



SECTOR SKILLS PLANS

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FOREWORD

The primary function of the Sector Education and Training Authority (SETA) is to contribute to the enhancing of skills, and to bring skills to the employed or those aspiring to be employed in the sector. Each SETA must develop a Sector Skills Plan (SSP) within the framework of the National Skills Development Strategy (NSDS).

In the preceding versions of the SSPs, the W&RSETA was in the early stages of development and little to no data had been collected on the Wholesale and Retail sector. This edition of the SSP will be supported by concrete data collected over the past years and represents a further step by the W&RSETA in contributing to the NSDS.

The W&RSETA has accomplished significant milestones in launching initiatives that are appropriate and relevant to the sector's needs as well as the Service Level Agreement (SLA) with the Department of Labour (DOL).

The primary focus of W&RSETA is:

Forward-looking to improve its understanding of the W&R sector and strengthening its strategies to develop the skills of employees within the sector.

As should be clear from this document, the W&RSETA is committed to serving learners, employers and employees within the sector to the best of its ability. It is working with stakeholders in the W&R Sector towards its vision of becoming the premier authority in skills development, exceeding stakeholder expectations in the Wholesale and Retail Sector.

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Vikashnee Harbhajan (Chairperson: W&RSETA Board)

EXECUTIVE SUMMARY

CHAPTER ONE

Wholesaling and retailing in South Africa is generally regarded as a growth sector of the economy. It is the fourth largest contributor to Gross Domestic Product (GDP) with a contribution in the region of 14%.

The W&R sector is also a major source of employment. It employs in the region of 2 952 000 people which constitutes 22.3% of the total active workforce of the country.

According to Statistics SA Labour Force Survey (2007) a total of 1 985 000 (67%) work in the formal sector, whilst 957 000 (33%) are involved in informal activities. As primary and secondary sectors shed jobs, the W&R sector has compensated for these losses by creating jobs. However, the expansion of employment in the sector is problematic because permanent employment is increasingly being replaced by casual work.

The highest density of enterprises are found in Gauteng, KwaZulu-Natal and Western Cape. Collectively, these provinces make up 72% of the workforce of the sector. About 87% of the sector is made up of small enterprises, 9.5% medium and 4.5% large enterprises. Only 65% of businesses in the W&R sector are registered.

Until recently the W&R sector fared better than other economic sectors aided by growing domestic demand, buoyant consumer confidence, steady economic growth and an emerging black middle class. The current economic down-turn together with rising inflation and commodity prices are dampening sales volumes in the sector.

SA has moved increasingly towards mall-based retailing. The number of retail space in malls has grown faster than the number of retail stores to a point that malls can no longer guarantee that they will attract the major anchor tenants. Franchising is also a growing industry in SA. Most major food retailers boast significant holdings in franchise divisions.

Traditionally wholesalers in SA acted as intermediaries between manufacturers and retailers. Today most large and medium retailers increasingly source goods directly from manufacturers and have reduced the function of wholesalers in the value chain. Wholesalers are now mainly transacting with small businesses and informal traders who buy directly from them.

There are a myriad of change drivers in the W&R sector. The most influential change drivers impacting on the sector are: macro-economic changes, National Credit Act, rising Black middle class, sectoral determination, informalisation, supply chain dynamics, price and quality, IT, retail innovation and consumer and lifestyle choices.

CHAPTER TWO

Employment growth in this sector has been very strong. The sector grew in employment size by 62% between 1996 and 2001 and by an incredible 169% between 1996 and 2008. The W&R sector is a major creator of employment in SA. As jobs are shed in the manufacturing and other economic sectors, this sector acts as a safety net. Employment growth creates a high demand for skills development as newcomers enter the sector. Unfortunately many of the jobs created are of a casual nature.

The sector has four career pathways: merchandising and sales, promotion and public relations, general distribution and management/entrepreneurship. Scarce and critical skills tend to fall within these clusters.

There is a growth of employees in the managers, professional, administration/clerical, artisans and service/sales occupational levels, whilst there is a decrease in operators.

The growth in the demand for managers and service/sales employees is in keeping with international labour markets trends in the W&R sector. Work in this sector is becoming more knowledge-intensive with a hollowing out of unskilled labour.

There are number of new trends emerging in the sector which is leading to the demand for new skills sets. These include: online retailing, new product markets, ethical sourcing and retailing, increasing the complexity of business and supply chain efficiencies.

CHAPTER THREE

Africans make up 59% of the total workforce compared to 19% Coloureds, 7% Indians and 16% Whites. Managers make up 9% of the industry, clerical 18%, professionals 1%, technicians 2%, skilled/service 34%, casuals 12% and labourers 22%. With technological advancements, competitive pressures and faster innovation cycles prevalent in the sector, there is clearly a need to increase the flow of employees into skilled occupations. The high proportion of unskilled employees in the sector puts it at a competitive disadvantage. Africans make up 22% of managers in the sector compared to 53% of Whites at the top end of the occupational structure. At the bottom end of the occupational structure African constitute 76% of labourers and 76% of casuals compared to 2% and 5% of Whites respectively. These occupational patterns inherited from the apartheid era are characterised by a high concentration of Whites in the high wage occupational categories and conversely a high concentration of Africans in the low wage occupational categories.

The lack of reliable data about the educational level of the W&R sector makes it difficult to assess the adequacy of skills in the sector as well as the supply of skills needed in the future.

Most of the learnerships in the W&R sector are located in the further education and training band (NQF Level 2 – 4). Only the Certificate in Retail Operations Management (NQF Level 5) is a post-Matric qualification.

In addition to learnerships in the FET band which caters for clerks and elementary workers, there is an urgent need to develop learnerships in the higher education and training band (NQF Level 5 -7).

As work in the W&R sector becomes more knowledge-intensive in nature, advanced skilling for managers, professional, technicians and clerks is an imperative to ensure competitiveness.

The following areas should be given priority by the W&RSETA to improve the quality of learning programmes and delivery in the sector: developing careers and retaining people, qualifications, research capacity, curriculum development, business compliance and international strategic partnerships.

CHAPTER 4

An interesting feature of the W&R sector is the correlation between the growth of the sector, on the one hand, and the growing demand for highly skilled people in specific occupational categories, on the other. Conversely, there is a decline in demand for specific low-skilled occupations in a sector.

Structural economic changes and increased knowledge intensity in the sector are combining to bring about major shifts in formal sector employment patterns. These two processes are creating aggregate labour demand in skilled occupational categories and contributing to unemployment in unskilled and semi-skilled occupations.

With technological advancements the ratio of skilled labour to total employment can be expected to increase with a concomitant decline in unskilled labour, as is the prevailing trend. Combined with the historical legacy of apartheid educational provision, this trend is further differentiated by race, educational level and gender.

The scarce skills in the sector are: supply chain and distribution manager, storage & warehousing manager, logistics manager, IT computer operations manager, owner manager, retail store manager, customer care representative, market researcher, clothing designer, food safety standards manager, fabric technologist, food & drink technologist, retail buyer and merchandise planner.

There are a range of critical skills in the areas of management/entrepreneurship, soft skills, technical skills and life skills required by the sector.

CHAPTER FIVE

According to NSDS indicator 2.2, the SETA has targeted 4385 small firms (1-50 employees) for 2007/2008 to receive skills development support, including free courses.

Indicator 4.3 states that at least 10 000 young people are trained and mentored to form sustainable new ventures and at least 70% of new ventures are in operation 12 months after completion of programme. With respect to indicator 4.3, the SETA has set a target of supporting 300 learners between 2005 and 2010 to achieve the new venture creation qualification and at least 210 of them to be sustainable after 12 months.

Indicator 5.2 states that each province has at least 2 provider institutions accredited to manage the delivery of the new venture creation qualification and 70% of new ventures should be operational after 12 months from completion of the programme. In terms of indicator 5.2 the SETA, in addition to participating in the new venture creation learnership, has set a target of registering 5 training providers to offer these learnerships.

The W&RSETA has determined that the best form of support would be to subsidise the cost of implementing learning programmes for employees in small levy paying companies. Due to the fact that many companies that were previously levy-paying have since been exempted from paying the levies and therefore are excluded from the mandatory grant, registered non levy-paying companies are included as well.

Between 2005 and 2010, the W&RSETA has committed to enrol 20 000 learners on ABET (levels 1 to 4) of which 10 000 must have completed the programme.

The SETA is conscious of the fact that the high performance functioning of the SETA is to a large extent dependent on the "capacity" of its key stakeholders. In this regard the SETA has constantly committed funds to the enhancement and development of its stakeholders.

1. CHAPTER ONE: SECTOR PROFILE

1.1. Introduction

The purpose of this chapter is to profile the wholesale and retail sector (hereunder referred to as the W&R sector) within the context of the South African economy. It outlines the scope of industrial and occupational coverage and discusses sector and non-sector drivers of change impacting on the sector.

1.2. Methodology

Stakeholder participation is integral to the compilation of the Sector Skills Plan (*refer to section on stakeholder participation under References*).

The major steps in the research process are:

- Review of existing data and information sources
- A literature study of the W&R sector nationally and internationally
- An analysis of a national skills development audit conducted in the W&R sector
- A review of workplace skills plans and annual training reports
- A scarce and critical skills survey of active levy-paying firms
- Annual Reports of employer associations and information provided by the National Bargaining Councils
- In-depth personal interviews with key informants in the sector
- Group discussions with representatives of member firms
- Redevelopment of the Sector Skills Plan (SSP) in concert with guidelines issued by the Department of Labour and the National Skills Development Strategy 2005
- Discussion of the SSP at the strategic planning meeting with W&R Managers.
- Final approval of SSP by W&RSETA Board

1.3. BACKGROUND TO THE SECTOR

Wholesaling and retailing in South Africa is generally regarded as a growth sector of the economy. It is the fourth largest contributor to Gross Domestic Product (GDP) with a contribution in the region of 14% (DTI 2007).

Total wholesale and retail trade sales for 2007 is R1 268 983 million of which R447 769 million is retail sales and R821 214 million is wholesale sales (Statistics SA 2008).

Until recently the W&R sector fared better than other economic sectors aided by growing domestic demand, buoyant consumer confidence, steady economic growth and an emerging black middle class. The current

economic down-turn together with rising inflation and commodity prices are dampening sales volumes in the sector.

Expansion into foreign markets is a popular strategy to increase earnings, gain access to rand-hedged earnings, mitigate saturated markets and leverage local expertise in new locations. The sector has expanded beyond SA's borders into sub-Saharan Africa, Middle East and Australia. A number of leading companies (Metro Cash & Carry, Pick 'n Pay, Spar, Edcon, Woolworths, Nando's, Shoprite Checkers, etc.) have operations in foreign countries and are thus able to increase earnings through foreign revenue.

SA has moved increasingly towards mall-based retailing. The number of retail space in malls has grown faster than the number of retail stores to a point that malls can no longer guarantee that they will attract the major anchor tenants.

Franchising is a growing industry in SA. All major food retailers boast significant holdings in franchise divisions. This model is popular because it affords companies a low risk and a faster store rollout. Large retail chains are franchising smaller formats in residential areas. The convenience store format continues to register the highest growth in comparison to other retail formats as the markets for other formats have already reached saturation. Consumer confidence in this market is increasing with people willing to pay premium prices for shorter traveling distances and easier shopping experience.

Traditionally wholesalers in SA acted as intermediaries between manufacturers and retailers. Today large and medium retailers source goods directly from manufacturers and thus reduced the function of wholesalers in the value chain. Wholesalers are now mainly transacting with small businesses and informal traders who buy directly from them.

The SA market is brand conscious. In food retailing where the market is highly concentrated, there is a balance of power within the supply chain. However, in the more fragmented apparel market, it has become more difficult for retailers to push price increases without having an effect on trade volumes.

A number of mid- to high-income retailers have been purchasing store networks that target the lower-end of the market. These networks provide them with an established base and brand as well as expertise in a far more basic retail environment, targeting consumers with different shopping expectations in malls being developed in previously disadvantaged areas.

The W&R sector is also a major source of employment. It employs in the region of 2 952 000 people which constitutes 22.3% of the total active workforce of the country (Statistics SA 2007).

In the current tough economic climate costs are rising faster than revenues, particularly costs associated with goods, wages, transport and lease agreements. Retailers are thus looking to improve margins through greater efficiencies and reductions in operating costs. The result is an investment in state-of-the-art technology at both the back (supplier/warehousing) and front (point of sale) of the value chain.

According to Statistics SA Labour Force Survey (2007) total of 1 985 000 (67%) work in the formal sector, whilst 957 000 (33%) are involved in informal activities. As primary and secondary sectors shed jobs, the W&R sector has compensated for these losses by creating jobs. However, the expansion of employment in the sector is problematic because permanent employment is increasingly being replaced by casual work.

The W&R sector is characterised by high levels of informalisation (casualisation, outsourcing, labour-broking, sub-contracting, part-time, temporary) of work which is aimed at reducing operating costs with negative consequences in the form of poor work conditions, exploitation, low wages, discouraging unionisation, removal of social benefits such as medical aid, pension and UIF.

Although informalisation is seen in some quarters as having the potential to create jobs, the nature of informal work is survivalist and not conducive to job creation (Rasool 2007). The trade union movement in SA argues that informalisation perpetuates inequalities that exist in society.

A major problem with non-permanent employment is that it discourages investment in skills development and training infrastructures. It also weakens the capacity of local companies to compete against hyper-efficient multi-nationals such as Walmart, Tesco, Marks & Spencers in lucrative Asian, European and North American markets.

The major challenges affecting the growth of the sector at this juncture are inflationary pressures, high levels of household debt, rising fuel prices, increasing casualisation and unemployment. Other challenges include skills shortages, regulatory burdens, HIV/Aids, under capacity in the manufacturing industry and pressure on exports from a strong currency.

1.4. INDUSTRIAL COVERAGE

The W&RSETA is associated with Economic Sector 27: Wholesale and Retail. The Fifth Edition of the Standard Industrial Classification of All Economic Activities (SIC) published by the Statistical Office of the United Nations is used for classifying the activities of the various wholesale and retail business types.

The businesses included in the W&RSETA sector are as follows:

Wholesale	
SIC Code	Trade Category
61000	Wholesale and commission trade, except for motor vehicles and motor cycles.
61100	Wholesale trade on a fee or contract basis.
61220	Wholesale trade in food, beverages and tobacco.
61310	Wholesale trade in textiles, clothing and footwear.
61391	Wholesale trade in household furniture requisites and appliances.
61392	Wholesale trade in books and stationery.
61393	Wholesale trade in precious stones, jewellery and silverware.
61394	Wholesale trade in pharmaceuticals, toiletries and medical equipment.
61420	Wholesale trade in metal and metal ores.
61430	Wholesale trade in construction materials, hardware, plumbing and heating equipment.
61501	Office machinery and equipment including computers.
61509	Other machinery.
61901	General wholesale trade.
61909	Other wholesale trade not elsewhere classified n.e.c (Not elsewhere classified)

Retail	
62000	Retail trade, except for motor vehicles and motor cycles; repair of personal and household goods.
62110	Retail trade in non-specialised stores with food, beverages and tobacco dominating.
62190	Other retail trade non-specialised stores.
62201	Retail trade in fresh fruit and vegetables.
62202	Retail trade in meat and meat products.
62203	Retail trade in bakery products.
62204	Retail trade in beverages (bottle stores).

Retail	
62209	Other retail trade in food, beverages and tobacco n.e.c (Not elsewhere classified)
62311	Retail of non-prescribed medicine and pharmaceutical products other than by pharmacist.
62321	Retail trade in men's and boy's clothing.
62322	Retail trade in ladies' and girls' clothing.
62323	Retail trade by general outfitters and by dealers in piece goods, textiles, leather and travel accessories.
62324	Retail trade in shoes.
62330	Retail trade in household furniture appliances, articles and equipment.
62340	Retail trade in hardware, paints and glass.
62391	Retail trade in reading matter and stationery.
62392	Retail trade in jewellery, watches and clocks.
62393	Retail trade in sports goods and entertainment requisites.
62399	Retail trade by other specified stores.
62400	Retail trade in second-hand goods in stores.
63122	Retail sale of used motor vehicles.
63311	Sale of tyres.

The following activities, included under wholesale and retail in the Standard Classification of All Economic Activities, do not form part of the W&RSETA:

SIC Code	Trade Category
6121	Wholesale trade in agricultural raw materials and livestock
6141	Wholesale trade in solid, liquid and gaseous fuels and related products
62310	Specialised retail trade in prescribed pharmaceutical, medical and orthopedic goods
6251	Retail trade via mail-order houses
6252	Retail trade via stalls and markets
6259	Other retail trade not in stores
626	Repair of personal and household goods

631	Sale of motor vehicles other than used motor vehicles
632	Maintenance and repair of motor vehicles
633	Sale of motor vehicle parts and accessories other than tyres
634	Sale, maintenance and repair of motor cycles and related parts and accessories
635	Retail sale of automotive fuel
641	Hotels, camping sites and other provision of short-stay accommodation
642	Restaurants, bars and canteens

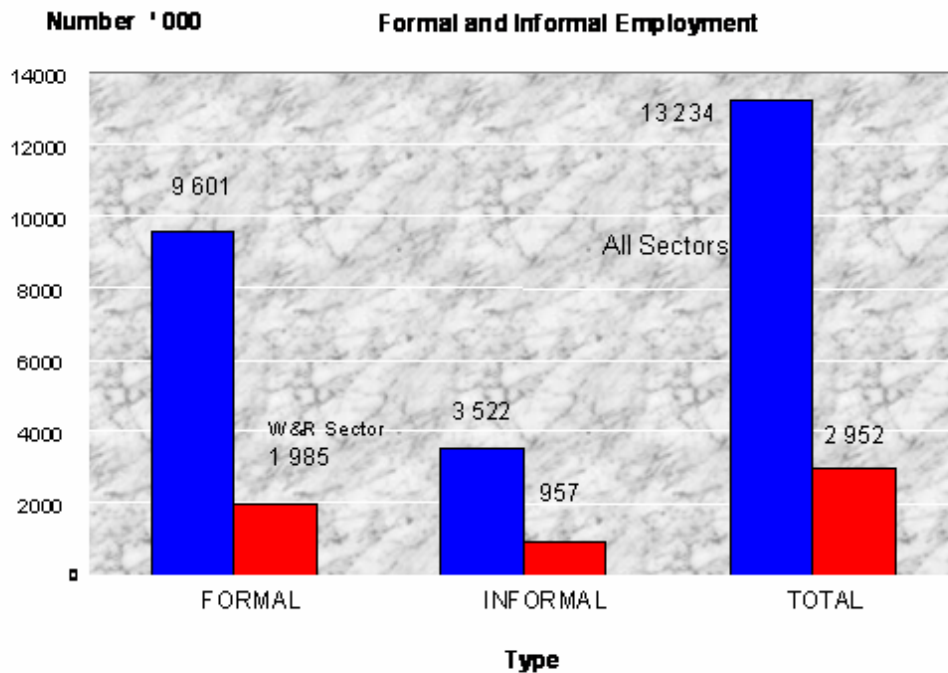
1.5. EMPLOYEE COVERAGE

The W&R sector is a major generator of employment in the economy. As the primary and secondary sectors shed jobs, the W&R sector has compensated for these losses by absorbing work-seekers.

1.5.1. Formal and Informal Sector Employment

Labour patterns in the sector are characterised by a dual structure, namely formal and informal employment.

Figure 1-1 Formal & Informal Employment (StatsSA 2007)

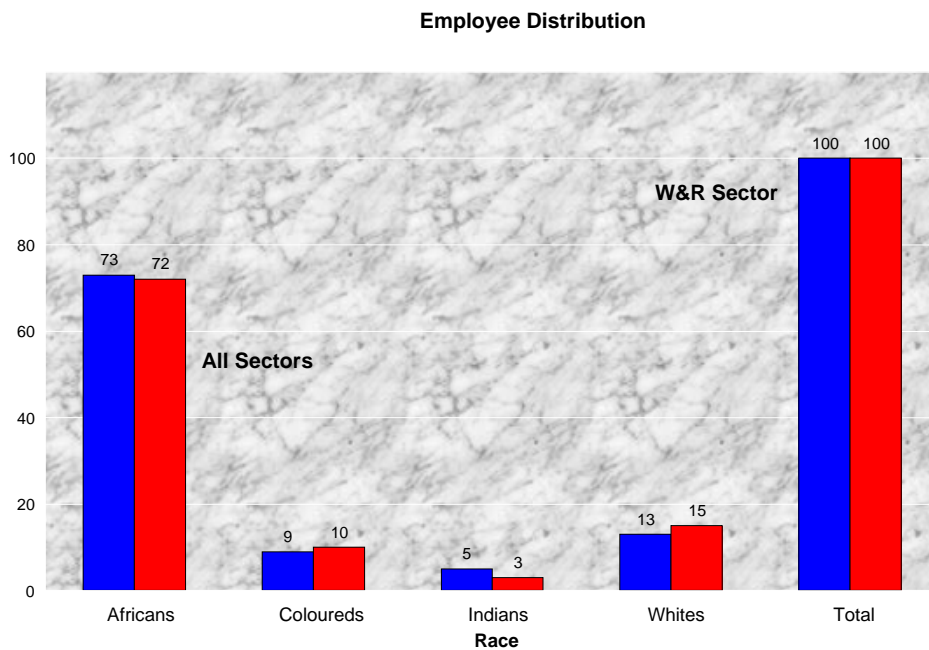


- The W&R sector contributes to 22.3% of total employment, 21% of formal employment and 27% of informal sector employment in the economy. The critical importance of this sector in augmenting economic growth and employment creation should thus be recognised.
- About 48% of W&R workers are employed in the informal sector.
- The high proportion of informal sector workers presents the W&R sector with significant challenges to support informal sector workers through skills development initiatives

1.5.2. Employee Distribution by Population Groups

The percentage breakdown of the workforce in terms of population groups is as follows:

Figure 1-2 Percentage Employee Distribution by Population Groups (StatsSA 2007)



- Africans make up 73%, Coloureds 9%, Indians 5% and Whites 13% of the W&R sector workforce
- These percentages appear to be in line with the population group trends in the total workforce for all sectors of the country

1.5.3. Employee Distribution by Gender

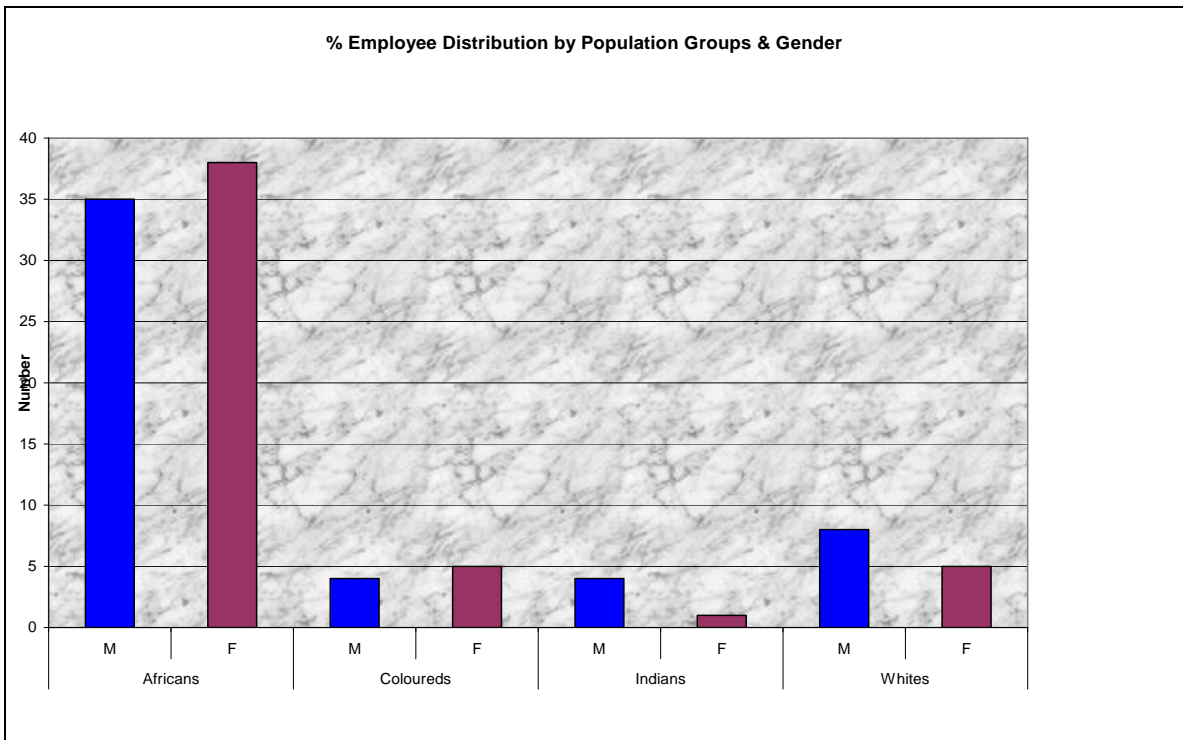
The percentage breakdown of the workforce in terms of population groups is as follows:

Table 1-1 Percentage Employee Distribution by Gender (WSP/ATR 2006/2007)

Gender	%
Male	44%
Female	56%

- Males constitute 44% and females 56% of the W&R sector
- The high population of females working in the sector necessitates the provision of gender – sensitive programmes as well as initiatives to fast – track the upward movement of women into management patterns.

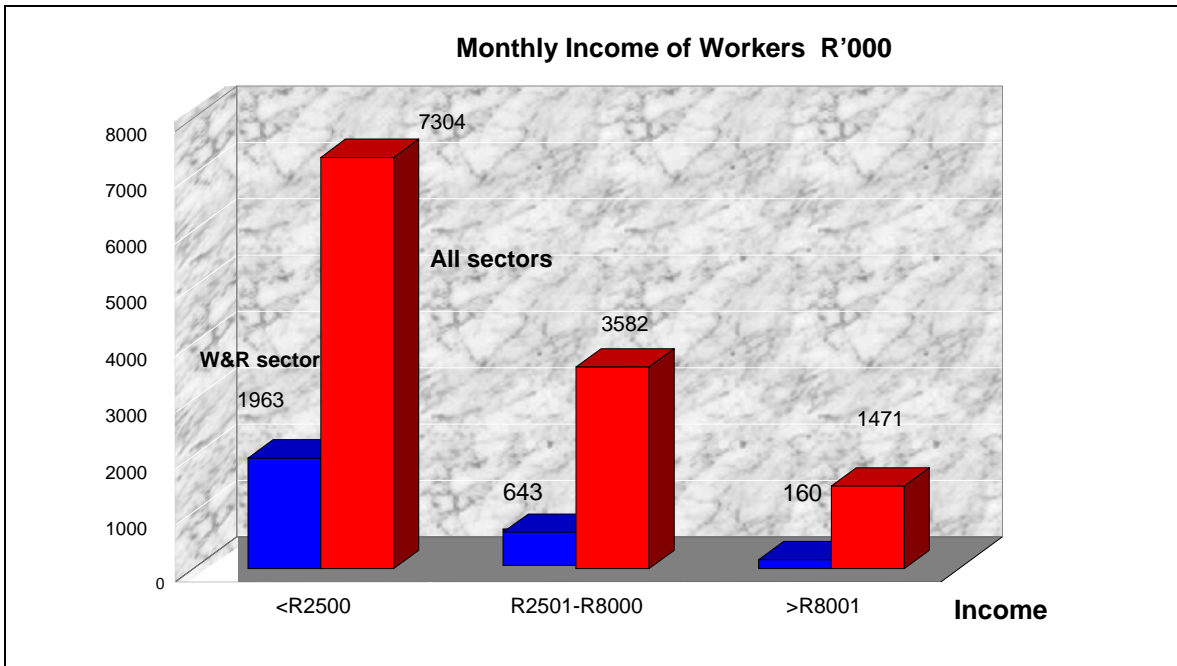
Figure 1-3 Percentage Employee Distribution by Population and Gender (StatsSA 2007)



- African males make up 35% and African females 38% of the workforce
- The figures for Coloureds are 4% and 5%, Indians 4% and 1% and Whites 8% and 5% respectively
- Given the high proportion of Africans in the sector, there is a need to ensure that programmes, particularly management development programmes, are provided for Africans.
- The low percentage of African workers in the higher occupational groupings of the sector makes transformation a key imperative for the sector.

1.5.4. Monthly Income of Workers

Figure 1-4 Distribution of Monthly Income (StatsSA 2007)

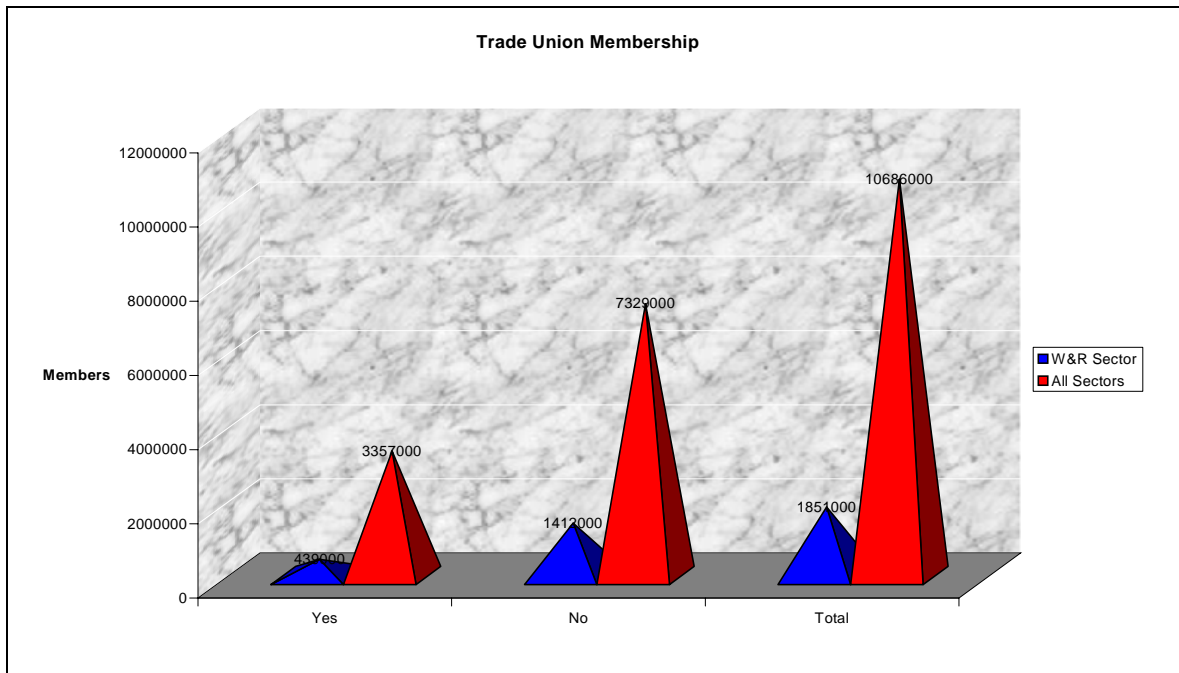


- 71% of employees in the W&R sector earn less than R2 500 whilst a mere 6% earn more than R8001 per month
- 59% of the total workforce of SA earn less than R2 500 whilst 12% earn more than R8 001
- 23% of workers in the W&R sector earn between R2 501 and R8 000. The figure for all sectors is 29%
- It is evident that the W&R sector pays its workers a lower wage than the national average in terms of monthly income distribution
- Widespread income disparities are a disturbing feature of the W&R sector and a disincentive for participating in skills development. Hence the lower take up of mandatory grants (refer to chapter two)
- Training and awareness programmes to improve employment conditions are needed in the sector. The W&RSETA has a pivotal role to play in this respect

1.5.5. Trade Union Membership

Trade union membership is an important indicator of adherence to the Basic Conditions of Employment and sound industrial relations.

Figure 1-5 Trade Union Membership (StatsSA 2007)



Then graph reveals the following:

- 76% of the W&R workforce are non-unionised, whilst the comparable figure for all sectors is 68%
- Industrial relations training is particularly important for workers and managers in the sector
- The W&RSETA should allocate funds to improve industrial relations training in the workplace
- The need to organize workers in this sector is an imperative to ensure decent jobs and the protection of worker rights
- Awareness programmes to support unionization should be promoted

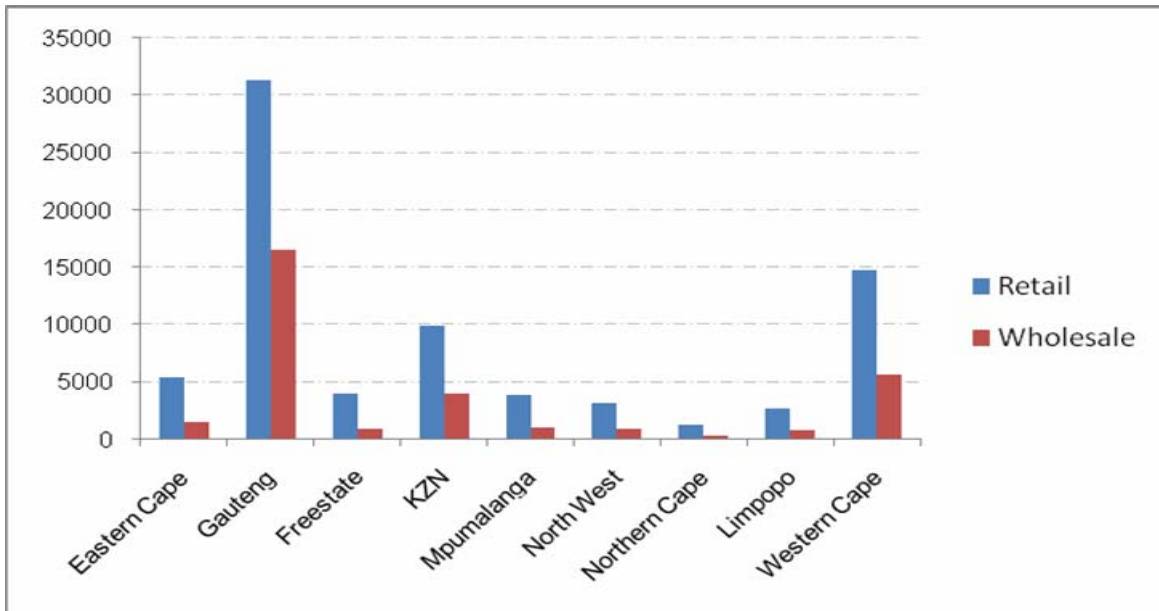
1.6. EMPLOYER COVERAGE

This section provides information about employers in the sector. The W&R sector displays two-tier characteristics with distinct formal and informal sectors.

1.6.1. Number and Types of Enterprises

This section provides information on the size and shape of the W&R sector in South Africa according to Statistics SA (2008).

Figure 1-6 Companies in the W&R Sector (DTI 2008)



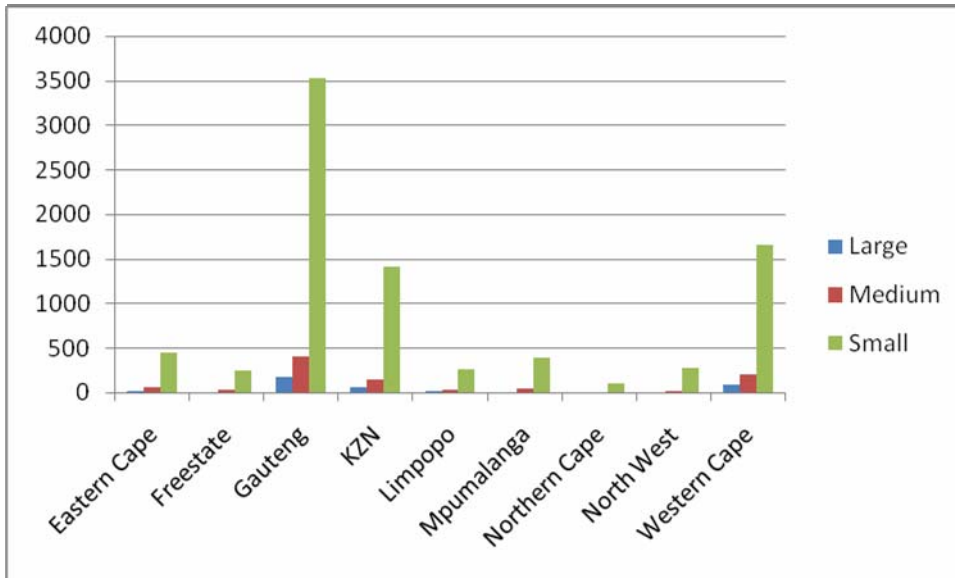
	Retail	Wholesale		Retail	Wholesale
Eastern Cape	5431	1570	North West	3189	887
Gauteng	31367	16513	Northern Cape	1333	334
Freestate	4007	901	Limpopo	2731	868
KZN	9874	4056	Western Cape	14738	5709
Mpumalanga	3881	1109			

The graph and table reveals the following about the sector:

- There are 80 353 retailers and 33 427 economically active wholesalers in SA of which 56 713 are registered with the W&RSETA. The total economically active population is 113 780
- Retailers make up 70% and wholesalers 30% of economically active enterprises
- The highest density of enterprises are found in Gauteng (47 880), KwaZulu-Natal (13 930) and Western Cape (20 447). Collectively, these provinces make up 72% of the population of the sector

1.6.2. Distribution of Enterprises

Figure 1-7 Company distribution by province



Source: W&RSETA WSP/ATR 2007/2008

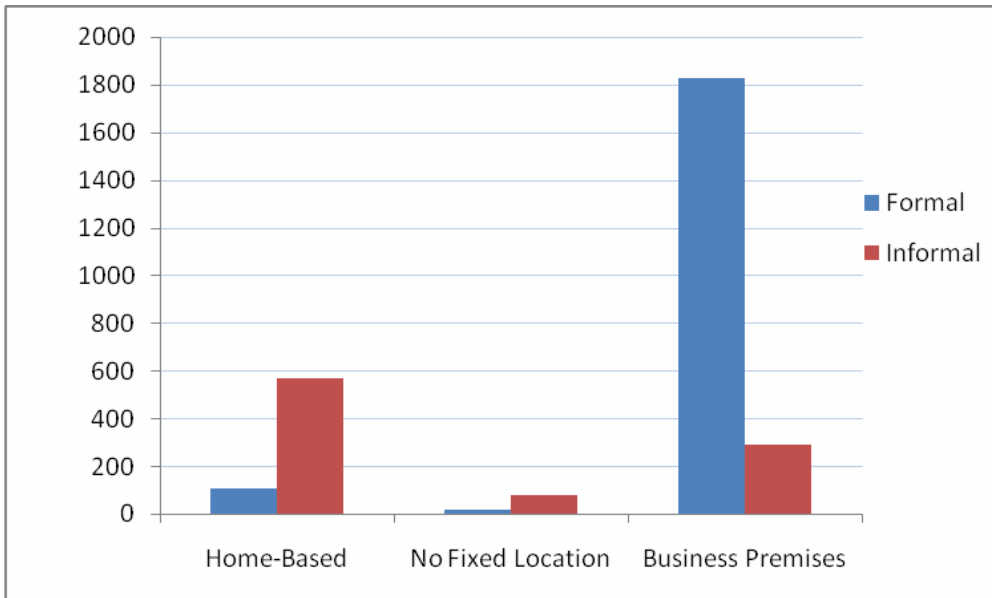
	Large	Medium	Small		Large	Medium	Small
Eastern Cape	14	66	440	Mpumalanga	7	43	390
Freestate	5	39	244	Northern Cape	2	7	103
Gauteng	177	408	3523	North West	4	20	270
KZN	60	151	1408	Western Cape	82	211	1649
Limpopo	10	29	256				

The graph reveals the following:

- The distribution of small levy paying organisations are as follows: in Gauteng (43%), in KZN (17%), in the Western Cape (20%) and in all other provinces 20%.
- Number of levy paying organisations in the W&R sector = 11 900
Small = 10 963, Medium = 683, Large = 254, Non levy paying = 44 813,
Small Levy & non levy paying = 55 776
- The very high concentration of small enterprises points to the need to support entrepreneurship and management training for small enterprises on a far greater scale than is presently the case
- The W&RSETA faces the following challenges:
 - the need for enterprise development for SMME's
 - the need for innovative programmes, including mentorships and learnerships, to empower entrepreneurs
 - the need for considerable research in the SMME sector, particularly as it relates to the informal sector

1.6.3. Location of Workers in Enterprises

Figure 1-8 Location of Workers in Enterprises (StatsSA 2007)

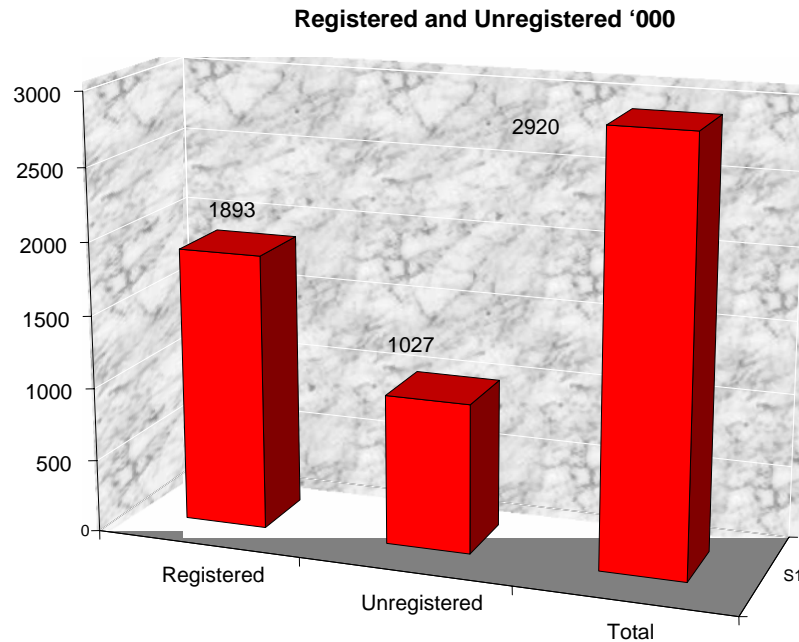


- 94% of workers in the formal sector are employed in formal business premises such as a factory, office and service outlet such as a shop compared to 8% in the informal sector
- 5% of workers work from home in the formal sector compared to 61% in the informal sector
- 1% of the formal sector have no fixed location compared to 31% of the informal sector
- The high number of survivalist informal sector workers located in home-based, footpaths, streets, corners and open spaces points to the need to pay serious attention to skills development, particularly with a view to improve their economic chances

1.6.4. Workers in registered and Unregistered Enterprises

This section deals with whether workers are employed/self-employed in enterprises that are registered or unregistered.

Figure 1-9 Workers in registered and Unregistered Enterprises (StatsSA 2007)



- Only 65% of businesses in the W&R sector are registered
- High levels of non-compliance in the sector are a cause for concern
- Awareness and skills development interventions in this area are needed
- Training programmes and SMME toolkits to support enterprises in complying with legal requirements for conducting business would help unregistered enterprises in the sector.

1.7. KEY CHANGE DRIVERS IN THE SECTOR

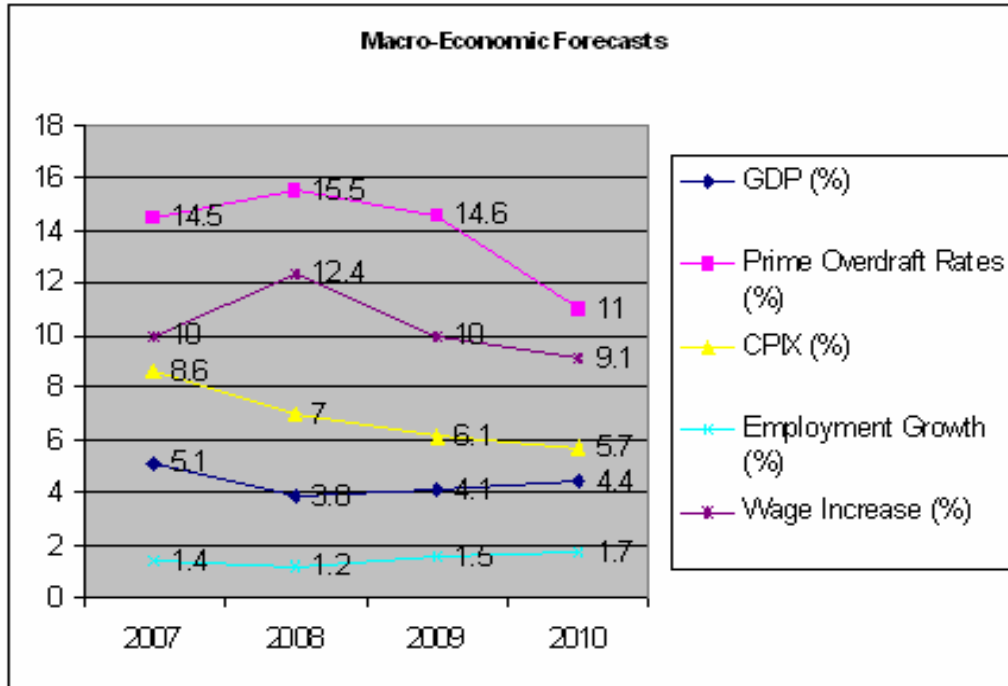
There are a myriad of change drivers in the W&R sector. This section focuses on the most influential change drivers impacting on the sector.

1.7.1. Macro-Economic Environment

The W&R sector is very highly exposed to macro-economic changes and serves as a key barometer to measure the health of the economy.

The macro-economic outlook for SA over the next few years has been dampened by rising oil and food prices together with growing inflation and interest rates.

Figure 1-10 Macro-Economic Forecasts



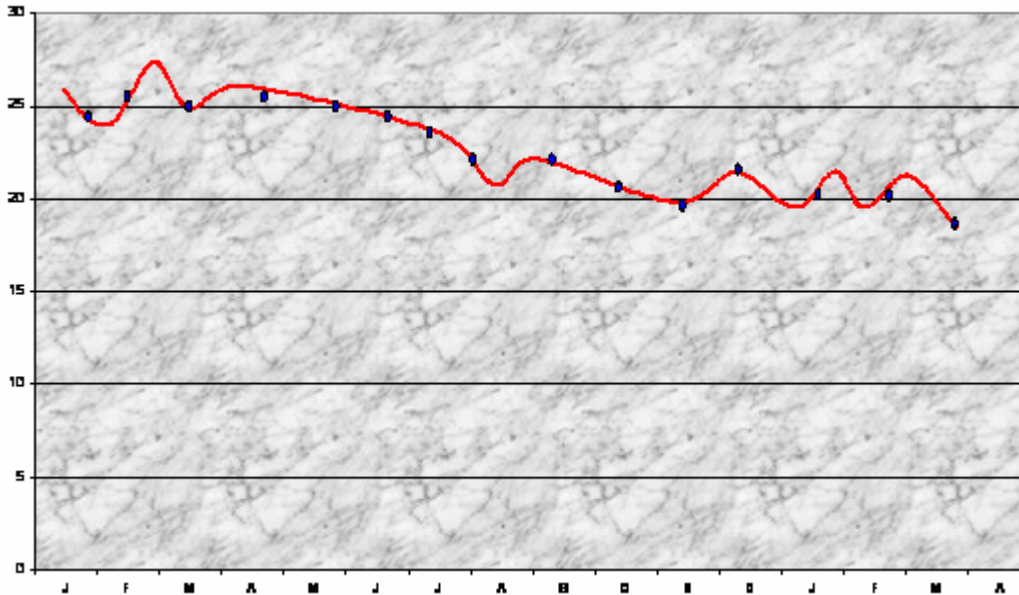
Source: Investec 2nd Quarter forecast 2008

- GDP forecast for 2008 is expected to be 3.8 compared to 5.1 in 2007. There will be slow growth between 2008 to 2010 where it is expected to reach 4.4%
- Prime overdraft rates are expected to remain in double digits up to 2010 when it is expected to ease somewhat
- Inflation is expected to be in the higher band of the Reserve Bank target of 6% until 2010 when it is expected to ease off
- Wage increases are also expected to remain high
- From a skills development point of view businesses are likely to cut-back on training and development spending in order to control operational costs
- Conversely, high wage demands are likely to keep the revenue streams of the W&RSETA high over the next few years as skills levies are contingent on 1% of payroll
- The challenge for the W&RSETA is to deliver skills development support to the sector more cost-efficiently and effectively as businesses will become more reliant on the reserves of the Seta to fund skills development

1.7.2. W&R Economic Outlook

The major challenge facing the W&R sector is to see through the tightening economic cycle. The lagged effect of interest rate hikes in 2007/2008, a crunch on consumer credit, high consumer debt, rising oil and food prices are more pronounced during 2008 resulting in a definite slow-down in consumer demand.

Figure 1-11 Private credit extension: Reserve Bank (2008)

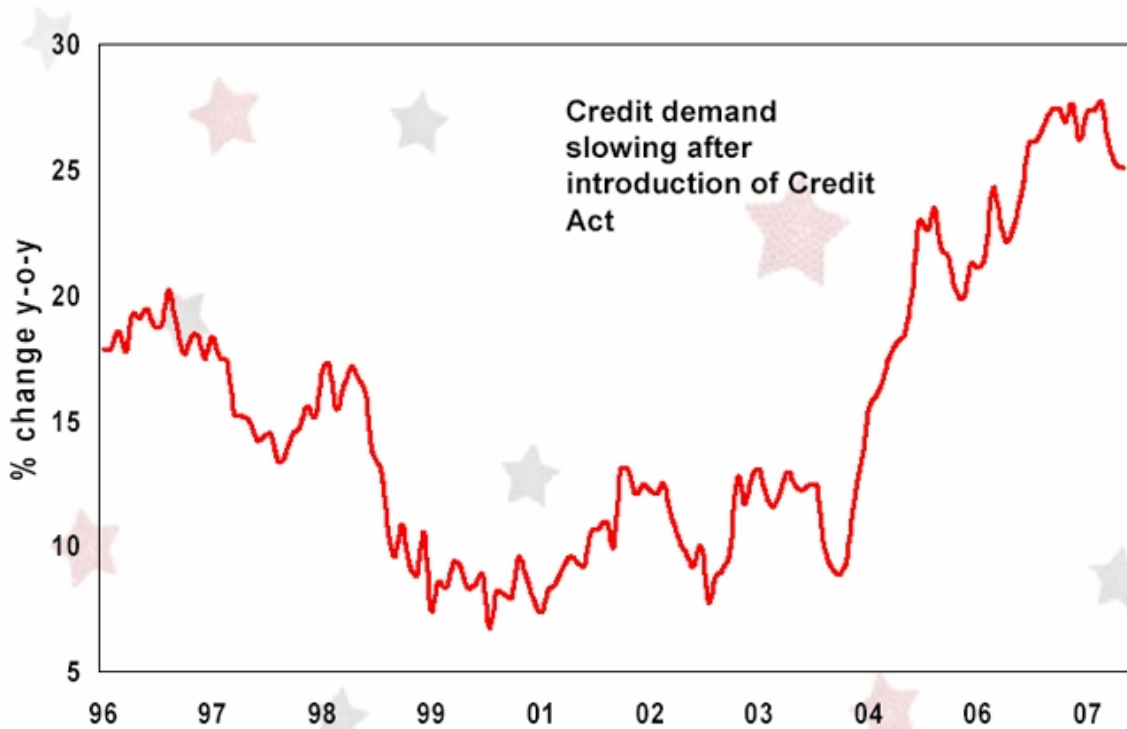


Credit retailers have seen turnover drop dramatically as demand for credit declines and retailers turn down more applications because of arrears on other accounts. Bad debts are increasing across the board. For instance, by the end of 2007, bad debts on Woolworth’s VISA cards reached an unworkable 25% (Financial Mail, 04 July 2008).

Apparel retailers Edgars, Foschini and Truworths, where 70% of sales are credit-based have seen sales growth slow dramatically. Truworths saw bad-debt write-offs (as a % of the debtors book) rise to 9.6% in December 2007 from June 2007. Edcon which has the largest base of credit customers (4 million active) has seen bad debts rise from 9% in 2006 to 11.6% of the book, which is valued at 9.3 billion (Financial Mail, 04 July 2008).

1.7.3. National Credit Act

Figure 1-12 Credit Demand easing (Ernst & Young 2007)



Since the passage of the National Credit Act (NCA) in June 2007 the volume of motor vehicles, homes, furniture and semi-durable goods sold on credit has plummeted. Since last year car sales have dropped by more than 28%, mortgage slowed from 31% to 21.9% and credit-driven furniture and apparel sales are almost flat (Financial Mail 04 July 2008).

The Act has tightened lending regulations ensuring that consumers pass the “affordability test”. The Act has also consolidated different pockets of the credit market into a single regulated entity.

The Act aims to improve and increase access to credit, offer debt counseling, improve consumer understanding and promote consumers from reckless lending.

Far from curtailing consumer spending the NCA has saved the economy from a credit crisis of the kind witnessed in the USA and UK.

The W&RSETA should initiate projects to assist enterprises understand and implement the NCA.

1.7.4. Rise of Black Middle Class

SA is witnessing a rapid rise of a Black middle class who were held back by years of apartheid. Economists and retailers believe that the growing income of Black consumers is responsible for the dramatic rise in consumer spending as well as increasing property demand and prices.

Key retail categories such as vehicle, furniture, clothing, media, property, food and cellular phones are all benefiting from a booming Black middle class.

Research commissioned by the Financial Mail (2008) suggests that over the past 3 years, almost 300 000 Black South Africans have joined the ranks of middle income earners with an average household income from R6 455 to R11 566 per month. Another 500 000 Blacks swelled the ranks of the lower middle income class with an average income of around R4 075 per month.

The study also found that although 95% of the poorest 20% of all households in SA are Black, 38% of the top 20% are also Black. This group has more than doubled their share of the top income bracket from 2.7% to 6.3 in 3 years (Financial Mail 2008).

The rise of consumer spending supported by the upward mobility of the Black Middle Class should underpin economic growth in the years to come provided that income growth is sustained and assisted by employment creation.

1.7.5. Sectoral Determination

The implementation of a Sectoral Determination for the W&R sector aims to protect all workers in the sector and ensure equal treatment before the law. It stipulates annual guaranteed wage hikes are regulated by the Department of Labour, which sets minimum wages and employment conditions for the sector. The determination addresses the needs of both employers and workers, and offers flexibility while providing security.

An example of this flexibility is where workers can choose to exchange a percentage of benefits for more money, while employers may have more flexibility to reshuffle around 40 to 45 working hours a week as stipulated by the determination.

The sectoral determination can be regarded as a people's contract to create work and fight poverty - because it protects the most vulnerable of workers by setting minimum wages and acceptable working conditions. This category of workers formed the bulk of the still highly exploited workforce, with working hours not guaranteed despite the lack of job security and the rising cost of living.

In a sector with a growing trend towards casualisation, the W&RSETA should support efforts through skills development to promote decent work in the sector.

1.7.6. Informal Sector Market

The informal sector continues to play a role in the economy in terms of contribution to GDP and employment creation. It is estimated to contribute about 10% to GDP (Bureau of Economic Research 2004). It absorbs 19% of the employed labour force of 11.6 million and is the fastest growing sector in SA (Department of Labour 2004).

The informal sector market has an estimated value of R20 to 30 billion a year. This is an important contribution to the modern grocery distribution sector.

In a 2003 report on SA's retail food sector, USDA's Global Agricultural Information Network (GAIN) estimated that there is over 100 000 "spaza" shops (tuck shops operating from home) in SA. This sector of the National economy could be providing between 230 000 to 300 000 jobs and supporting more than a million people (Rasool 2007).

This sector is recognised by many people as a safety net due to shrinking formal job opportunities, lack of skills, demographics pressures and retrenchments (Development Bank of Southern Africa 2005). The informal sector also serves as an incubator for entrepreneurship, poverty alleviation and job creation.

The W&RSETA should intensify efforts to support people working in this sector.

1.7.7. Shifting Supply Chain Power

In any supply chain, there is a point where the most power resides. Over time, that point can shift as concentration or fragmentation takes place and as the value of different processes shifts.

In the past, power resided with manufacturers. In the 1990s, power shifted to the retailers as the industry became more concentrated and as players became far more efficient and ultimately branded. Today, power is shifting toward the ultimate consumer. This reflects the high value of information which has become far cheaper and more available for consumers. Through the Internet and through more fragmented shopping behavior, consumers are utilizing information on products and prices to force both retailers and suppliers to

respond more quickly to their changing needs. Due to their increased price sensitivity consumers are forcing retailers and suppliers to relentlessly push down costs.

Competing effectively on the basis of things other than price enables a retailer or supplier to engender consumer loyalty and, therefore, shift power back up the supply chain.

1.7.8. Price and Quality

Consumers are more price sensitive than in the past. There are several reasons for this. First, low inflation has made consumers more aware of price differences. Second, global sourcing of merchandise has enabled retailers to offer items at much lower prices than in the past. Finally, price consciousness is due, in part, to the demonstration effect of discount retailing. Discounters have demonstrated to consumers that they can obtain good quality merchandise for lower prices.

At the same time, consumers the world over are seeking better quality, and more consumers are concerned about the quality of merchandise.

For retailers and suppliers, the implication is clear: success mandates price competitiveness without sacrificing quality.

1.7.9. Information Management

Consumer businesses collect vast quantities of information, both about products and inventory flow as well as consumer behavior. This information must be processed in order to drive an efficient supply chain as well as to quickly respond to changes in consumer behavior. Thus managing information has become one of the core competencies of retailers along with the traditional competencies of selecting merchandise and selecting store locations. For suppliers, managing information that is exchanged with retailers is critical.

In the future, the best and most successful consumer companies will be those that are highly skilled at using information to drive change in the business.

1.7.10. Retail Innovation

Retailers must innovate in order to stay ahead of competitors. Innovation entails not only technology but also merchandising, store design, customer interaction, supplier relations, product specifications, and branding. The most successful consumer businesses have been those that have been most innovative. Not

only must consumer businesses be innovative, they must do so in a way that focuses on a better notion of value.

The growth and development of the wholesale and retail sector is also shaped by technological developments. For instance, the introduction of a bar-coding system, has contributed enormously to centralised stock control and management. But it has also provided opportunities for big retailers and suppliers to enter into collaborative projects that enable them to monitor the movement of goods using a bar coding system. Thus, information concerning consumer preferences is collected at the point of sale and transmitted to the supplier. In this way, stock is replaced on a "just-in-time" basis.

Another technological advancement relates to the introduction of e-commerce, which allows for an electronic procurement of goods. Amongst the advantages offered by this Internet based programme (i.e. e-commerce), is the potential to by-pass the middleman. In this way, the costs of bringing goods to the consumer market are markedly, reduced.

1.7.11. Revenue enhancement

Consumer businesses often face slow growth, market saturation, and declining prices. Obtaining more revenue is a difficult challenge. Thus retailers and suppliers must look for opportunities to reach new consumers as well as to obtain more revenue from existing consumers. Reaching new customers can entail going to new locations, selling different products/brands, and operating new formats. The world's largest retailers are doing this by expanding globally, especially in emerging markets. They are also developing multiple formats in order to reach a wider range of consumers.

1.7.12. Consumer and Lifestyle Influences

Working women today have tremendous financial power. They make more household spending decisions. It will also mean that retailers selling traditionally male products (automobiles, electronics, home improvement) will have to learn to market these products to a female audience.

At the same time, people are living longer. Demographic trends could offer opportunities. For example, older consumers tend to be more loyal to particular brands, stores, and retail formats while younger consumers tend to be more fickle and disloyal. Thus older consumers could represent an annuity for retailers willing to invest in their loyalty.

Consumers are focused on price, quality, speed, and convenience. In their search for these attributes, they are willing to experiment with new concepts and are willing to switch venues if there is a better value

proposition. The result is a disloyal consumer and a highly fragmented shopping experience. For both retailers and suppliers, the solution to this conundrum lies in clear differentiation and successful branding.

1.8. CONCLUSION

The following conclusions can be drawn from the chapter:

- SA has a sophisticated wholesale and retail sector with very high levels of concentration
- Major retail chains have ventured beyond the borders, but there is room for further growth in various parts of the world
- National retail chains are not established in lucrative high growth markets such as China and India because they appear to lack the competitive appetite to compete with global giants such as Walmart, Carrefour and Tesco
- Businesses with cross border operations require a significant larger pool of highly skilled and capable managers from SA to work in foreign markets
- Growing prosperity among the majority Black population provides tremendous opportunities for local businesses to meet growing consumer demand.
- Businesses requires a good understanding of changing retail markets which has implications for skills development at firm-level
- Mastery of the supply chain is critical for business success
- The “Achilles Heel” of the domestic W&R sector is high levels of non-compliance to sectoral agreements, growing casualisation of the workforce and exploitation of workers
- Income inequalities in the sector are high which exposes it to labour relations problems
- There is potential to improve the skills base of the sector particularly at the lower end of the occupational structure
- There are opportunities to improve the lot of home-based workers and those with no fixed location through skills development
- The challenge for businesses in tough economic times is to enhance revenue streams through greater efficiencies.
- Skills development in areas such as the National Credit Act, labour compliance, labour relations, shop floor stewards training, supply chain management, market research, total quality management, information management and consumer behaviour appear to be important to improve competitiveness.

2. CHAPTER TWO: DEMAND FOR SKILLS

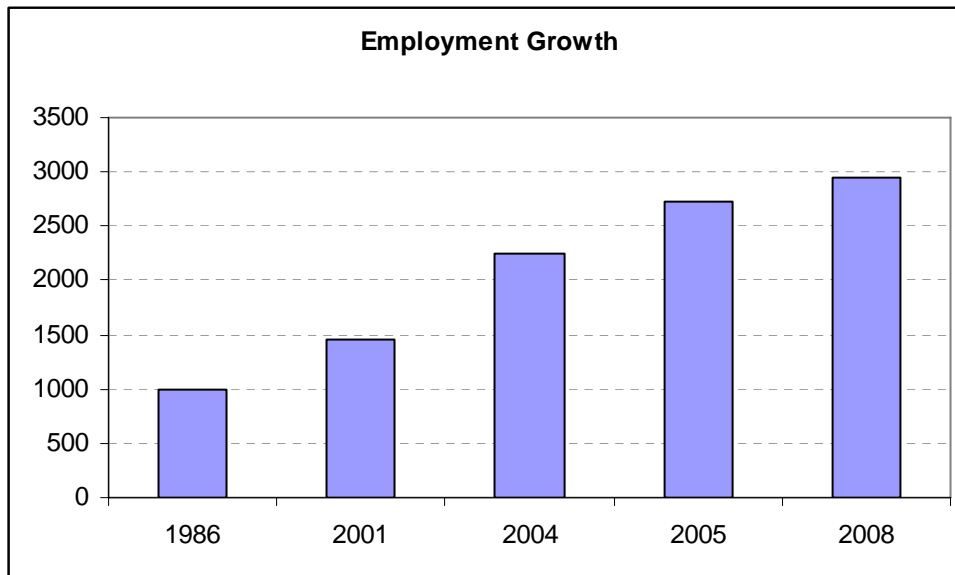
2.1. INTRODUCTION

This chapter provides information on the demand for skills in the sector. It provides an occupational breakdown of the sector. Employment trends in the sector are identified with particular attention to patterns of growth and decline in occupations. An assessment is made of the type of scarce and critical skills needed in the sector.

2.2. EMPLOYMENT GROWTH

The graph below gives an indication of employment growth in the sector.

Figure 2-1 Employment Growth (Labour Force Survey 2007)



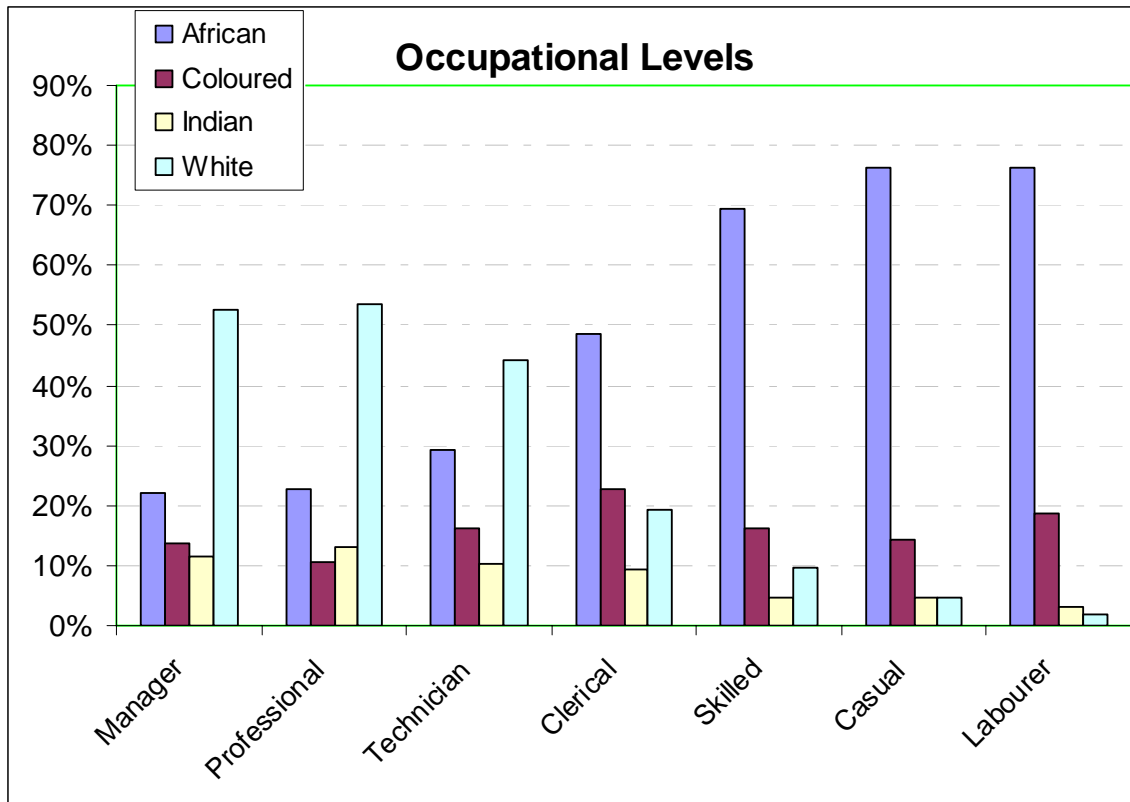
The graph reveals the following:

- Employment growth in this sector is has been very strong
- The sector grew in employment size by 62% between 1996 and 2001
- The sector grew by an incredible 169% between 1996 and 2008
- The W&R sector is a major creator of employment in SA. As jobs are shed in the manufacturing and other economic sectors, this sector acts as a safety net
- Employment growth creates a high demand for skills development as newcomers enter the sector
- Unfortunately many of the jobs created are of a casual nature (refer to chapter one)

2.3. OCCUPATIONAL BREAKDOWN

The occupational breakdown of the sector is based on a summary of workplace skills plans/annual training reports for 2006/7. A sample of 578 361 employees in the sector are covered.

Figure 2-2 Occupational levels in the W&R sector (WSP/ATR 2006/7)



The graph reveals the following:

- Africans make up 59% of the total workforce compared to 19% Coloureds, 7% Indians and 16% Whites.
- Managers make up 9% of the industry, clerical 18%, professionals 1%, technicians 2%, skilled/service 34%, casuals 12% and labourers 22%.
- With technological advancements, competitive pressures and faster innovation cycles prevalent in the sector, there is clearly a need to increase the flow of employees into skilled occupations.
- The high proportion of unskilled employees in the sector puts it at a competitive disadvantage.
- Africans make up 22% of managers in the sector compared to 53% of Whites at the top end of the occupational structure
- At the bottom end of the occupational structure African constitute 76% of labourers and 76% of casuals compared to 2% and 5% of Whites respectively

- These occupational patterns inherited from the apartheid era are characterised by a high concentration of Whites in the high wage occupational categories and conversely a high concentration of Africans in the low wage occupational categories.
- This presents sectoral and organisational challenges to develop African employees with requisite management skills as to move up the occupational structure
- An important challenge facing the W&RSETA is to support career development and advancement of African managers through interventions such as career management, management development and mentorship.

At a sectoral level there is a need to set national targets to accelerate the development of African managers to reflect the demographics of the country.

2.4. SCARCE AND CRITICAL SKILLS PATHWAYS

Jobs in the W&R sector essentially involve planning, managing and performing wholesaling and retailing services and related marketing and distribution support services including merchandise and product management and promotion.

Figure 2-3 W&R Skills Cluster



The retail/wholesale sales and service career cluster has four pathways:

Merchandising and Sales

This pathway includes career related to promoting, buying, and selling goods to the public and to businesses. Jobs include wholesale and retail buyer, international salesperson, retail salesperson, cashier, adjustment clerk, and real estate sales agent.

Promotion and Public Relations

Workers in this pathway are responsible for ensuring that customers buy retail goods. Jobs in this pathway include advertising manager, advertising clerk, public relations specialist, marketing researcher, and international marketing manager.

General Distribution

This pathway covers all the jobs necessary to get goods to the right people at the right time, including distribution managers, route salespersons, scheduling and recording workers; traffic, shipping, and receiving clerks; warehouse managers, and material moving packers.

Management/Entrepreneurship

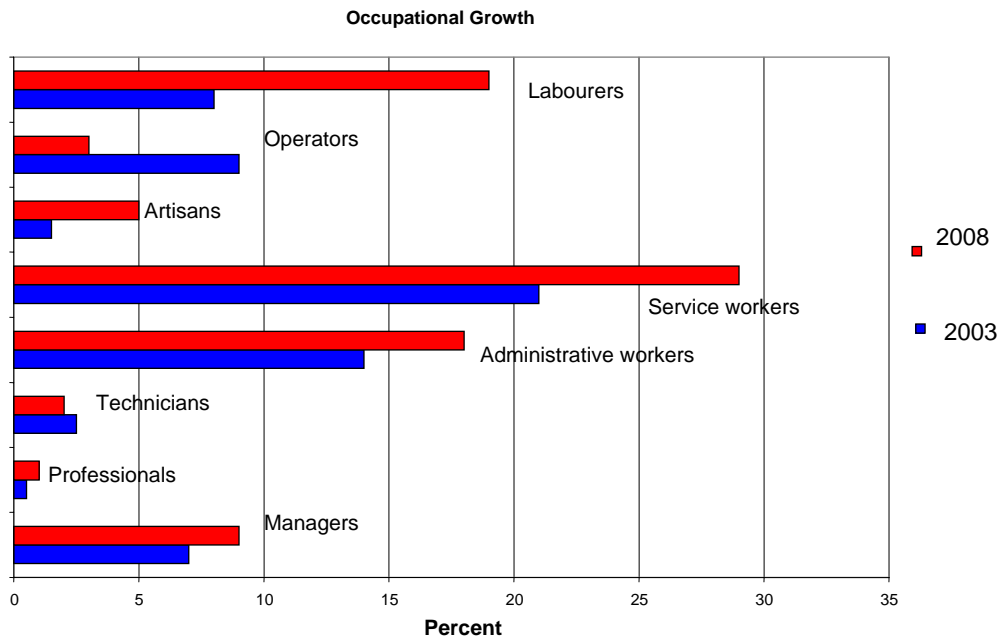
This career pathway is made up of all managerial occupations in this career cluster, including small business entrepreneurs, managers, sales supervisors, merchandising managers, and e-commerce managers.

2.5. CHANGING DEMAND FOR SKILLS

2.5.1. Occupational Growth

The graph below provides a percentage comparison of employees at different occupational levels for the years 2003 and 2008. The purpose of this is to determine whether there are significant changes in the proportion of employees at these occupational levels.

Figure 2-4 5 Year Comparison of Occupational Levels (W&RSETA 2006)



Source: W&RSETA WSP 2008

There is a growth of employees in the managers, professional, administration/clerical, artisans and service/sales occupational levels, whilst there is a decrease in operators.

The growth in the demand for managers and service/sales employees is in keeping with international labour markets trends in the W&R sector. Work in this sector is becoming more knowledge-intensive with a hollowing out of unskilled labour (SkillsSmart Retail 2007).

Huge growth in the labourer occupational group is reflective of the growing tendency towards casualisation.

Management Occupations

The range and level of management skills in the W&R sector is growing for both multiple and independent retailers:

- The development of management and leadership skills are key priorities for the store managers of larger multiple retailers. Many of these are dealing with large operations and require a diverse range of commercial, process and people management skills.
- The range and level of skills, knowledge required by managers and proprietors of independent stores is radically changing. Many of these stores lead a knife edge existence. Competition from larger retail companies require this group to have well developed strategies, business plans, people management and customer handling skills.

Sales Occupations

The success of sales occupations in delighting their customers is key for retailers seeking to differentiate themselves in an intense market. This and the sheer volume of people employed in sales occupations results in many surveys identifying skills deficiencies in this area. The most cited areas of concern include (SkillsSmart Retail 2007):

- Customer handling skills
- Communication skills
- Problem solving skills
- Planning and project management skills
- Team working

Information Technology Occupations

As part of the global technological revolution, the conversion of electronic and mechanical impulses into digitally encoded information is enabling the sector to replace its electro-mechanical infrastructure with a computerised infrastructure. In such a scenario, workers without computer skills find it increasingly difficult to retain skilled employment.

A state-of-the-art wholesaling and retailing sector requires a higher proportion of highly skilled labour as a percentage of total labour employed. The implication is that jobs will follow the flow of skills, because the requisite skills are required to function in a highly competitive service industry to ensure the effective employment of capital.

2.5.2. Occupational Decline

As the wholesale and retail sector becomes more sophisticated in terms of technological advancements, heightened competition, demanding and more informed consumers, multiple retail formats, online trading and the increasing intensity for knowledge work, there is a decline in demand for operators (semi- and unskilled) who are at the lower end of the skills continuum.

Retrenched workers in the sector usually enter the informal labour market or work as casuals with little or no job security and development opportunities, hence the growth of casualisation in the sector from 8% to 19% over 5 years.

According to SACCAWU (2000), a worrying concern is the casualisation of store management. For instance, it is not uncommon for supervisors to be appointed as casuals.

Aisle Attendants

With regard to merchandising this was a function performed in-house before and now almost exclusively done by suppliers or agents. Merchandising is the process to unpack products on shelves or on a special display as well as to decide where and how to arrange goods so that their location and presentation facilitate sales. This used to be a highly skilled operation, which required experience and acumen. In the past in-store merchandisers worked with aisle attendants. Merchandisers planned the location and display and aisle attendants then did the actual shelf packing.

With the increased proliferation of outsourced (or in sourced) merchandising, there has been a de-skilling of the work of the aisle attendant and the extension of the work of the outsourced merchandiser to other functions performed in house in the past (SACCAWU 2000).

Cashiers and Goods Received Clerks

The process of de-skilling can be most identified with the use of scanners both at goods receiving and at the tills or frontline. Formerly goods receiving workers actually counted palates and multiplied by the number of articles on a palate to check against the invoice. Now this is done by scanners.

Similarly till operators/cashiers use scanners to cash goods leaving the store. As these workers processes become de-skilled they become increasingly interchangeable and workers themselves can rotate across these departments and functions. Cashiers who have found their function de-skilled argue that the use of the scanners now makes them able to do other accounts (e.g. Telkom telephone bills, municipal rates, etc) which require different “customer service skills” (SACCAWU 2000).

The point is that although there is a trend towards de-skilling associated with the new technologies workers themselves are not personally de-skilled and become available to do other tasks. Generally workers involved in non-perishable foods were the ones most de-skilled as the skilled processes were increasingly taken out of their hands.

2.6. OCCUPATIONS IN DEMAND

This section identifies occupations in demand according to the skills audit (2006) and workplace skills plans/annual training reports (2006/7).

SKILLS CLUSTERS	OCCUPATIONS IN DEMAND
Management	Customer service manager, credit manager, merchandise manager, store manager, warehouse manager, retail manager
Merchandising, Marketing and Sales	Sourcing manager, marketing analyst, retail buyer
Information Technology	Information systems manager, network analyst, network technician, systems analyst, database analyst
General Distribution	logistics manager, supply chain and distribution manager, planner
Technical	Food technologists, fabric technologists, fashion designers

2.7. CRITICAL SKILLS IN DEMAND

The following critical skills have been identified from a skills audit (2006), workplace skills plans and interviews with people in the sector:

Management/Leadership	Soft skills	Technical	Life skills
<ul style="list-style-type: none"> • Leadership and management skills • Planning and project management • Conflict management • Negotiation and persuasion • Basic business skills 	<ul style="list-style-type: none"> • Decision making • Interpersonal skills • Customer relations • Assertiveness • Team work • Managing diversity • Communication • Presentation skills • Listening skills • Life-skills (personal finance, time management, resilience, stress management) • Innovation and creativity • Problem solving 	<ul style="list-style-type: none"> • Financial skills (basic bookkeeping such as debt and credit control and accounting) and management • Product development • Basic understanding of business (to find EE candidates is difficult) • Computer literacy (PC trained people) • Selling skills • Product knowledge • Merchandising, especially visual • Production and product knowledge • Knowledge of contracts 	<ul style="list-style-type: none"> • Customer service • Communication skills • ABET/Numeric and literacy • Ability to apply knowledge • Access to information • Personal budgeting

2.8. FUTURE SKILLS SIGNALLING

The table below identifies the major trends impacting on the sector. This translates into determining new skills sets needed and the training and development requirements to support them.

IMPACT TRENDS	SCARCE SKILLS	CRITICAL SKILLS	RECOMMENDATIONS FOR TRAINING AND DEVELOPMENT
Online retailing			
<ul style="list-style-type: none"> ▪ Online retailing is a fast growing market segment ▪ Call centre staff need to respond to complex enquiries ▪ Delivery staff need to be competent in customer service ▪ Growth in IT personnel ▪ Greater market intelligence 	<ul style="list-style-type: none"> ▪ IT Managers ▪ Computer analysts ▪ Network analysts ▪ Network technicians ▪ Web designers ▪ Web developers 	<ul style="list-style-type: none"> ▪ Customer service ▪ Networking ▪ Programming ▪ End user support ▪ Visual marketing ▪ Data management ▪ Statistical analysis 	Project to support companies that want to pursue online trading
Ethical retailing			
<ul style="list-style-type: none"> ▪ Purchasing influenced by societal and environmental impact ▪ Growth in organic food market by 30%y-on-y ▪ Change to distribution and delivery functions ▪ Ethically conscious suppliers and customers ▪ Consumer rights ▪ Carbon footprints ▪ Corporate governance 	<ul style="list-style-type: none"> ▪ Food technologists 	<ul style="list-style-type: none"> ▪ Knowledge about ethics of products ▪ Sales ▪ Customer service ▪ Waste reduction ▪ Energy saving ▪ Environmental understanding ▪ Awareness of Legislation ▪ Corporate governance 	Training and development on ethical retailing, good corporate citizenship, environmental studies and organic foods
Complexity of retailing			
<ul style="list-style-type: none"> ▪ Increased competition ▪ Multiple retail formats ▪ Sophisticated consumer markets ▪ Cultural flexibility 	<ul style="list-style-type: none"> ▪ Market Analysis 	<ul style="list-style-type: none"> ▪ Interpersonal skills ▪ Product and market intelligence 	<ul style="list-style-type: none"> ▪ Diversity management ▪ Customer service programmes
Efficient supply chains			
<ul style="list-style-type: none"> ▪ Faster supply chains ▪ Global sourcing ▪ Rise of China 	<ul style="list-style-type: none"> ▪ Logistics manager ▪ Supply Chain managers 	<ul style="list-style-type: none"> ▪ Supply chain management ▪ Information flows 	Supply chain management should be prioritised as a key area for scarce and critical skills support

2.9. CONCLUSION

The following conclusions can be drawn from this chapter:

- The sector is characterised by historical occupational patterns with a high concentration of Whites in the high wage occupational categories and conversely a high concentration of Africans in the low wage occupational categories.
- This presents the sector with challenges to develop African employees with requisite management skills and promote movement up the occupational structure
- An important challenge facing the W&RSETA is to support career development and advancement of African managers through interventions such as career management, management development and mentorship.
- Jobs in the W&R sector essentially involve planning, managing and performing wholesaling and retailing services and related marketing and distribution support services including merchandise and product management and promotion.
- There is growth in employment numbers in the higher skilled occupational categories and a concomitant decline in the unskilled occupations. There is a consequence of the increasing knowledge-intensity of work in the sector.
- Management, sales, distribution and IT occupations are growing and jobs such as aisle attendants are on the decline.
- Retrenched workers in the sector usually enter the informal labour market or work as casuals with little or no job security and development opportunities.
- Technological advances and more sophisticated business practices are encouraging the growth of new occupations and skills sets in the sector such as database management, online retailing and good corporate citizenship in response to societal pressures.

3. CHAPTER 3: SUPPLY OF SKILLS

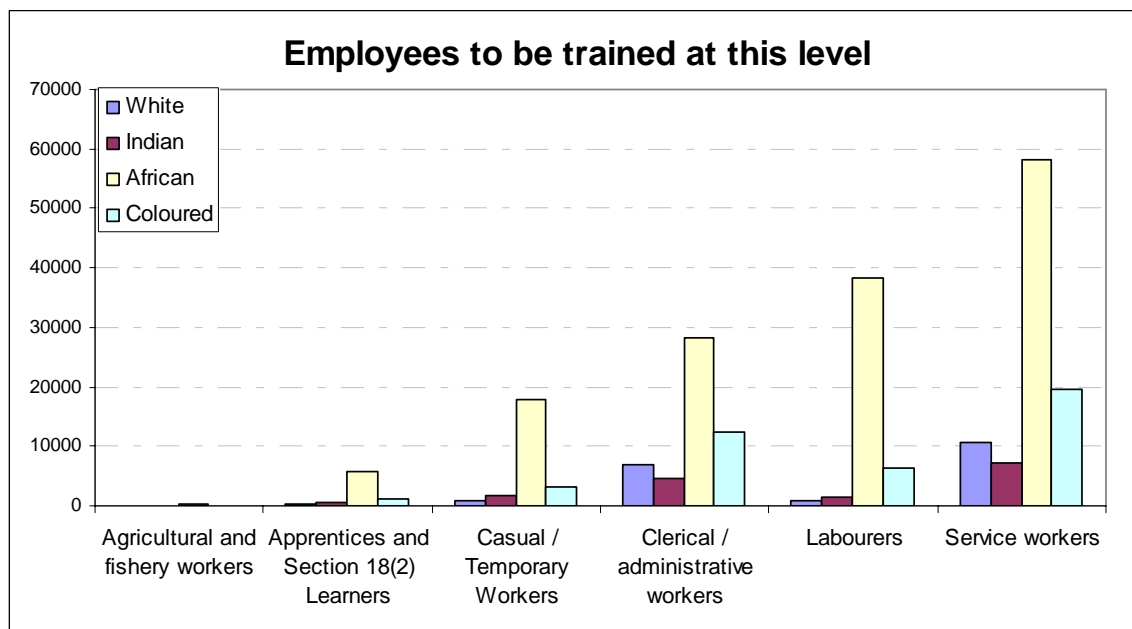
3.1. INTRODUCTION

This chapter reflects the current skills levels in the sector. It also focuses on the on supply of skills from the education and training system by analysing the adequacy and sufficiency of these skills to meet the needs of the sector.

3.2. EMPLOYEES TO BE TRAINED

The workplace skills plans (2007/8) provide information on the number of employees to be trained per occupational group.

Figure 3-1 Employees to be trained in lower occupational levels



Source W&RSETA WSP/ATR 2007/2008

According to the graph:

- According to the figure, 95520 service workers, 52277 clerical/admin workers, 23587 casual workers, 347 agricultural workers, 46575 labourers and 7558 apprentices are to be trained this year.
- In relation to the size of the workforce (578 361) of those firms which submitted WSPs, these numbers indicate that the supply of skills to the sector will be adequate in relation to demand for these occupational groups.

Figure 3-2 Employees to be trained in higher occupational levels



W&RSETA WSP/ATR 2007/2008

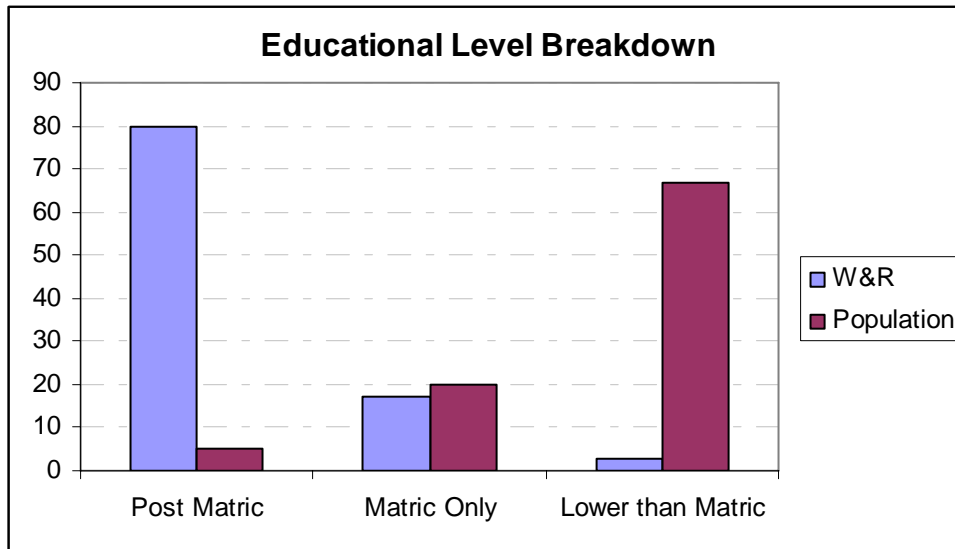
A total of 7840 operators, 9731 technicians, 11349 skilled workers, 39931 managers and 3514 professionals are to be trained this year.

The numbers of workers to be trained will be adequate to satisfy the skills needs of the sector.

3.3. EDUCATIONAL LEVEL BREAKDOWN

The graph compares the educational level breakdown of the W&R workforce (in percentage terms) with the economically active population of South Africa.

Figure 3-3 Comparison of education levels (Stats SA 2007)



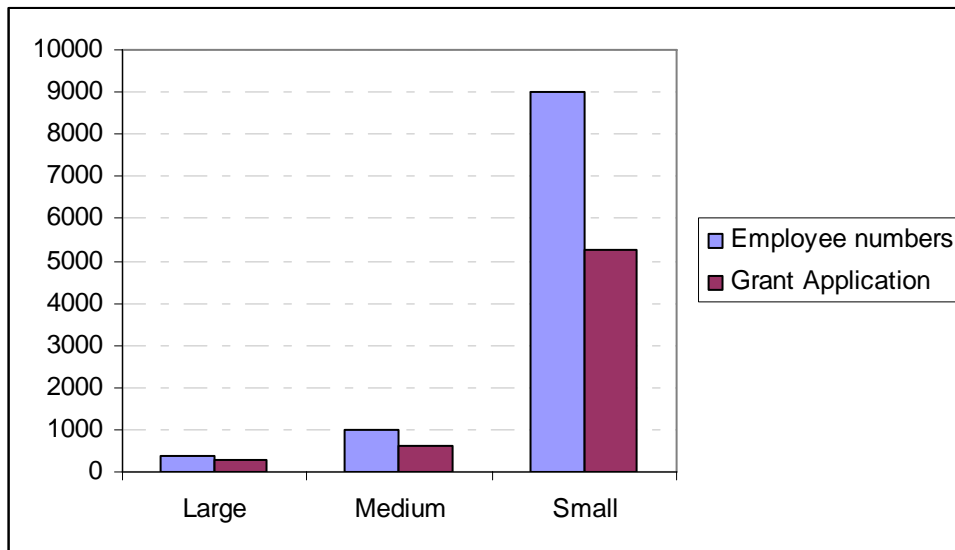
The graph reveals the following:

- 80% of the W&R workforce has some certification or short course after matric. The national average is 5%.
- The national average for workers who have matric only is 28%. For the W&R sector the percentage is 17%.
- Similarly for workers with a qualification lower than matric, the national average is 67% whilst for the W&R sector, it is 3%.

3.4. MANDATORY LEVY GRANT SUPPORT

According to the Skills Development Act companies paying skills development levies are entitled to claim a 50% rebate on the submission of a Workplace Skills Plan and Annual Training Report by the 30 June each year. These rebates are to be used for training and development of employees.

Figure 3-4 Application for Mandatory Grants (WSP/ATR 2006/7)



The graph reveals the following:

- 77% of large companies, 65% of medium companies and 58% of small companies have made applications for mandatory grants to training and development of staff
- Employee coverage is in the region of a healthy 578 361 workers
- It is evident that companies in the sector are committed to skills development
- It also demonstrates the success of the W&RSETA in promoting skills development

3.5. EDUCATION AND TRAINING PROVISION

3.5.1. Learnerships

A learnership is a structured learning programme made up of theoretical and practical elements of learning and assessment. Learnerships are the main vehicle used by SETAs to encourage skills development in the workplace. In addition, to giving companies learnership grants, the government also provides tax breaks for companies registering learners and ensuring they complete their learnerships.

Presently the W&RSETA has the following registered learnerships:

NO	LEARNERSHIP	NQF LEVEL
1	Certificate in Retail Operations Management	5
2	National Certificate: Wholesale and Retail Distribution	2
3	Retail Processes for Informal Businesses	2
4	Retail Shop Floor Practices	2
5	Wholesale and Retail Credit Control	4
6	Wholesale and Retail Generalist	2
7	Wholesale and Retail Operations Supervision	4
8	Wholesale and Retail Sales Practice	3
9	Wholesale and Retail Sales and Services for Informal Business	4
10	Wholesale and Retail Specialist	4

Most of the learnerships in the W&R sector are located in the further education and training band (NQF Level 2 – 4). Only the Certificate in Retail Operations Management (NQF Level 5) is a post-Matric qualification.

In addition to learnerships in the FET band which caters for clerks and elementary workers, there is an urgent need to develop learnerships in the higher education and training band (NQF Level 5 -10). As work in the W&R sector becomes more knowledge-intensive in nature, advanced skilling for managers, professional, technicians and clerks is an imperative to ensure competitiveness.

According to the service level agreements for 2007/8 and 2008/9, no provision is made for bursaries for obtaining higher education qualifications in key W&R occupations such as merchandising and sales, promotion and public relations, general distribution and management/entrepreneurship. There is a key area of need that warrants attention. Moreover, this is due to structural changes in the occupational composition of the labour force with a growing proportion of workers needed in high skilled occupations and a concomitant decline in demand at the lower end of the skills continuum.

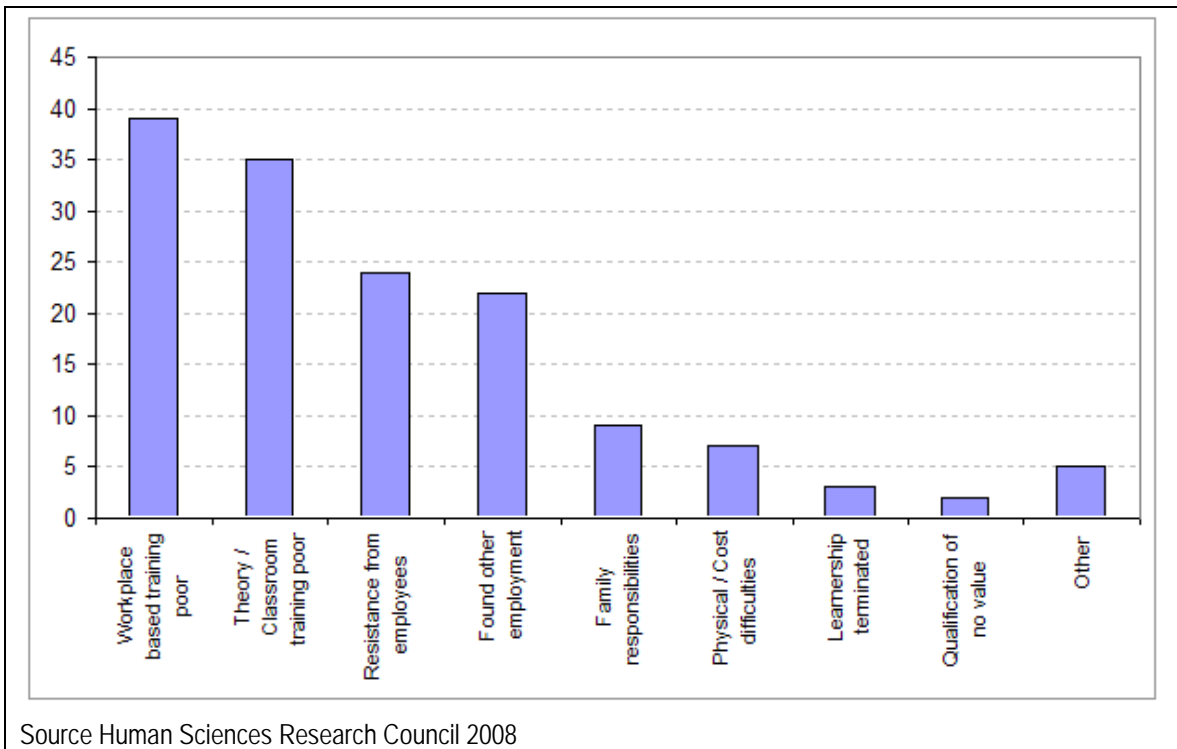
The supply of learnerships to the sector is also problematic. For instance, the W&RSETA targeted 2 000 employed workers to register in 2007/8. In 2007/8, 3177 learners were registered by the SETA on learnerships. The number of workers who actually completed learnerships was 1816 for 2007/8 (W&R SLA 2007/8).

In 2007/8 the SETA registered 1589 unemployed learners on learnerships, whilst 608 completed learnerships.

These graduate rates for both employed and unemployed learners are hardly enough to make impact on the sector with a workforce of around 1 985 000 people.

The reasons given for the termination of learnerships are varied. Figure 3-5 illustrates the reasons for termination of learnerships across all the SETAs. Respondents chose more than one option therefore the total responses is greater than 100%. Of concern is the high percentage of respondents who identified the workplace based training as poor and the percentage of respondents who identified the classroom training as poor. Together these two groups account for 74% of the responses.

Figure 3-5 Reasons for termination of learnerships across all SETAs - Percentage Responses



3.5.2. Training Providers

W&RSETA has an accredited provider base of 182. The table below indicates the number of training providers accredited by the W&RSETA to offer national qualifications within its scope of coverage:

QUALIFICATION	PROVIDERS
National Certificate: Wholesale and Retail Operations Supervision	17
National Certificate: Retail Shop Floor Practices	19
National Certificate: Retail and Wholesale Processes	12
National Certificate: Wholesale and Retail Sales Practices	15
National Certificate: New Venture Creation (SMME)	1
National Certificate: Wholesale and Retail Distribution	7
National Certificate: Wholesale and Retail Operations	8
Retail and Wholesale Sales and Service Technology	5
Wholesale and Retail Operations Management	3
National Certificate: Wholesale and Retail: Buying Planning Level 5	1
National Certificate in Generic Management	1
Further Education and Training Certificate: Management	2
National Certificate: Fast Food Services	1
National Certificate: Wholesale and Retail Credit Control	1
National Certificate: Contract Centre Support	1
TOTAL	94

There appears to be an inadequate number of training providers in relation to the size of the W&R workforce which is in the region of 1 958 million. Even if one narrows down the training population to employees covered by workplace skills plan submission (578 361 employees), there still appears to be a shortage of training providers. Moreover, most qualifications have less than 10 accredited training providers.

Clearly, there is a need for the SETA to encourage training providers to become accredited to offer W&R qualifications in order to increase access to such qualifications which is a key imperative of the *Skills Development Act*.

3.6. FUTURE TRAINING FOCUS AREAS

The following areas should be given priority by the W&RSETA to improve the quality of learning programmes and delivery in the sector:

3.6.1. Developing Careers and Retaining People

Many retailers report that attracting and retaining high calibre candidates into the retail sector is a key issue. Retailers can work on a number of levels to enhance the retention of those who are thinking of developing a career in retail. These include:

- Designing jobs that can satisfy high calibre people
- Career paths need to be drawn up and widely publicised so people begin to think of a long-term career in the sector
- Career advisors need to be educated and wooed by the sector through work placements and information days so they understand the realities and opportunities on offer
- There is poor awareness of the degrees available in wholesaling and retailing, which, if promoted aggressively, will attract young people
- Retention and recruitment is vital for the health of the sector.
- Employers must overcome the culture of high turnover and the widespread acceptance of it is a “fact of life” within the sector in order to address the issue effectively.

3.6.2. Qualifications

Although not a sector which has traditionally valued qualifications, there is some evidence that their importance is increasingly recognised, and this may bring about an increase in the use of existing NQF qualifications. However, employers still grapple with existing qualifications and the following brings together some of the opinions as to how training activities and any resulting qualifications may be changed to be more relevant to the current needs of retail employers:

- There is a need for a qualification which are not bureaucratic
- Accredited training which should be delivered within the company as a way to overcome the issues of having to travel to training and taking the necessary time off. This is a major problem because the regulatory requirements thrust upon workplaces offering training by the Department of Education makes it very difficult for companies to offer full qualifications

3.6.3. Research Capacity

The Seta should invest in a research unit as data is lacking in the industry, particularly in the area of skills development. Even where research has been done by the SETA, it is of poor quality.

Future research areas include:

- Segmentation of key occupational levels
- Segmentation of retailers
- Segmentation of the informal sector enterprises
- Online retailing
- Career pathways
- International best practice
- Supply chain studies
- International networks

3.6.4. Curriculum Development

In the area of curriculum development, the following should be pursued:

- Develop learning programmes to promote collaborative linkages between retailers and suppliers in order to ensure seamless interfaces, profitable growth and consumer retention
- Support the development of e-learning to get greater reach
- Establish international collaborative linkages with leading retailers, training providers and universities
- Monitor new developments and best practices and capacitate local training providers
- Support the project implementation initiatives with the provision of high-quality, subject-specific courseware, plus methods for the mass dissemination of new knowledge, consistently and quickly
- Assist communities of expert practitioners (CEPs) in order to provide a consistency of subject matter usage and evaluation. Case studies and practical measurement tools and practices developed by the CEPs should be used in learnerships and skills programmes
- Host international conferences on wholesaling and retailing and bring the world's leading companies to SA
- Developing fast-track programmes for potential Black managers to address inequalities in the occupational structure
- Developing skills programmes in new knowledge-intensive work areas and functions
- Increasing the number of learnerships in the higher education and training band

3.6.5. Addressing Business Compliance

Compliance is a primary example, where the application of segmentation strategies can lead to more effective outcomes through:

- Clearer targeting of compliance information
- Development of appropriate training and business tools to achieve compliance
- Improved relationships with stakeholders

3.6.6. International Strategic Partnerships

There is a need for the W&RSETA to network with international market research agencies, training providers, transnational retail chains and employer associations and trade unions globally. Leading international speakers in the sector should be invited to SA to address the sector. The SETA should also participate actively at international conferences.

These partnerships would enable the local sector to be exposed to cutting edge developments in the W&R sector.

3.7. CONCLUSION

The following conclusions are drawn from the chapter:

- The occupational structure of the W&R sector is consistent with the historical legacies of the apartheid era with a high concentration of Africans at the bottom-end of occupations and conversely a high proportion of Whites in the higher wage earning occupational levels.
- Data on educational level breakdown is very problematic. The skills audit conducted by the W&RSETA in 2006 was based on an inappropriate sample of training personnel. Hence, the educational levels are inconsistent with national norms and cannot be relied upon.
- The Seta has made significant gains in encouraging companies to apply for mandatory grants with the majority of large, medium and small companies doing so.
- Employee coverage for mandatory grants is in excess of 500 000.
- Employee reach with respect to discretionary grants tends to be poor with less than 1% on learnerships.
- There are real challenges facing the Seta in areas such as curriculum development, employer retention and opportunities, qualifications development, research capacity and business compliance which should engage the stakeholders in future skills planning exercises.
- Unless the sector invests in infrastructure for research, decision-making will be speculative if not supported by the appropriate statistics.

4. CHAPTER FOUR: SKILLS DEVELOPMENT PRIORITIES

4.1. INTRODUCTION

This chapter draws together the information from previous chapters. It analyses the gap between the demand for skills (Chapter 2) and the supply for skills (Chapter 3). The result is the identification of a suite of scarce and critical skills for the sector. Following from this, skills development priorities are discussed.

4.2. LIMITATIONS

Any quantitative projection to determine the gap between the supply and demand for skills in the sector is at best tentative for a number of reasons:

- The labour market, both internal and external, is changing, unpredictable and seasonal.
- The nature of the sector is such that it is highly sensitive to macro-economic developments such as currency movements, interest rates, credit supply, inflation, foreign direct investment and GDP growth. This has a 'knock-on' effect on the labour market.
- There is a paucity of data in respect of employees and employers in the sector.
- The availability of data on skills development is scant. Besides information supplied by the workplace skills plans, there is no other information available.
- There are a considerable number of employers operating outside the regulatory framework of the Bargaining Councils. Data relating to such employers is scant.
- High levels of informalisation also present data problems.

Notwithstanding, the approach in this chapter is to identify priorities and make projections, where possible, whilst recognising the limitations of such an approach. Hence, this chapter will show high content validity to offset the constraints as a result of a lack of precise quantitative data.

4.3. LINKING SUPPLY TO DEMAND FOR SKILLS

In attempting to understand the skills needs of the sector, it is important to draw a distinction between skills shortages and skills gaps.

Skills shortages, otherwise known as scarce skills, refer to an insufficient number of qualified and experienced people in occupations. In contrast, skills gaps, also called critical skills, refer to "top up" skills within and occupation.

Subsequent sections will determine the skills development needs of the sector in terms of scarce and critical skills.

4.4. STAKEHOLDER PARTICIPATION

The skills development priorities of the sector in terms of both scarce and critical skills were obtained through a consultative process with stakeholders by means of:

- A study of a previous skills audit (2006)
- Personal interviews with employers and employees
- Written submissions from sector representatives
- Questionnaires sent to companies
- Presentations to key education and training partners

The methodology is explained in section 1.2 of Chapter 1.

4.5. SCARCE SKILLS AND CRITICAL SKILLS

An interesting feature of the W&R sector is the correlation between the growth of the sector, on the one hand, and the growing demand for highly skilled people in specific occupational categories, on the other. Conversely, there is a decline in demand for specific low-skilled occupations in a sector.

The competitiveness of the sector is constrained by high levels of casualisation. There development discourages management from investing in labour. In recent year, the clothing retail chains have participated actively in benchmarking exercises through the KZN and Western Cape clothing and textiles projects to support supplier development and hence increase stock turnover. They have also invested in implementing world class retailing methods and technologies, which is *sine qua non* to being a successful retailer in the global economy. But the trend towards casualisation remains a problem for the sector.

W&R companies need to provide a unique and superior value to the customer in terms of product quality, design, product performance, reliability and responsive service. Costs also need to be comparable to competitors in specialised segments of the market. Such products require sustained investments in skills development, technology, research and development and store upgrading. In order to optimise performance in people, processes and technology, the sector requires a highly skilled workforce.

The sector is likely to be characterised by shorter lead times, fast fashion, price deflation, increased capital expenditure, higher value addition, product and process innovation, greater value chain reliability, flexibility and adaptability.

4.5.1. Reasons for Scarce Skills

Structural economic changes and increased knowledge intensity in the sector are combining to bring about major shifts in formal sector employment patterns. These two processes are creating aggregate labour demand in skilled occupational categories and contributing to unemployment in unskilled and semi-skilled occupations.

With technological advancements the ratio of skilled labour to total employment can be expected to increase with a concomitant decline in unskilled labour, as is the prevailing trend. Combined with the historical legacy of apartheid educational provision, this trend is further differentiated by race, educational level and gender. The demand for skilled labour is consistent across all service sectors. Such skilled workers in the sector have a portfolio of portable skills and are thus attracted by higher wage earning sectors.

A major weakness of the W&RSETA is an inability to partner with leading education and training infrastructures in the global environment. As a consequence, local employees are not exposed to international best practice in the sector.

There is a need to benchmark the training initiatives of world leaders such as Walmart, Tesco, Zara, Marks and Spencer and Carrefour to list a few.

4.5.2. Scarce Skills

Chapter 2 (Section 2.3) identified a range of occupational and critical skills in demand in the sector. These skills were identified in terms of various occupational and skills clusters.

From the information presented in Chapter 2, it is evident that the demand for occupations is concentrated mainly in the upper, and to a lesser extent middle, occupational categories with virtually no demand in the lower occupational categories.

From the list of occupations in demand, the most scarce skills in the sector are identified. These scarce skills are stated in terms of the typology used in the Organising Framework for Occupations (March 2008) supplied by the Department of Labour to SETAs.

Occupation Code	Occupation	NQF Level	Interventions	Total Number Required#
234202	Food Technologist	7	Bachelor of Consumer Science: Food Management: Retail Management	100
223101	Human Resource Practitioners	7	BA Honours in Human Resources Development Practitioner (14902)	1200
133601	Supply and Distribution Manager	6	BCom. Logistics Management (3205); Bachelor Logistics (15395)	3500
232302	Industrial Designer	6	National Diploma: Retail Business Management (785)	200
232302	Industrial Designer	6	B. Tech: Retail Business Management (803)	200
234202	Food Technologist	6	National Diploma Food Technology (1701)	80
531301	Chefs	6	Higher Diploma in Professional Cookery & Kitchen Management (57449)	1000
221101	Accountants	6	Bachelor of Accounting (16946/2549/15506/9847/15144/7387)	400
142101	Retail Managers	6	National Diploma in Retail Business Management (785)	3500
223301	Training and Development Professional	6	BA or B Admin or B Ed degree	1800
249102	Training and Development Professional	6	Conduct Moderation of Outcome based (1157559)	230
223301	Training and Development Professional	5	Conduct Outcome Based Assessments (115753)	2370
639201	Assistant / General / Company Buyer	5	Qualification being developed National Diploma Retail Buyer as National Certificate	4800
133601	Supply and Distribution Manager	5	Diploma In Logistics Management (3209)	2500
133601	Supply and Distribution Manager	5	Diploma in Supply Chain Management (36003)	1300

* Total number required is based on training needs identified by the sector (WSP and ATR) and not on employment vacancies.

Projected figures are based on averages derived from 2006/2007 ATRs and 2008 WSP.

Occupation Code	Occupation	NQF Level	Interventions	Total Number Required#
131102	Sales and Marketing Manager	5	Diploma or Certificate in Marketing and Sales	2200
131101	Advertising and Public Relations Manager	5	Diploma or Certificate in Marketing and Sales	2200
531301	Chefs	5	Diploma in Professional Cookery & Kitchen Management (57448)	1000
639201	Merchandise Planner	5	National Diploma: Retail Buyer Planner, under development	600
223103	Industrial Relations Officer	5	Diploma in Labour Law (122190)	120
223103	Trade Union Official	5	Diploma in Labour Law (122190) ;	350
552201	Credit Clerk	4	National Certificate in Wholesale and Retail Credit Control (49396)	2000
599301	Debt Clerk/Collector	4	FETC Debt Recovery	500
341101	Electricians	4		250
621101	Sellers: Sales Persons and Assistants, Representatives,	3	National Certificate: Wholesale and Retail Sales Practice(48764)	2000
351101	Bakers	3	National Certificate Bread and Flour Confectionary Baking (50308)	1300
351201	Butchers	3	National Certificate Fresh Meat Processing (24494)/National Certificate Food and Beverage Processing (90196)	250
351201	Butchers	3	An ETQA Approved Skills Programme for Blockman	1800
831111	Deli Supervisors	3	National Certificate Retail Perishable Food Sales (49792)	1900
831105	Fruit and Vegetable Supervisors	3	National Certificate Retail Perishable Food Sales (49792)	2200
831111	Fish Supervisors	3	National Certificate Retail Perishable Food Sales (49792)	200
399401	Polishers (jewellery)	3	National Certificate: Diamond Processing: Polisher (21843) & National Diploma: Crossworker (21845)	28

* **Total number required is based on training needs identified by the sector (WSP and ATR) and not on employment vacancies.**
 # Projected figures are based on averages derived from 2006/2007 ATRs and 2008 WSP.

Occupation Code	Occupation	NQF Level	Interventions	Total Number Required#
631102	Office Cashier	3	Any ETQA Approved Skills Programmes for Office Cashiers and Basic IT Literacy	180
631101	Cashiers	3	Any ETQA Approved Skills Programme for Cashiers and Basic IT Literacy	1000
511201	General Administrators and Finance	3	Any ETQA Approved Skills Programmes for Office Administrators	500
511201	General Administrators and Finance	3	Any ETQA Approved Skills Programmes for Office Administrators	500
223103	Trade Union Official	3	Any Approved Short Course	350
223103	Trade Union Official	3	Any ETQA Approved Skills Programme	350
621101	Sellers: Sales Persons and Assistants, Representatives,	2	National Certificate: Wholesale and Retail Operations (58206)	2000
639501	Merchandisers	2	Any ETQA Approved Skills Programmes that address the critical skills listed	6000
351101	Bakers	2	National Certificate Bread and Flour Confectionary Baking (50307)	2300
711601	Industrial Overlocker Operators (carpets)	2	Any Approved Programme that meets the need of the retailer in this regard	370
741101	Store Person	2	Any ETQA Approved Skills Programmes that address the skills required by the company for this function	1900
393203	Dressmaker or Tailor	2	Any Approved Programme that meets the need of the retailer in this regard	60

- * Total number required is based on training needs identified by the sector (WSP and ATR) and not on employment vacancies.
Projected figures are based on averages derived from 2006/2007 ATRs and 2008 WSP.

4.5.3. SCARCE & CRITICAL SKILLS LIST

OCCUPATION	S S ✓	SPECIALISATION or JOB	CRITICAL SKILLS	INTER- VENTION	NOF Level	NOF ALIGNED		NEED Period	COMMENTS
						Y	N		
1		MANAGERS							
13		SPECIALIST MANAGERS							
133		Operations Managers							
1336		Supply Chain & Distribution Managers							
		133601 Supply Chain & Distribution Manager	✓ -Supply Chain Manager -Logistics Manager -Storage & Warehousing Manager	Refer to OFO Version 1	Diploma in SCM	5 to 7	✓		3 yrs
135		Information & Communication Technology Managers (ICT)							
1351		Information & Communication Technology Managers (ICT)							
		135102 ICT Project Manager	✓ ICT/IT Computer Operations Manager	Refer to OFO Version 1	Diploma/Degree in IT	6 to 7	✓		3 yrs
136		Small business, Office, Programme & Projects Manager							
1362		Small Business Managers							

OCCUPATION	S S ✓	SPECIALISATION or JOB	CRITICAL SKILLS	INTER- VENTION	NQF Level	NQF ALIGNED		NEED Period	COMMENTS
						Y	N		
136201 Small Business Manager	✓	Owner Manager	Refer to OFO Version 1	Short courses to certificate	1 to 5	✓		1 to 3 yrs	
14 EVENTS, HOSPITALITY, RETAIL & SERVICE MANAGERS									
142 Retail Managers									
1421 Retail Managers									
142101 Retail Manager	✓	Retail Store Manager	Refer to OFO Version 1	Diploma in Retail Operations/ Management	6 to 7	✓		3 yrs	
149 Miscellaneous Event, Hospitality, Retail & service Managers									
1492 Call or Contact Centre & Customer Service Managers									
149202 Customer Service Manager	✓	Customer Care Representative	Refer to OFO Version 1	Short courses to certificate	6 to 7	✓		3 yrs	
2 PROFESIONALS									

OCCUPATION	S S ✓	SPECIALISATION or JOB	CRITICAL SKILLS	INTER- VENTION	NQF Level	NQF ALIGNED		NEED Period	COMMENTS
						Y	N		
22		BUSINESS, HUMAN RESOURCE, MARKETING & COMMUNICATION MANAGEMENT PROFESSIONALS							
225		Sales, Marketing & Communication Management Professionals							
2251		Advertising & marketing Professionals							
		225102 Marketing Research Analyst	✓	Market Researcher	Refer to OFO Version 1	Post- Graduate Degrees	7 to 8	✓	4 yrs
23		DESIGN, ENGINEERING, SCIENCE AND TRANSPORT PROFESSIONALS							
232		Architects, Designers, Planners & Surveyors							
2323		Fashion, Industrial & Jewellery Designers							
		232301 Fashion Designer	✓	Clothing Designer	Refer to OFO Version 1	Diploma in Fashion	6	✓	3 yrs
234		Natural & Physical Science Professionals							
2342		Chemists & Food & Wine Scientists							

OCCUPATION	S S ✓	SPECIALISATION or JOB	CRITICAL SKILLS	INTER- VENTION	NQF Level	NQF ALIGNED		NEED Period	COMMENTS	
						Y	N			
		234202 Food Technologist	✓ -Food Safety Standards Manager -Food & Drink Technologist	Refer to OFO Version 1	Diploma in FTech	7	✓		3 yrs	
2349		Miscellaneous Natural & Science Professionals								
		234905 Materials Scientists	✓ Fibre Technologist	Refer to OFO Version 1	Diploma in Text Tech	7 to 8	✓		4 yrs	
6		Sales Workers								
63		Sales Support Workers								
639		Miscellaneous Sales Support Workers								
6392		Retail Buyers								
		639201 Retail Buyer	✓ -Company -Buyer Merchandise Planner	Refer to OFO Version 1	Diploma and short courses	4 and 5	✓		1 to 3 yrs	

The graph below shows the extent of the skills shortages for scarce skills in the sector:

Figure 4-1 Scarce Skills Map

SCARCE SKILLS	VHSN	HSN	MSN	LSN	VLSN	VHSS	HSS	MSS	LSS	VLSS	SCARCE SKILLS
Owner Manager	Red		Yellow					Green			Owner Manager
Retail Store Manager	Red		Yellow					Green			Retail Store Manager
Customer Care Representative	Red			Yellow				Green			Customer Care Representative
Market Researcher	Red	Yellow								Green	Market Researcher
Clothing Designer	Red			Yellow				Green			Clothing Designer
Food Safety Stds Manager	Red		Yellow					Green			Food Safety Stds Manager
Food & Drink Technologist	Red		Yellow					Green			Food & Drink Technologist
Fibre Technologist	Red	Yellow								Green	Fibre Technologist
Company Buyer	Red		Yellow					Green			Company Buyer
Merchandise Planner	Red		Yellow					Green			Merchandise Planner
	VHSN	HSN	MSN	LSN	VLSN	VHSS	HSS	MSS	LSS	VLSS	

Graph: Scarce Skills Gaps

KEY:	
VHSN - Very High Skills Needs	VHSS - Very High Skills Supply
HSN - High Skills Needs	HSS - High Skills Supply
MSN - Moderate Skills Needs	MSS - Moderate Skills Supply
LSN - Low Skills Needs	LSS - Low Skills Supply
VLSN - Very Low Skills Needs	VLSS - Very Low Skills Supply

Figure 4-1 is derived by evaluating the information contained in "Project Fundisa Impact Assessment Report" 2006, "Impact Assessment of Scarce and Critical Skills Guide" 2008, "Sector Skills Audit" 2006 and the WSP 2007/2008 and ATR 2007.

Figure 4-1 provides an estimation of the extent of scarce skills shortages for the top 10 scarce skills in the W&R sector. The green section of the graph indicates the supply of scarce skills to the labour market, whilst the red section indicates the demand for scarce skills by the labour market. The section in yellow is the variance between skills supply and skills demand.

The following observations can be drawn from the graph:

- There is a very high skills need for market researchers and fibre technologists and concomitantly a very low skills supply for these occupations from training institutions.
- There are high skills needs for occupations such as owner managers, retail store managers, food safety standards managers, food technologists, company buyers and merchandise planners. The supply of these occupations to the labour market range from low to medium skills supply.
- There is a medium supply and demand of fashion designers and customer care representatives to the labour market.

The estimations suggest that the gap between scarce skills supply for the Top 10 scarce skills in the W&R sector is significant as indicated by the yellow section. It is therefore recommended that greater attention should be focused by the W&RSETA to increase the output of graduates for the above-mentioned occupations. This would necessitate a national bursary project focused exclusively on identified scarce skills.

4.5.4. Critical Skills

The following critical skills are identified from an analysis of the WSP/ATR and stakeholder workshops:

Management/Leadership	Soft skills	Technical	Life skills
<ul style="list-style-type: none"> • Leadership and management skills • Planning and project management • Conflict management • Negotiation and persuasion • Basic business skills 	<ul style="list-style-type: none"> • Decision making • Interpersonal skills • Customer relations • Assertiveness • Team work • Managing diversity • Communication • Presentation skills • Listening skills 	<ul style="list-style-type: none"> • Financial skills (basic bookkeeping such as debt and credit control and accounting) and management • Product development • Basic understanding of business (to find EE candidates is difficult) 	<ul style="list-style-type: none"> • Customer service • Communication skills • ABET/Numeric and literacy • Ability to apply knowledge • Access to information

Management/Leadership	Soft skills	Technical	Life skills
	<ul style="list-style-type: none"> Life-skills (personal finance, time management, resilience, stress management) Innovation and creativity Problem solving 	<ul style="list-style-type: none"> e.g. retail reps with the basic knowledge/understanding of business Computer literacy (PC trained people) Selling skills Product knowledge Merchandising, especially visual Production and product knowledge Knowledge of contracts 	<ul style="list-style-type: none"> Personal budgeting

4.6. CONCLUSION

The following conclusions can be drawn from this chapter:

- The quality of skills data needs to be drastically improved
- The demand for skills is driven by technological advances, economic changes, business growth and more demanding consumer preferences
- The scarce skills in the sector are: supply chain and distribution manager, logistics manager, IT computer operations manager, owner manager, retail store manager, customer care representative, market researcher, clothing designer, food safety standards manager, fabric technologist, food & drink technologist, retail buyer and merchandise planner.
- There are a range of critical skills in the areas of management/entrepreneurship, soft skills, technical skills and life skills required by the sector

5. CHAPTER FIVE: ISSUES IMPACTING ON NSDS INDICATORS NOT DIRECTLY RELATED TO SCARCE AND CRITICAL SKILLS

5.1. INTRODUCTION

This chapter highlights issues impacting on NSDS indicators that are not directly related to scarce and critical skills. The sections covered in this chapter include:

- Small Business and Entrepreneurial Opportunities (Indicators 4.3 and 5.2);
- Specific support to small levy and non levy paying firms. (indicator 2.2);
- ABET provision (indicator 2.7 and 3.3);
- Stakeholder capacity building (Indicator 5.4)

5.2. W&RSETA TARGETS

NSDS 2005-10 SUCCESS INDICATORS	W&RSETA 2005-10 TARGET	TARGETS FOR 2008/9
<p>Indicator 2.2</p> <p>By March 2010 skills development in at least 40% of small levy paying firms supported and the impact of the support measured.</p>	<p>Target is set for each year varies in terms of the baseline for that year</p>	<p>Total number of small levy paying firms in the sector is 8268 (baseline). Target for the different number of small levy paying firms receiving WSP / ATR grants / free courses / support is 3307 (baseline)</p>
<p>Indicator 4.3</p> <p>By March 2010, at least 10,000 young people trained and mentored to form sustainable new ventures and at least 70% of new ventures in operation in operation 12 months after completion of programme</p>	<p>Target for the sector for the period 2005 to 2010 is 300 young persons are trained and mentored to form new ventures and 210 new ventures are sustainable and in operations 12 months after the completion of the programme.</p>	<p>Target for the sector is 50 young persons trained and mentored to form new ventures. Target for the sector is 35 new ventures are sustainable and in operations 12 months after the completion of the programme.</p>

NSDS 2005-10 SUCCESS INDICATORS	W&RSETA 2005-10 TARGET	TARGETS FOR 2008/9
<p>Indicator 5.2 By March 2010, each province has at least two provider institutions accredited to manage the delivery of the new venture creation qualification. 70% of new ventures still operating after 12 months will be used as a measure of the institutions' success</p>	<p>Target is set for each year from 2005 to 2010 as described under Annual Target 5yr target</p>	<p>Target for the sector is 5 provider institutes.</p>
<p>Indicator 2.7 By March 2010 at least 700 000 workers have achieved at least ABET Level 4.</p>	<p>Target for the sector for the period 2005 to 2010 is 20 000 Learners to enter ABET levels Level 1 - 2000 Level 2 - 4000 Level 3 - 6000 Level 4 - 8000 Target for the sector for the period 2005 to 2010 is 10 000 Learners to achieve ABET levels. Level 1 - 1000 Level 2 - 2000 Level 3 - 3000 Level 4 - 4000</p>	<p>Total TARGET for the sector is 5000 Learners to enter ABET levels. Level 1 - 500 Level 2 - 1000 Level 3 - 1500 Level 4 - 2000 Total TARGET for the sector is 2500 Learners to achieve ABET levels Level 1 - 250 Level 2 - 500 Level 3 - 750 Level 4 - 1000</p>

NSDS 2005-10 SUCCESS INDICATORS	W&RSETA 2005-10 TARGET	TARGETS FOR 2008/9
<p>Indicator 5.4 SETA must ensure compliance with good governance principles</p>	<p>SETA must ensure compliance with good governance principles</p>	<p>Annual Board evaluations Internal Audit AGM Regular SETA board meetings held i.t.o. constitution SETA must submit EE Plan <i>(These are some examples of areas to be considered / measured)</i></p>

5.2.1. Small Business and Entrepreneurial Opportunities (Indicators 2.2, 4.3 and 5.2)

According to indicator 2.2, the SETA has targeted 3307 small firms (1-50 employees) to receive skills development support, including free courses.

Indicator 4.3 states that at least 10 000 young people are trained and mentored to form sustainable new ventures and at least 70% of new ventures are in operation 12 months after completion of programme. With respect to indicator 4.3, the SETA has set a target of supporting 300 learners between 2005 and 2010 to achieve the new venture creation qualification and at least 210 of them to be sustainable after 12 months.

Indicator 5.2 states that each province has at least 2 provider institutions accredited to manage the delivery of the new venture creation qualification and 70% of new ventures should be operational after 12 months from completion of the programme. In terms of indicator 5.2 the SETA, in addition to participating in the new venture creation learnership, has set a target of registering 5 training providers to offer these learnerships.

The W&RSETA has determined that the best form of support would be to subsidise, in part, the cost of implementing learning programmes for employees in small levy paying companies. Due to the fact that many companies that were previously levy-paying have since been exempted from paying the levies and therefore are excluded from the mandatory grant, registered non levy-paying companies are included as well.

The SMME Funding Window allows:

- Small companies to make their own training arrangements with training providers of their choice
- Training providers to easily assemble training groups by working closely with levy-paying and non-levy paying organisations
- Independent Skills Development Facilitators to provide training to companies that they are already assisting with Workplace Skills Plans
- Non Levy paying companies to access training that is supported by the W&RSETA by engaging participating training provider
- Training must address the needs identified by small businesses
- Where training is not identified in the list provided, the levy paying company must motivate and eventually report impact

5.2.2. ABET provision (Indicator 2.7)

The Seta has committed to enroll 20 000 learners on ABET (levels 1 to 4) of which 10 000 must have completed the programme in the period 2005 – 2010. This is one of the most challenging targets for the SETA to realize and needs continuous research to establish the best form of intervention.

5.2.3. Stakeholder Participation (Indicator 5.4)

Stakeholder participation deals with ensuring good corporate governance and favourable audit reports from the Auditor-General's office. The W&RSETA has maintained unqualified audits annually for the past 8 years.

The SETA is conscious of the fact that the high performance functioning of the SETA is to a large extent dependent on the "capacity" of its key stakeholders. In this regard the SETA has constantly committed funds to the enhancement and development of its stakeholders.

Examples of projects undertaken include:

- SDF development project
- Regional forums in which stakeholders address skills development issues
- Registration of board members for a financial management programme run by UNISA
- Road shows and workshops conducted on new developments
- Distribution of information to all companies in the sector keeping them informed of new developments

5.3. KEY SUCCESS FACTORS FOR SMMEs

According to McGrath (2005: 20), education and training is a necessary but not a sufficient condition to improve the success and sustainability of SMME enterprises.

This point is critical because it recognises that education and training alone is not a panacea to improve the chances of the SMME sector. Hence, SETAs alone cannot resolve the problems of SMMEs. Rather a mix of factors should be taken into consideration when considering SMME enterprise development.

In addition to education and training, McGrath (2005:20) identifies other factors that should be given consideration:

5.3.1. Capital

A lack of capital undermines the ability of SMMEs to invest in technology. Additionally, SMMEs who are unable to source loans face the problem of using outdated machinery thus putting them at a competitive disadvantage.

5.3.2. Markets

Inadequate capital is related to complaints about inadequate markets. Whilst barriers to entry are very low, especially in the retail sector, there is typically over-saturation of the retail market. The selling of goods by the poor to the poor is unlikely to result in anything more than survival incomes.

5.3.3. Location, Tenure and Infrastructure

Security of tenure in the post-apartheid period has been radically improved, although street traders are still subject to harassment and illegal charges. Research also reveals that home-based and street-based enterprises perform worse than shop traders.

Township and informal settlement traders lack electricity and transport infrastructure of urban areas. Urban traders are nearer to wholesalers and can thus procure supplies more inexpensively.

5.3.4. Enabling Environment

Structural adjustment policies of the World Bank and trade liberalisation were supposed to have brought more benefits to the SMME sector. However, it has done precisely the opposite. The dumping of retail

goods from the East into the SA market and the establishment of large retail outlets by foreigners from the East, often selling distressed goods directly to the public has undercut SMMEs.

In regulatory environment governing the SMME sector is also costly and prohibitive thus dampening entrepreneurship.

5.4. SMALL BUSINESS CHALLENGES

Skills development for small businesses in the sector is constrained by a number of factors (W&RSETA 2006):

- The cost of training to the business
- Inability to raise external finances to invest in staff training
- Inflexibility on the part of training providers in terms of delivering training in forms that are appropriate to the circumstances of small business
- Limited capacity in terms of the available human resources
- Lack of information on the need and effects of training and available training opportunities
- Lack of alignment of training to the overall business strategy
- Lack of information on available service providers
- Training in the rural areas due to a lack of training providers and the cost of training.

5.5. CONCLUSION

The main issues to emerge from this chapter are:

- The NSDS II makes provision for the creation of new business ventures for young people from previously disadvantaged communities
- Learners are required to complete the new venture creation learnership
- The SETA will support 300 learners on new venture creation learnerships over 5 years
- Small businesses in the sector face a number of hurdles to promote skills development
- Additional funding is required to support the new venture creation programme on a massive scale

Final Remarks

The wholesaling and retailing in South Africa has demonstrated high growth in recent years. The national retail chains have benchmarked with the best in the world and run sophisticated operations. One of the reasons for the lack of foreign retail chains in SA is the competitive nature of local firms who have a good understanding of the domestic market.

The wholesale sector has evolved to service smaller retail outlets in the Southern African region. They make an important contribution to the burgeoning second economy by servicing spaza shops, hawkers and small retail outlets.

Despite the successes of the sector, there are a number of challenges facing the sector from a human resource development front. The sector is not viewed as an attractive career option largely because of the informal nature of employment in the sector. The sector also needs to create opportunities to encourage school-leavers and graduates to view the sector as an area of career choice. Thus it is necessary to invest in developing career paths, new learning programmes that address the needs of a modern economy, talent management and career development.

There is also a very urgent need to partner with leading training infrastructures who specialise in training in this sector, particularly international training institutions who work with global giants such as Makro, Tesco and Walmart.

New developments in the area of technology, changing consumer preferences, global environmental and social issues and fair trade necessitate a different kind of worker and manager in the sector. It requires a workforce with a broadened knowledge base, politically and socially aware of the issues of the day, technically and technologically savvy and a willingness to make decisions on the shop floor.

One of the major factors that are inhibiting the sector from realizing its true potential is a growing level of non-compliance to labour legislation. This practice discourages firms from investing in skills and career development of its workers. The failure to address this issue is likely to create skills shortages, particularly in the middle to high end of the skills spectrum.

The W&RSETA has considerable resources and is therefore in a strong position to ensure high-quality, innovative learning programmes. There are also resources to encourage training in overseas institutions that have a good reputation of working in the sector.

The paucity of data in relation to skills development in the sector makes it difficult to plan ahead. Clearly there is an immediate need to set a new research agenda for the W&RSETA. A number of research needs have been identified.

There are a number of scarce skills in the sector. These are mainly in the areas of management, merchandising, marketing and sales, information technology and general distribution, especially at high occupational levels.

There are also challenges in the sector in relation to transformation. There is a need to fast-track disadvantaged people to management positions through career pathing and development. Women in management should also become an important priority for the sector.

The SETA runs a number of very innovative and exciting projects to upskill small business. This needs to be sustained over the long-term and informed by proper research.

The outlook of the sector is very positive, indeed. However, increased growth should be underpinned by an expansion in the provision of skills development.



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