated a need for more training on both these and softer skills around topics such as business ethics and attitudes towards employment.

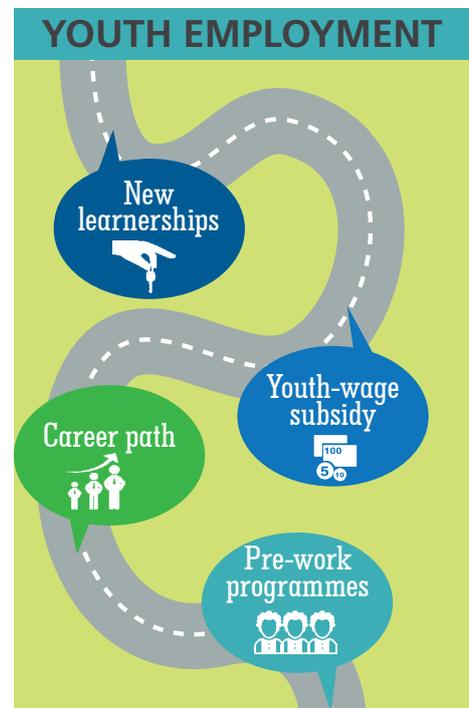
What can be done to employ more young people?

Pre-work programmes: Examples would be to get young people to spend working holidays in the retail environment to encourage a sense of entrepreneurship along with a work and business ethic.

Career pathing: The sector should be seen not simply as an employer but also as a potential career.

Youth-wage subsidy: Such a subsidy would put employers in a better position to hire more youth openly and freely.

Rethinking learnerships: In general, learnerships were not perceived to be user friendly because of the way they were structured. Nevertheless, a need for a sales learnership was expressed, as there are few formal qualifications for this skill.



What impact is technology having on your business?

The literature review found that the impact of technology on employment in the retail sector is likely to be significant due to factors such as automation, increased skills requirements and the creation of entirely new occupations. The respondents to the survey noted visible technological impacts in areas such as point-of-sale (cutting back on the need for staff), real-time stock control technology (requiring more skills on the part of those using it), administration (more productive but also more skilled), security, marketing including new areas such as social media, and general computer usage.

How well are internships working?

While internships are a passage into the job market, problems tend to arise when they are used as a way of sidestepping labour law. Unpaid internships restrict access and opportunity to good jobs for people from disadvantaged socio-economic backgrounds and have a negative impact on the economy in the long run. The interns who were interviewed welcomed their placement for 12 months but said they had workplace challenges, including the fact that there was no induction and little interest on the part of employers in their being there. Most were uncertain about their future.

What skills are needed in retail?

At entry level, it was noted that there was a problem with literacy and numeracy along with 'soft skills', all of which could be addressed through additional training. There was also a looming skills gap due to the shift in technology and more e-commerce and there needed to be a focus on higher level occupations. Among the areas of need were the following: Electrical and mechanical maintenance, upstream design (such as jewellery), sales and telesales, management and leadership, customer service, store operations, logistics, human resources, ICT, engineering and pharmacy.

CONCLUSION & RECOMMENDATIONS

The creation and retention of jobs within the retail sector is based on several factors, not least the external environment. Political decisions, economic and social factors all have an impact.

An important driver of change in the sector is technology, which will influence online shopping, reduce shop floor space, increase warehousing and transport logistics – with the potential to shed low-skill jobs but also to create new jobs and careers.

A comprehensive and viable strategy on the part of the retail sector and the W&RSETA is required for alleviating unemployment, in particular youth unemployment.

Ultimately, the retail sector cannot afford to be an onlooker but must be an active participant for change.

1 Work together

There needs to be more collaboration between the SMME's to create a larger pool for improved supply chain management which, in turn, will create jobs and improve pricing and value to customers.

2 Small is practical

The sector needs to come up with a workable strategy to develop small businesses in order to grow employment opportunities. Strategies to be developed with the W&RSETA should include creating portals for cooperation, shared service centres, better business linkages, and less bureaucracy.

3 Connect the dots

The W&RSETA with the Department of Trade and Industry (DTI) should look at a programme that identifies priority sectors within manufacturing with the view to connecting local retailers with manufacturers.

4 Employ the youth

The retail sector needs to develop a viable and workable strategy for youth employment including pre-work programmes at school, encouraging entrepreneurial thinking and the use of internships and learnerships linked to defined career paths, which should be mapped by W&RSETA.

5 Support learnerships

The retail sector needs to support learnerships and work with TVET colleges and universities to create a pipeline of students and prospective students into the industry. The W&RSETA must engage the levy and non-levy paying organisations on their contributions to learnerships.

6 Mind the gap

The retail sector needs to be mindful of the role and impact of technology on employment as this could lead to mechanisation and new jobs. The W&RSETA must remain up to date in terms of evolving the skills retailers need.

7 Keep tabs

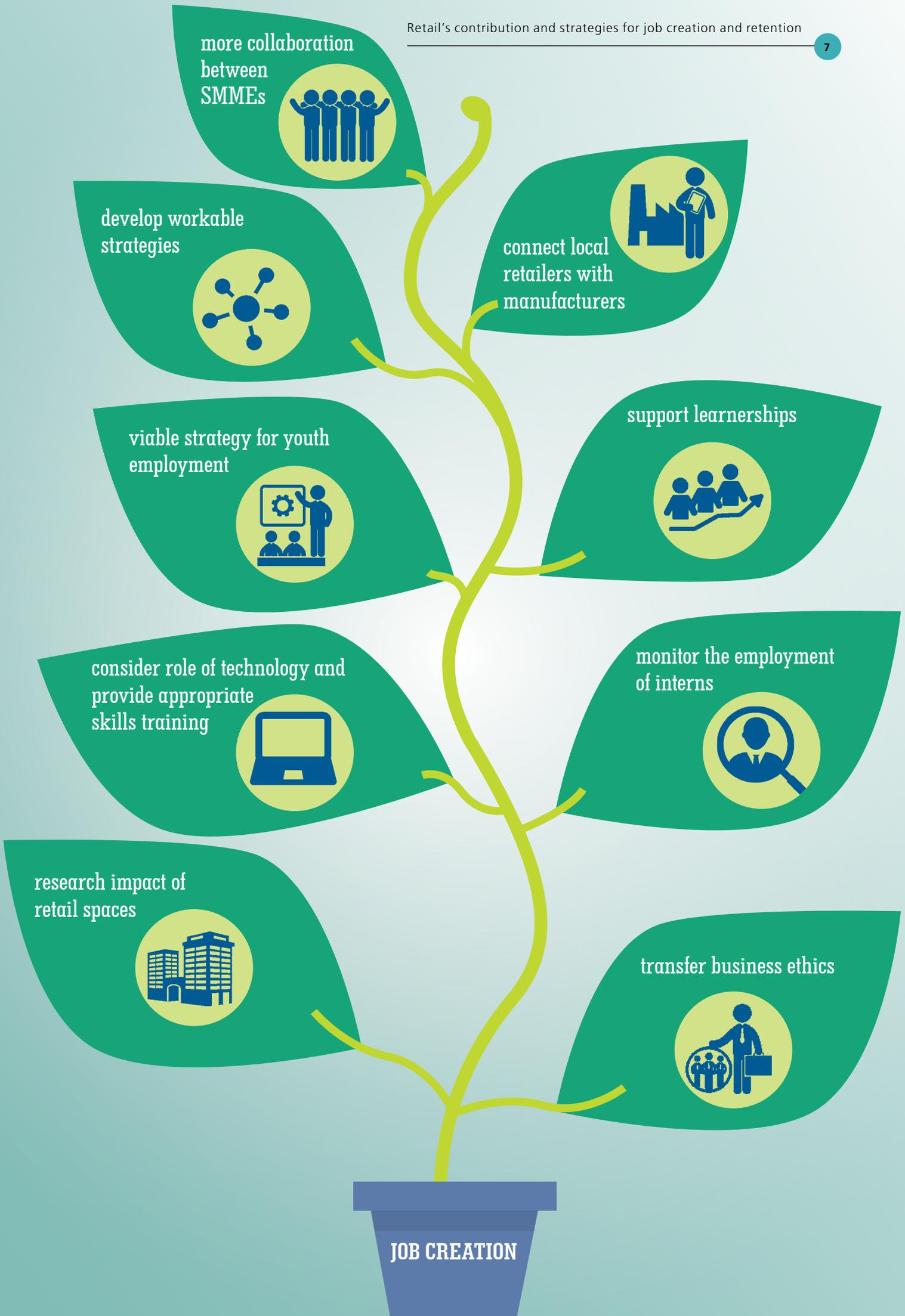
The retail sector must monitor and evaluate the employment of interns.

8 Find the space

The W&RSETA or DTI should look into the nature of the retail and space environment in South Africa, especially the role of large malls on buying behaviour, rental costs and how these factors impact on small retailers.

9 Keep it clean

Business ethics should be included in learner programmes. These should include a practical guide to ethical behaviour and the expectations of how employees should behave in the workplace.



THE W&R SECTOR

W&R is the fourth largest contributor to GDP and the 30 000 tax-registered retail enterprises employ about 20% of the total economically active workforce according to Stats SA.

About 86% of registered enterprises in this sector are small and micro enterprises, 9.5% medium size and 4.5% large companies. Only 66% of operational retail traders are formally registered and contributing to the fiscus, suggesting there are over 100 000 informal (unregistered) traders in the sector accounting for 10% of national retail turnover.

The main employment increase has been in the informal /SMME sub-sector.

Wholesale&Retail **LEADERSHIP CHAIR**

Cape Peninsula University of Technology, Cape Town

THE WRLC

The Wholesale and Retail Leadership Chair (WRLC) at the Cape Peninsula University of Technology (CPUT) was established in 2013, based on an initiative by the Wholesale & Retail Sector Education and Training Authority (W&RSETA) to contribute towards sector research and professional qualifications development at higher education levels.

A national survey report entitled Priority Research Needs of the South African Wholesale and Retail Sector marked the first step taken by the WRLC towards the creation of a basis for relevant research in this dynamic business sector.



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This publication is based on research into retail's contribution to, and strategies for, job creation and retention in South Africa. The lead researcher is Dr Burton Malgas, of OD Management Services, together with Dr Tony Khatle, also of OD Management Services and Prof R B Mason, the Wholesale and Retail Leadership Chair, Cape Peninsula University of Technology, Cape Town.

The full report will shortly be available at <http://wrlc.org.za/research-2-3/>

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