

Wholesale&Retail

LEADERSHIP CHAIR

Collaboration opens the window to a world of opportunities

Interventions to Achieve Employment Equity Objectives in the Wholesale & Retail Sector A SUMMARY

DEFINITIONS

Designated employer

Determined by size, annual turnover or collective bargaining agreements.

Designated groups

Black people, women and people with disabilities who are South African citizens

Suitably qualified person

A person with formal qualifications, prior learning, relevant experience or the capacity to acquire the ability to do the job (within a reasonable time).

Affirmative Action (AA)

AA involves the monitoring of numbers in specific time periods.

Employment Equity (EE)

EE includes the culture and climate of the workplace and policies and procedures for recruitment, appointments, promotion and training.

Employment Equity Plan (EEP)

A plan to facilitate reasonable progress towards EE in the workplace. This entails determining the degree of representation at all occupational levels in the workplace, taking both national and regional population statistics (demographics) into account.

This is one of the key points of contention identified by this research report.

INTRODUCTION

The Wholesale and Retail (W&R) sector is a significant employer, contributing some 20 to 24% of jobs in the country, according to Statistics South Africa. It therefore has a meaningful role to play in terms of national objectives such as Employment Equity (EE)* and job creation, in terms of the National Development Plan (NDP) 2030.

While the need for EE is undeniable and is supported by the majority of people and institutions, this report argues that attempting to assess the development and returns on national investment in EE only through demographic representation fails to take into account the complex structures of organisations.

This report looks at the impact of the EE legislative framework and argues that interventions to achieve EE objectives should be made with core business goals in mind. It also highlights key areas for potential change that will be beneficial for other sectors as well.

It further notes that the development of talent – in essence, competence – is lacking or inadequate. Consequently, among the report's recommendations are that a competency model, linked to a performance management system, would help to create more efficient EE talent management processes.

***This document uses 'black' as a group term for Africans, coloureds, Indians and Asians, and uppercase letters only for proper nouns.**

METHODOLOGY

The study followed a mixed-methods approach, using questionnaire surveys, in-depth interviews, case studies, focus groups and secondary data. Although the small sample size limits generalisation of the findings, the study provides insight and direction for further research.

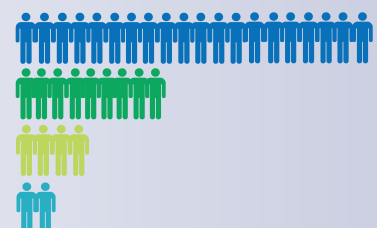
THE NUMBERS



Although, as of 2012, white males still comprised 65.4% of top management positions in the W&R sector, six times the portion of the economically active population they represent, there are signs of improvement:

The workforce profile at the skilled level has shown some improvement in terms of race:

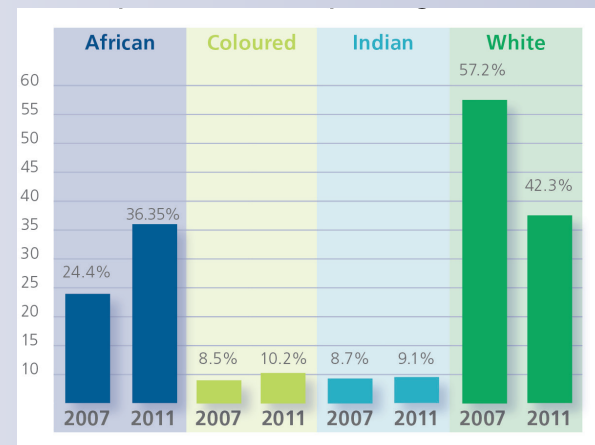
- **African** representation was at 57%,
- **White** at 24%,
- **Coloured** at 11.5% and
- **Indian** at 6.2%



As far as the total workforce within retail is concerned, the picture looks as follows:

- African representation rose from 24.4% in 2007 to 36.35% in 2011;
- Coloured and Indian representation grew from 8.5% to 10.2% and from 8.7% to 9.1% respectively; and
- White representation declined from 57.2% in 2007 to 42.3% in 2011

A survey of 10 medium-sized, rural-based retailers showed that they had achieved more than the sector norm in terms of 'demographic profile' and were in line with the requirement of meeting the national demographics of the economically active population.



LEGAL FRAMEWORK

The Employment Equity Amendment Act (2013)

Updated in 2013 as the Employment Equity Amendment Act (EEAA), this legislation incorporated 26 significant amendments to the original Act. It now requires all companies to produce an EEA2 (Employment Equity Report) and EEA4 (Income Differential Statement) every year. If any of these conditions are not met, the company may be subject to hefty fines, which have also been adjusted.

The objectives of the EEAA, 2013 are designed to promote numerical representation; but they express little regard to the effect this may have on strategic business effectiveness. There is also a great lack of knowledge on the writing and creation of EEPs and EE reports. Even in situations where plans are made, organisations experience difficulty in following through with implementation.

The need to comply by changing the demographics of an organisation, has led some companies to take a 'numbers' approach to EE rather than look at the underlying competency issues.

Numbers versus competency

Two people may have the same qualifications but only one will be the more competent and better suited for the job. Selecting the 'right person for a job' requires more than just a comparison of applicants' technical skills or experience; thus it is not enough that a potential employee be "suitably qualified".

Black economic empowerment

The black economic empowerment (BEE) programme was established to redress past inequalities by giving African, coloured and Indian South Africans increased economic opportunities. Although BEE is voluntary, possessing a valid B-BBEE certificate gives an organisation a competitive advantage, particularly with regard to winning state contracts and grants.

B-BBEE Amendment Act

The Broad-based Black Economic Empowerment Act (B-BBEE) Amendment Act of 2013 significantly impacts the management sector. Senior and middle management from the old EE element are still in the criteria, but junior management no longer applies.

Junior management is where employers have traditionally sought to develop employees in greater numbers, thereby reaching their EE targets. Employers are now forced to give more attention to the movement of senior and middle managers into the higher tiers of management.

AFFIRMATIVE ACTION AROUND THE WORLD

Canada

There are no quotas but larger companies are required to develop EE plans and put effective enforcement measures in place. Canadian law protects employees from reverse discrimination. Women have made significant progress but still lag in seniority. Other groups have not fared as well.

Ireland

Women have increased to almost 40% of the workforce over 25 years (though still below the EU average). A National Racist Awareness Program has been established as well as an Equality Audit. Disability cases are punishable by heavy financial measures and are taken very seriously by the Irish media.

India

There have been gains in literacy, education and representation in managerial and professional positions. However, a quota system (for 'scheduled casts and tribes') has led to a lowering of standards and resentment within companies and given rise to the domination by a majority caste in public departments.

USA

The hiring of black minorities has improved, and companies actively work to avoid gender discrimination. Targets aren't always met and there is an emphasis on numbers rather than human capital. Some feel the law has run its course.

Namibia

Namibia's aims were similar to South Africa's (transformation, increased representation and socio-economic reform). There has been increased access to education and employment in the public sector but women continue to lag in the workplace, where a quota system has been unfruitful.

Malaysia

Malaysia limited itself to a quota system in the public sector with a timescale of 20 years and focused primarily on economic development. Initiatives included development projects such as land settlement schemes, marketing and credit facilities and the provision of schools and clinics. Malaysia also effectively drove this policy through the promotion of national unity to reduce friction between groups.

INTERNATIONAL LESSONS



- Goals and timetables are preferred to a quota system
- Progress for women is generally better than for other groups
- These measures are rarely voluntary for large companies
- A focus on education is essential for success

BENEFITS



EE plays a vital role in change and transformation in the South African workplace. South Africa has a very diverse and culturally complex workforce, and there are multiple potential benefits to a diverse workforce. Thus, EE can be an effective business strategy if

- It accesses skills not available to homogenous workforce
- Fosters a spirit of company creativity
- Promotes problem solving
- Helps with communication in diverse markets
- Creates a culture of inclusivity
- Enhances teamwork

Some companies have moved towards managing diversity, as measured in dimensions such as gender equity, disability management, and fairness of policies and procedures.

CHALLENGES

Among the many challenges identified by this study include the following:

- 15% of organisations said they had difficulty in compiling or completing their EE reports
- 27% said they did not consult with employees after implementation
- 27% said they did not have the resources or competency to conduct an EE analysis
- 27% declared low commitment from top management
- 42% claimed that they would have difficulty in filling positions if they used the prescribed demographic profile (regional and national) in their EE planning
- 42% found it is difficult to define 'suitably qualified' persons
- 52% reported the economy had a definite bearing on implementation
- 82% did not have a formal talent management system in place.
- 88% had not rolled out any change or diversity management programmes



General observations

- Increased competency levels were regarded as more important than achieving numerical goals
- EEPs were based on the specific company profile
- None of the organisations had done any international EE benchmarking
- 82% did not adhere to official processes for talent planning/talent management, succession planning and change and transformation programmes

Efforts to achieve EE should not be the sole responsibility of the EE managers but a combined effort from all levels of management. However, as required by the EEA, a senior manager must be tasked with its implementation. EEA would enjoy broader support and appeal among citizens if implemented fairly and consistently. The intention of the act is to encourage organisations to develop their own human potential, through mentoring, coaching and staff development.



BARRIERS

Among the barriers to effective EE the following were identified:

- Insufficient focus, coordination and integration of processes
- A lack of shared understanding and communication around EE
- A lack of leadership in management
- Inconsistent implementation without consequences
- White fears regarding EE
- Issues around organisational culture
- A general lack of cultural awareness and the value of diversity
- White, male-dominated organisations continuing to exclude black recruits
- Black people being selected as tokens without being fully integrated into the company
- A failure to develop and train black staff who also lacked role models or mentors
- Little or no effective talent management in general

There is a clear gap between policy and practice. Recruitment, development and retention processes are fragmented and there appears to be a lack of commitment from senior managers to adopting transformative EE in their businesses. This is evident in the sketchy way in which reports and plans are drawn up, employees are engaged, analyses are conducted and talent is managed.

CONCLUSION



The findings of the research point to deep-seated issues around EE implementation. The literature and research results show there is no debate about the need or desirability for EE. Rather, questions relate to the methodology of implementation and the issues of checks and balances between EE and productivity.



EE is not about hiring or promoting unqualified candidates, or about having an organisation suffer undue hardship. Rather, it is about taking the steps necessary to ensure that competent designated group members are hired, promoted and retained equitably. Increased competency levels are more important than achieving numerical goals



South African employers spend too little on training their staff and investing in their long-term potential. If more staff were better trained, the economy would perform better and the incentive to job-hop would be reduced.

CAREER MANAGEMENT MODEL

A practical solution

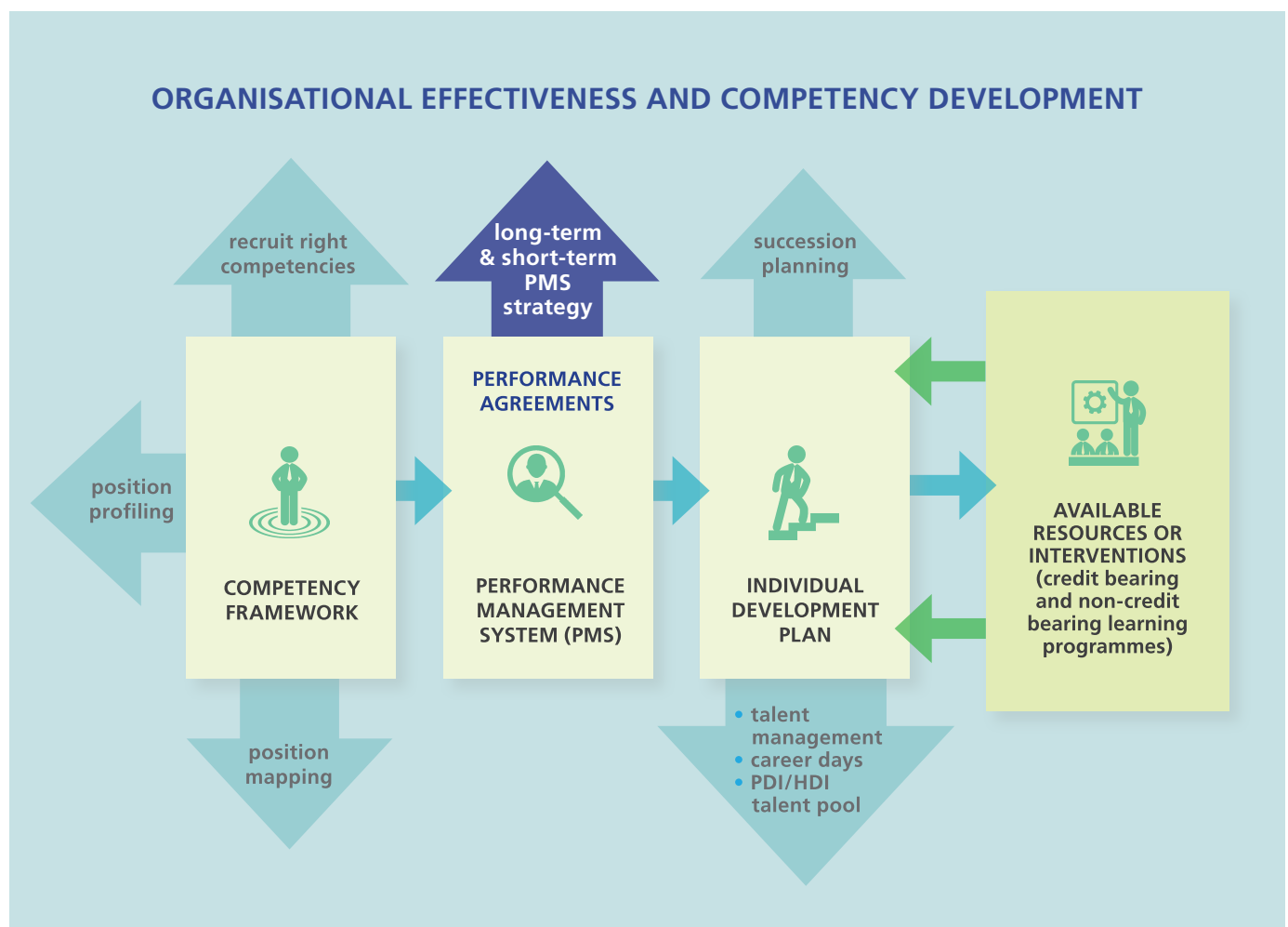
By integrating a competency model (a tool that identifies the skills, abilities and behaviour needed to perform effectively) with a performance management system, companies can pursue a more efficient EE talent management process that is transparent to all.

This would help to attract, develop, motivate and retain talent and help to deal with issues around the subjectivity of the term 'suitably qualified'.

If implemented properly, such a model would bring clarity to roles, expectations, sanctions and rewards in the workplace which would promote better communication, reduce sources of friction and result in improved employment relations.

This would enable organisations to develop competent individuals within the shortest possible timeframe so that they are able to perform adequately, thereby maintaining or improving productivity and assisting with effective succession planning.

Through research such as this the W&RSETA has initiated a path towards improving EE for the future of the South African workforce. This research illustrates that the solutions to the challenges in the W&R sector are complex and there is no one-size-fits-all solution.



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**

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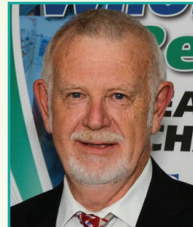
THE WRLC

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.



Dr L Roman



Prof R Mason

This publication is based on research into strategies for interventions to achieve employment equity objectives in the wholesale and retail sector in South Africa. The lead researcher is Dr Leon Roman, together with 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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