

Wholesale & Retail

LEADERSHIP CHAIR



Cape Peninsula
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Project 2014/03

**Retail's contribution to,
and strategies for,
job creation and retention**

1 June 2015

APPLIED RESEARCH
LEADERSHIP DEVELOPMENT
SERVICE TO RETAIL COMMUNITY

Project 2014/03

Retail's contribution to, and strategies for, job creation and retention

1 June 2015

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ISBN – 978-620-65522-4 (Print)
978-0-620-65523-1 (e-book)

This report is available online at: www.wrlc.org.za

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EXECUTIVE SUMMARY

This research investigated the retail sector contribution and strategies for job creation and retention. The research is based on a wide and broad literature review of the latest trends in the retail industry, followed and supplemented by both qualitative and quantitative research of the top retailers in the country. The purpose of this research was also to identify drivers of change and related factors that have a bearing and influence on job creation and retention strategies, based on the emerging opportunities and threats (e.g. Technology and labour) to job creation within the retail sector and to provide an assessment of job creation possibilities in the SMME retail sector.

The findings are an indication of the multi-faceted and dynamic challenges facing the retail sector locally and internationally. The global changes have a rippling effect on the retail sector in South Africa and the shift from permanent jobs to casualization and contract employees is a possible and viable solution. The union influence is also another influencing factor as casual and contract jobs are mostly distributed by labour brokers in South Africa.

The study also revealed the volatility of the retail sector when there are unprecedented developments like economic meltdown; the sector is forced by prevailing circumstances to shed jobs and this results in retrenchments and job losses and reduces any previous gains in employment.

CHAPTER 1 - INTRODUCTION

1.1 Background

Cape Peninsula University of Technology (CPUT) through the auspices of Wholesale and Retail Leadership Chair appointed OD Management Services to conduct research on Retail's contribution and strategies for job creation and retention as advertised in their terms of references.

The main aim of the research is to produce a position paper on the retail industry's contribution and strategies for job creation and retention. The paper will provide an overview of the job creation requirements as spelled out in the National Development Plan, with specific reference to the retail industry, employment trends in the retail industry including the differences between large formal businesses, informal businesses and SMME's. It will investigate the impact of internships and workplace experience on preparing graduates for the workplace and the contribution made to employment.

The paper will provide the findings and make recommendations that will impact on the decision makers of the wholesale and retail sector by highlighting the main areas in creating opportunities for job creation and retention

1.2. Research problem

The research aims at investigating the challenges faced by the retail sector in creating jobs and retaining them. The research aims at investigating the factors affecting big and small retailers in creating jobs and retaining them.

One of the key elements of conducting this research is to identify the main opportunities and threats (e.g. Technology and labour) to job creation within the retail sector and provide an assessment of job creation possibilities in the SMME in the retail sector.

1.3. Research questions

The research aims at investigating the following questions;

What is the role of the retail sector in job creation?

How can the retail sector retain the available jobs in the sector?

What is the impact of casualization of jobs?

1.4. Objectives

The research on the retail industry's contribution and strategies for job creation and retention aims to achieve the following key objectives:

- To provide an overview of the job creation requirements as spelled out in the National Development Plan, with specific reference to the retail industry.
- To provide an overview of employment trends in the retail industry including the differences between large formal businesses, informal businesses and SMME's.
- To provide an analysis of permanent (full time and flexi hour) seasonal and broker employment figures.
- To provide an overview of growth patterns in the retail industry.
- To provide an analysis of growth strategies employed by major retail companies with an analysis of how such strategies may impact employment figures.
- To provide an analysis of the demand for specific (scarce) skills in retail as visualized by the major companies and how they address the problem.
- To provide an analysis of the impact of new technologies on employment and skills requirements.
- To provide international trends in retail strategies and technology developments which may impact job creation.
- To identify the main opportunities and threats (e.g. Technology and labour) to job creation within the retail sector.
- To provide an assessment of job creation possibilities in the SMME retail sector.
- The influence of internships and workplace experience on preparing graduates for the workplace and its impact on the employment of graduates.

1.5. Issues to be studied

The study also provided an overview of growth patterns in the retail industry by providing an analysis of:

- permanent (full time and flexi hour), seasonal and labour broker employment figures.

- growth strategies employed by major retail companies with an analysis of how such strategies may impact employment figures.
- the demand for specific (scarce) skills in retail as visualized by the major companies and how they address the problem.
- the impact of new technologies on employment and skills requirements.

1.6 Study Delimitations

The study is confined to South African major cities like Johannesburg, Durban and Cape Town; the rural areas were not part of the study. The study also focussed mainly on major retail shops rather than the small retailers. The study was also curtailed by the time constraints.

1.7 Rationale

The research aims to provide international trends in retail strategies and technology developments that may impact on job creation.

The Retail Sector is a very large sector. It is almost everywhere, although it is largely in the big metropolitan and urban areas. The supply and demand at the retail level results in job creation and retention as many workers work in different fields and areas of this large sector.

The research has dealt with the challenges of creating sustainable jobs and opportunities in the Retail Sector, which is contributing a substantial percentage of jobs in the South African labour market sector, although many of them are of a casual nature. The unions are not impressed by the usage of labour brokers by employers in all sectors. The retail sector seems to specialize in casualization of labour, this situation sets it on a collision course with the unions who are vociferous about such employment.

1.8 Chapter summary

Chapter 1, Introduction and background to the retail sector and problem statement

Chapter 2, Literature Review, including international trends and patterns on the retail sector employment.

Chapter 3, Research Methodology, the approach is mixed methods with both qualitative and quantitative methods.

Chapter 4, Analysis and findings, the analysis of the questionnaire and interviews.

Chapter 5, Recommendations and conclusion, the final outcome of the research and proposed recommendations.

CHAPTER 2: LITERATURE REVIEW

2.1 Global perspectives

Global retail sales saw an unprecedented growth in the early 2000's, almost doubling in size between 2003 and 2008 with a high of \$14.4 trillion (IMAP 2010). The recession that followed placed pressure on disposable income and thus consumers' spending ability resulting in a 3.7% reduction in volume in 2009 (Economist Intelligence Unit 2010). Since then, retailing has bounced back to a certain degree; however both retailers and their customers are much more conservative than they were during the long-term economic boom that ended in 2007. Stores of all types have been seeking creative ways to reduce and cut operating expenses. Methods ranging from reducing the size of stores to lowering the employee head count to reducing inventory exposure have been applied.

The successful combination of online and offline worlds will be a powerful source of competitive advantage to the best retailers with the online world providing the intelligence to support personalisation and customer service, while real estate will provide accessibility but also a brand profile and the ability to deliver a real experience – a factor which can't easily be replicated online (Hutchings 2013)

The dynamics in developed and developing worlds are different and thus the emerging paradigm in retail will be different in these varying contexts. According to Plunkett Research (2014), the factors influencing the retail sector in the U.S., Europe and most developed nations include:

- Consumers are focused on increasing their savings and paying down debts.
- Persistently high unemployment levels and a difficult environment for job seekers are reducing retail spending.
- Price-sensitive consumers will continue to be more conservative. When they do spend, they want to feel like they are buying merchandise that is fairly priced, if not a significant bargain.

Developing nations on the other hand (including China) will likely experience the following influences on their respective retail sectors:

- Economic growth slowed significantly in the emerging world during 2013, and is likely to remain slow in the beginning of 2014. This will have a dampening effect on retail sales.
- Having said that, the growing middle class that is emerging in the faster growing nations will substantially increase the overall buying power of the consumer base.
- E-commerce remains behind the developed world but will grow quickly as access to faster internet connections grow.

The post-recession period has revealed an interesting, almost paradoxical, dichotomy. Sales of luxury items have made a strong comeback in America and Europe. Until 2013, luxury sales had been surging in developing markets such as China, where high-end stores including Tiffany & Co., Hermes and Gucci have done very well (Plunkett, 2014). Overall, luxury retailers worldwide have been enjoying brisk business. On the other hand, less affluent U.S. and European consumers are focused on buying less, and when they do make purchases, they are seeking the best possible prices. This means that revenues have been strong at outlets that are known for exceptionally low prices. Elsewhere, many retailers, including department stores, are forced to offer special prices on a frequent basis.

The more price conscious behaviour of middle to lower income consumers are resulting in a shift towards private-label items at the expense of more established brands. At Kroger, for example, house-brands made up 40% of products sold, up from 34% in 2010 (Plunkett, 2014).

Finally, coupons have made a big comeback in the USA. Major factors in this growth include the financially challenged consumer and the use of advances in technology. This new world of coupons includes distribution via cellular phones, online searches for coupons and push services such as Groupon whereby special offers are sent directly to members. It remains to be seen if retailers will continue to offer these large discounts while still splitting profits with the coupon firms.

South Africa will follow some trends experienced by developing nations while others trends of the more developed economies will be followed. Either way, the sector is currently undergoing a shift which will have a medium and long term impact on

economic and employment growth.

2.2 Trends in the South African Retail Industry

2.2.1 Convenience Store Format to compete in Retail Trade

Changing consumer lifestyles have led to a relatively new trend in the South African retail market– the emergence of convenience stores as a shopping destination. These stores are typically owned by retailers. With convenience stores open for longer hours, South Africans have found this format to be a safer and more time-saving shopping experience.

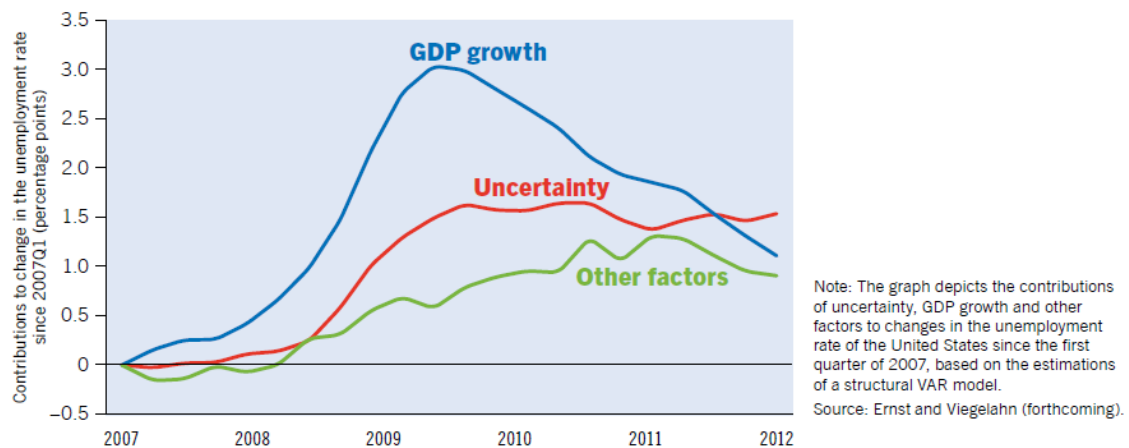
With this, South Africa's leading retailers have jumped on to the bandwagon, introducing new store formats to cash in on this growing trend. According to a market research survey by Euromonitor International (2014), Woolworths Holdings led the convenience stores market in 2009. Woolworths Food outlets are located at Engen Petroleum's forecourt stores (or gas stations), which are becoming popular thanks to the convenience shopping drive. Others in the fray include Pick n Pay, which introduced Pick n Pay Express outlets through British Petroleum (BP) forecourt stores in 2009, and Sentra Value outlets owned by Shoprite and Sasol forecourts focusing on restaurant chains (Thomas White International, 2011).

2.2.2 Employment in Retail

The global recession that followed the financial crisis of 2008 saw a global contraction in employment. While there are currently positive signs of recovery, statistics show that the unemployment gap continues to grow (ILO 2014). In 2013, this gap reached 62 million jobs world wide, including 32 million additional jobseekers, 23 million people who became discouraged and no longer look for jobs and 7 million economically inactive people who prefer not to participate in the labour market.

One of the factors weighing on labour markets is employers withholding employment expansion based on uncertainty. In other words, given the persistence of weak aggregate demand and the uncertainty about the strength and speed of future recovery, firms may choose to wait for new information and further developments before investing and hiring (ILO 2014). Figure 1 shows the factors that influence the hiring

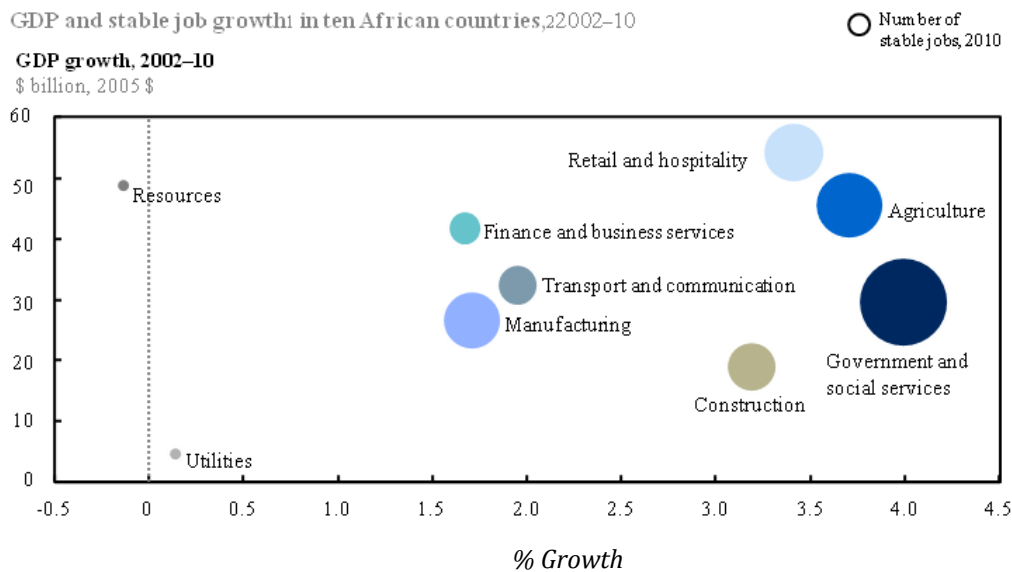
uncertainty in the USA since 2007. As can be seen the two biggest drivers are the rate of economic growth and uncertainty.



Source: cited in ILO 2014

Figure 1: Hiring uncertainty in the USA since 2007

The above findings imply that as the economy grows and GDP increases, employment will grow. However, the employment will be offset by the uncertainty felt by employers in terms of the sustainability of the economic recovery. Furthermore, the source of the economic growth will also impact on the subsequent employment growth. Figure 2 shows that based on the analysis of GDP growth from 2002 to 2010, (McKinsey 2012), the greatest increase in employment from GDP growth was experienced in the public sector, agriculture and retail / hospitality. The least affected sectors were resources and utilities. Therefore if GDP growth is driven from a resources base, the impact on employment will be limited. The McKinsey MGI report (2012) continues to indicate that governments need to focus on sector specific job creation strategies if they are to create the volume of jobs required to meet both the needs of new entrants into the labour market and the absorption of the currently unemployed.



Source: McKinsey (2012)

Figure 2: Job creation of different sectors based on GDP growth

As mentioned previously, mining is a key contributor to GDP especially in Africa, but growth in GDP from mining is not likely to come with commensurate increase in employment. Therefore government will need to focus on areas that will create jobs if they grow.

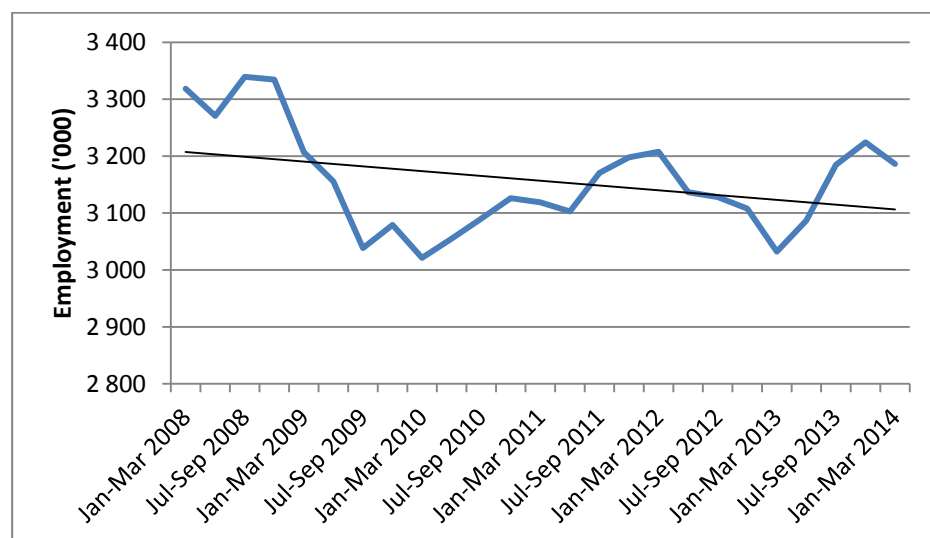
Successful cases of sector specific programmes resulting in employment growth includes: Mali Mangoes, Morocco's auto parts and Lesotho's textiles (McKinsey, 2012). "Retail and Hospitality" is second only to Agriculture in the number of jobs provided on the African continent. However, only 24% of current employment is considered "stable". The other three quarters is classified as "vulnerable jobs" (McKinsey, 2012). This presents both an opportunity and a risk for South Africa in that there is room to stimulate employment growth in the retail sector but the tendency is for the majority of those jobs to be informal and vulnerable.

2.3 Employment structure of South African Retail Sector

The concern regarding jobless growth was noted in the National Development Plan (Department the Presidency 2011). According to the NDP report, factors that drive

growth are not always the same things that drive job creation. Similarly the factors that are good for job creation are not always good for growth. However, since the economy needs both, intervention strategies need to complement each other. It was identified in the NDP that an effort should be made to focus on growing exports and building the linkages between export earnings and job creation, which often occur in domestically focused small- and medium-sized firms. It is therefore important for all sectors of the South African economy to contribute towards job creation and job retention in their strategies. Achieving full employment, decent work and sustainable livelihoods is the only way to improve living standards and ensure a dignified existence for all South Africans. Similarly, active steps to broaden opportunity for people will make a significant impact on both the level of inequality and the efficiency of the economy (Department the Presidency 2011).

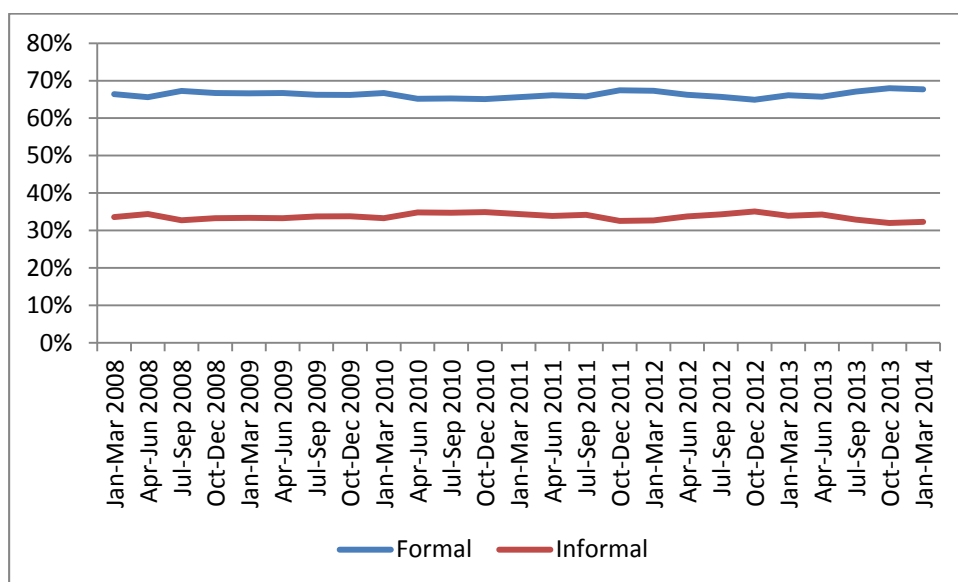
Employment in the South African Trade sector (Wholesale and retail trade, repair of motor vehicles, motor cycles and personal and household goods, hotels and restaurants) has followed the international trend of decline since the financial crisis of 2008. However, it has remained relatively flat since 2010.



Source: calculated from LFS (2008-2012)

Figure 3: Employment in the Trade Sector 2008-2014

Over this period, the proportions of workers in the formal and informal economies have remained relatively stable. Roughly two thirds of retail employees have formal jobs with one third being employed in the informal economy. The implication is that the tumultuous post-recessionary period has not significantly affected the broader Trade Sector as one may have anticipated.



Source: calculated from LFS (2008-2012)

Figure 4: Formal and Informal employment in the trade sector 2008-2014

If one examines the retail sector in isolation however, a slightly different picture emerges. Based on the W&RSETA definition of the retail sector, the following industries were included:

- Non-specialised retail trade in stores,
- Retail trade in food, beverages and tobacco in specialised stores;
- Other retail trade in new goods in specialised stores;
- Retail trade in second-hand goods in stores;
- Retail trade not in stores; and
- Retail sale of automotive fuel.

There were a total of 2 032 053 people employed in the retail sector in the first quarter of 2014. This is down by 177 155 from the first quarter of 2008 representing an 8% contraction in employment.

In 2008, the structure of the retail sector was very similar to that of the broader Trade sector as described above with 63% of jobs being formal. With the contraction in employment, this has moved to only 54% which means that the retail sector is more vulnerable to economic downturns than the rest of the Trade sector with a large number of people being marginalised and forced into the informal economy.

In summary, there were 292 451 fewer people employed in the formal retail sector in 2014 as compared to 2008 with 128 057 employees migrating to the informal economy. Self-employed individuals in both the formal and informal economy bore the brunt of

the job losses. There were 740 365 (34% of total employment) self-employed individuals in 2008 which was reduced to 633 205 (31%) in 2014. This is a contraction of 107 160 representing 60% of net job losses.

It is interesting to note that despite the overall reduction in employment, the remaining formal posts have been made more secure and that the working conditions have been improved (refer to Table1). Table 1 shows the structure and benefits of the retail sector excluding those in self-employment and those doing unpaid work. Despite an 8% reduction in total employment, the absolute number of people with permanent posts has increased and the number of people with contracts with an uncertain term has been reduced. Furthermore, the benefits made available to employees are improving with more posts including contributions to a retirement fund and paid leave.

Table 1: Structure and benefits in the Retails sector 2008 - 2014

	Number Employees (2008)	of %	Number Employees (2014)	of %
Limited Duration	162 429	12%	194 115	14%
Permanent	820 278	60%	853 799	64%
Unspecified Duration	389 862	28%	295 548	22%
Retirement	482 932	35%	556 460	41%
Paid Leave	716 618	53%	844 462	64%
Paid Sick Leave	-		951 917	71%
Total	1 372 569		1 343 462	

Source: calculated from LFS (2008-2012)

Even though the South African economy is considered developing, the structure of the SA retail environment reflects a more mature market. The sector is highly concentrated with a relatively small number of big retail groups dominating the environment. The biggest of these include: Edcon Pty (Ltd), Pick n Pay Holdings Ltd, Shoprite Holdings Ltd, Spar Group Ltd, Woolworths Holdings Ltd and Massmart Holdings Ltd.

This is significant since the UK Competition Commission investigation into grocery retailing in that country concluded that a supermarket only required an 8% market share in order to have enough power to impose abusive practices on suppliers (European Parliament 2007 cited in Heijden and Vink 2013). Shoprite, Pick n Pay and Spar own a combined 86% of the Mass Grocery Market (GPG 2012). The result of this

concentration is that it makes the developmental agenda relating to small businesses difficult to implement. In a concentrated environment, the smaller retailers are usually squeezed out and/or new smaller entrants find it difficult to penetrate. In some instances, a supermarket may even be prepared to absorb a loss for a certain period of time in order to push out these smaller competitors.

Von Blottnitz (2007) reports that prices charged at Pick n Pay-owned Score supermarkets (which have been expanding in township areas) were generally lower than prices in Pick n Pay branded stores. Since Score reported operating losses for the five years to 2007, this could indicate that Pick n Pay was prepared to subsidise losses at its subsidiary in order to gain market share in lower-income areas.

Furthermore, the international best practice of integrated Supply Chain Management (SCM) puts pressure on the small providers in the supply chain from small agricultural producers to wholesale food markets to small wholesalers and distributors. As supply chains continue to integrate access to markets it becomes increasingly difficult for smaller players. There is scope to investigate the possibilities of business linkages between small players and large retailers in the South African retail space. This was examined during the primary data collection phase and is discussed in Chapter 4.

2.4 Drivers of change

2.4.1 Technology

Without doubt the greatest driver of change in the retail sphere is the emergence and growth of E-Commerce. In 2012, Amazon.com climbed into the top 10 largest retailers in the USA at the expense of powerful legacy brands such as Kmart, Sears and JC Penny (McKinsey, 2012b). According to Plunkett Research (2014), growth in online shopping in the United States has been driven by two factors. First, the number of fast Internet connections in U.S. homes and businesses leapt to more than 90 million by 2013, plus 180 million wireless connections, which makes buying online faster and more interactive. Secondly, service offerings by online giants like Amazon and dual channel approaches of traditional retailers such as Home Depot and Wal-Mart, are creating value offerings that are difficult to match.

Furthermore added convenience and value is being created by M-commerce, that is

shopping via mobile devices including smartphones and tablets. e-Marketer data estimates that m-commerce totalled \$41.68 billion in the U.S. during 2013, a 68.2% increase over the previous year.

While South Africa is lagging behind the USA in terms of the penetration of online shops, there are indications that we are following the trend. The Online Retail in SA 2011 study (cited in World Wide Works, 2011) shows that the total spent on online retail goods in South Africa passed the R2-billion mark in 2010 for the first time. It reached R2,028-billion, growing at 30% more than the previous year. This incredible growth has not gone unnoticed by international investors with TakeALot.com receiving a \$100 million injection from Tiger Global Management for expansion into sub-Saharan Africa (Business Day 2014).

While this growth is impressive, it only still represents a little over 2% of total retail sales in the country. Therefore the change in the retail space is by no means going to be overnight but the international trends need to be taken cognisance of in order to maintain relevance in the medium to long term. As internet access, speeds and perceived safety of online purchasing increases in SA, it will likely follow the lead of developed nations.

The future of retailing and how it will be affected by e-commerce is not known but current trends suggest that the future will be very different. Some of the predicted changes include:

- Channel fragmentation. This involves combining brick and mortar with online sales. Traditional business models based in physical, bricks & mortar shops are evolving and increasingly moving to a "multichannel" approach (PWC 2012). These channels include in-store, e-commerce, m-commerce, and other forms of distance selling. Many are taking this still further, re-engineering their businesses to integrate all of the various sales channels into a seamless, integrated and flexible experience for customers (DBIS 2013).
- Smaller footprint in physical presence. It is proposed that in the future a large portion of planned purchases (excluding groceries) will be done online. Therefore the brick and mortar stores will be targeted more at impulse purchases. Therefore as purchases migrate to digital channels, most retailers will need less physical selling space in stores. Although some formats (such as

groceries) will be relatively unaffected, others (such as consumer electronics and toys) will be hit profoundly and could require square-footage reductions of half or more to deliver a compelling customer experience economically. McKinsey (2012b) reports that retailers are already seeing this phenomenon to a degree and a real-estate rebalancing is under way. Retailers in the USA are assessing what should be sold through physical space. In 2012 alone, major chains closed approximately 4,500 stores in the United States, and newly opened stores are some 25 percent smaller than the average size of existing ones.

- More informed buyers in terms of competitive pricing. The nature of the online environment is that gaining a wide array of possible suppliers for a given product is very easy and therefore price differences are likely to have a greater impact on purchase decisions. In addition, many online stores allow for real time price checks. For example Kalahari offers a mobile application (Kalahari n.d.) that allows the user to scan a barcode on a physical product, the app will return the price on Kalahari and the consumer can then choose to order it on the app or from the physical location where they are shopping. As a result, brick and mortar retailers will be forced to evolve the way they do business to offer a renewed value offering.
- There are online marketplaces that bridge the supply chain gap between small producers/retailers and the consumers. These include large international marketplaces like eBay.com and local sites such as BidorBuy.co.za.
- Globalisation and regionalisation. Internet shopping not only opens up channels to consumers in competition to brick and mortar stores but the borderless nature of the internet allows for regional and international retailers to compete for the same business.

2.4.2 Changing Buying Patterns

Recession creates habits which are difficult to change. Many people, regardless of wealth, are expected to pursue increasingly polarized shopping decision processes. For categories these shoppers care deeply about, it is expected that a rise in premium products that are tailored to their specific needs will be experienced. For product categories where consumers are more indifferent, it is expected that there will be a rise in the extreme value segment (PWC 2012). Price Waterhouse Coopers (2012b) identified four shifts in consumer behaviour following the recession namely:

- The biggest change in behaviour was for consumers to seek out promotions and special offers on groceries. This scored the highest in terms of perceived continued behaviour following the recession.
- Next biggest change in buying behaviour was to switch from premium brands to cheaper brands and private labels.
- Fewer consumers changed their retailers for the purposes of saving money. However, most of those under more trying financial circumstances who did change would stay with the new retailer to continue to save money even after their financial circumstances improved.
- Finally, consumers purchased fewer quantities of each item. This however was the most likely change to revert back to previous behaviours under more favourable financial conditions.

2.4.3 Casualisation of Labour

The 2014 / 2015 W&RSETA SSP update reported that the sector is characterised by high levels of casualisation. Atypical forms of employment prevail, together with labour brokering, permanent temps, temporary managers and supervisors in the workplace, especially retail outlets. Current information on labour broking was not available but the analysis of the Labour Force Survey (LFS) (StatsSA 2015) indicates that the interventions being taken by stakeholders are reaping positive benefits even in a difficult employment environment. In other words, while there is still a relatively high proportion of workers who are not permanent and do not have formal contracts, both of these are reducing even in the face of a contracting overall workforce.

2.5 Strategic interventions

The changing environment with pressures from macroeconomic factors and the transformative effect (long term) of online retailing will require new strategies for current retailers to maintain and grow their sales. This is important as it has been established that there is a large proportion of retail jobs that are considered vulnerable and employment growth in the retail sector responds well to positive economic performance. Therefore, the continued success of the sector is likely to have a direct impact on employment.

From the retailers' side, strategies are focused on maintaining and stimulating demand for their products and services. Extensive analysis has been done on a global level to

suggest how best to respond to the changing environment. Some of the key points are discussed below:

2.5.1 Value versus price offerings

There has long been a battle in the retail space in terms of price versus value. Many retailers found to their peril that it is difficult to compete on price alone. In the past, the typical mid-market response to price wars was to differentiate their own offering by adding value rather than cutting price. However, the current changes in consumer behaviour as discussed earlier are challenging the long term viability of this approach (PwC 2008). If consumers genuinely believe they can get the same or better value by switching to cheaper stores or products, then that suggests that value and price are no longer synonymous – if they ever were. Moreover, consumers no longer seem to want many of the so-called ‘added value’ elements offered by mid-market companies (for example, payment of municipal accounts, cell phone services, financial services), and the PwC (2008) research suggests this could well be a long-term change in purchasing priorities, rather than simply a defensive move in the face of a downturn. As Mark Hudson, PwC’s UK Head of Retail & Consumer, says:

“The mid-market players need to think again about the best way to compete with the value sector, and a good place to start is by establishing what it is about their portfolio of goods and services that customers do value, and which they don’t.”
(PWC 2008:4)

The authors go on to say that retailers can accomplish this in two ways. Firstly reduce costs. This is nothing new to the retailing sector as more and more efficient ways of managing the supply chain and overheads are being found. Rather, the focus of the proposed cost cutting exercise is to understand what costs bring value to the consumer (good costs) and what costs are not valued (bad costs). This may have an implication for employment as mid-market retailers may make certain traditional value-adding functions redundant. It is similarly hoped that new points of value can be created which will require human input and thus employment.

The second stage of this strategy is to clarify exactly what constitutes value for the consumers and to tailor every aspect of the offering to match. In other words, what are consumers willing to pay money for and who is willing to pay it? An example of this is unbundling the core product / service offering into its component parts. That way, if

there are elements that consumers do not value, they do not need to pay for it thus resulting in a saving on the core product / service that is desired. A non-retail example of this concept is the budget airline industry. The unbundling has gone beyond the included in-flight meals to asking passengers to clean up after themselves prior to disembarking and charging a separate fee for checking luggage (PWC 2008). What this means for the retail sector is to understand where consumers derive their value and unbundle their offering as much as possible to reduce costs that don't affect the value proposition.

McKinsey (2012b) believe that the value offering will come from either extreme product knowledge or experiential factors. In product categories that require more technical input, consumers will value the input of experienced sales people to guide them through the process. This will be combined with the ability to physically experience the product. For example, the ability to swing a golf club or to taste a new flavour cannot be replicated in an online environment and is an area where brick and mortar stores will always hold an advantage. Macy's, for example, has embarked on a major effort to court millennials, including the launch of thirteen segment-specific brands, new destination zones within physical stores, and a marketing mix that includes social-media programmes and a new blog. Others could engage their target segments in new ways to influence products and help curate the assortment. The use of crowd sourcing—instead of traditional focus groups—to advance product development could allow consumers to co-create products with retailers, providing another point of differentiation and fostering deep loyalty and word-of-mouth benefits.

2.5.2 Personalising products and services

Traditionally, retailers and wholesalers have gathered a lot of data regarding customers and buying patterns but that information was not always collected with a thorough understanding of what was intended to be done with it. Price Waterhouse Coopers USA (2008b) state that looking forward to 2020, retailers need to focus on 'data extraction' rather than 'data collection'. This coordinated approach will allow retailers to build personalised relationships with their customers. While this is by no means a new approach, technology will take a customised e-commerce experience and bring it to retailers. For example, thanks to Bluetooth Low Energy (BLE), a technology that lets Bluetooth 4.0 devices such as PayPal Beacon, Estimote, and iBeacon communicate with smart phones, retailers will be able to send tailored notifications to each shopper's device, depending on where they are in the store (Vend n.d.). Major League Baseball

effectively demonstrated this technology when it tested Apple's iBeacon at the Citi Field stadium in New York. Users who have Major League Baseball's app are able to get customised messages, depending on where they are in the stadium. For example, when they arrive at the gates, the app can give them directions towards their seats. If they're near a particular shop or booth (say a hotdog stand) they can get store-specific deals. The app can also send tailored offers, depending on whether someone is a first-time visitor or a long-time fan. This type of personalised interaction will allow for retailers to increase the value of a consumer stepping into their store.

Retailers will also utilise social media to track trends. 'Likes' on Face Book and pins on Pinterest will tell retailers what products are hot and which are not and this will influence how items are displayed in the retail space (Vend n.d.).

2.5.3 Global versus local

Most large South African retailers see the growth potential in expanding into the rest of Africa. The retail market is relatively under developed on the continent and thus huge opportunities exist to expand to the North. Shoprite for example has opened up stores in seventeen African countries so far. Mr Price recently opened its first store in Ghana, while Pepkor is in the midst of R100m expansion into Nigeria, with plans to open 50 outlets (PWC 2012). The question that remains to be answered is what the impact of foreign expansion will be on local employment. It probably would not effect in-store staff but could require growth in, for example, purchasing and logistics staff.

An area of possible growth for employment in South Africa is to utilise e-commerce platforms for small producers and retailers to access markets outside of their geographic area. This may be regional expansion within South Africa, into the continent or fully international. It warrants further investigation to see what support government can give to stimulate this growth as it has already been established that the concentrated nature of the South African retail environment makes it difficult for small business to penetrate.

2.5.4 Possible government interventions

Since the retail sector has strong potential as a vehicle for employment growth, there is merit in discussing the possible government interventions to stimulate this growth. The

McKinsey (2012) report had strong recommendations in this regard. The authors identified five steps that governments could take to develop specific sector focused plans for the purpose of stimulating employment. They are:

1. Identify areas of competitive advantage. Selecting the appropriate sectors requires rigorous benchmarking and a clear view of the country's strengths and weaknesses. For instance, Morocco assessed the potential of more than 600 automotive parts before selecting around 100 parts in which to compete. The sectors in which to begin such an assessment will vary according to the level of the country's development and its natural endowments.
2. Improve access to finance in those subsectors by providing incentives for the banking sector to increase lending (e.g., partial loan guarantees), opening access to foreign investors, and educating new borrowers. In India's IT services and business process offshoring, for instance, foreign companies were allowed 100 percent ownership, and they played a critical role in providing both capital and know-how in the early days. Requiring lending to specific sectors is not effective and often has the perverse effect of constraining overall lending and reducing the stability of the banking system; incentive-based systems are often more effective.
3. Support with appropriate infrastructure. The scale of unmet needs can be daunting, so it is important to prioritise high-potential sectors. Mali's integrated investment in road, rail, and other transportation to facilitate mango exports and Morocco's two free-trade zones for automotive companies are examples of targeted infrastructure tailored to specific sector opportunities.
4. Cut regulation and bureaucracy. Removing regulatory obstacles has the advantage of costing governments virtually nothing while having a very rapid impact. In the past decade alone, Nigeria's telecommunications sector is estimated to have generated up to three million jobs in the absence of the previous state telecom monopoly.
5. Public private partnership to create jobs. A jobs strategy must ensure, through strong collaboration between the public and private sectors, that there is a sufficient pool of workers with the education and skills needed in the targeted sectors.

It has been established that there are significant barriers for small retailers in the South African context, not least of which is access to markets. As mentioned in the previous

section, the South African government can assist local retailers to succeed in the global market place through digital channels (DBIS 2013). This can be realised by following the five steps outlined above with particular attention being placed on reducing the burdens on small business and facilitating regional and continental trade. Government can also facilitate business linkages both with large local retailers and foreign counterparts. This warrants further investigation on how business linkages can stimulate employment in small South African retailers.

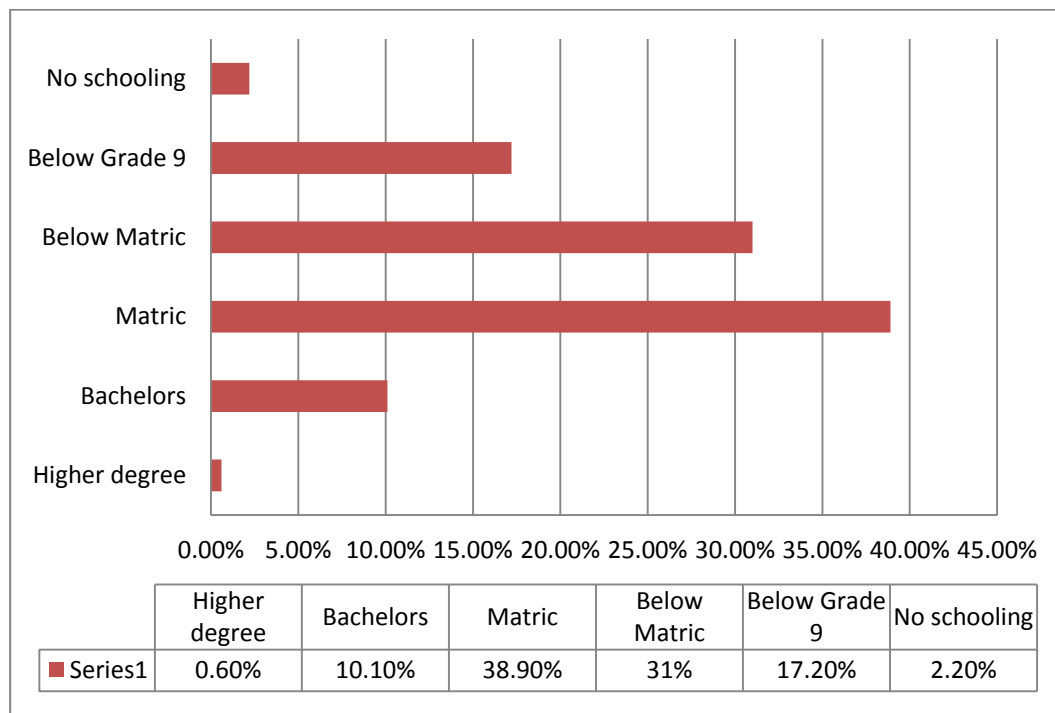
2.5.5 Access to jobs for young people

Increasing employability and obtaining of gainful employment are the goals of every student intern and job seeker. Internships, paid or unpaid, serve as a rite of passage to a job or a career, and they do play an important role for their constituents (students/interns, employers and academic institutions), the nation's society, labour force and economy. From the employers' and academic institutions' perspective, there are numerous benefits with low or non-existent costs. From the student interns' perspective, when comparing the costs and benefits of unpaid to paid internships, it appears that the unpaid ones come with high opportunity costs and contribute substantially less to the interns' success and goal of securing gainful employment. Additionally, the current setup allows for some employers to take advantage of the lack of strict monitoring and enforcement of the labour laws, which results in intern exploitation. From the societal and economic perspectives, unpaid internships restrict access and opportunity to good jobs for people of disadvantaged socioeconomic backgrounds, constrict social and economic mobility, and have a negative impact on the economy at both the microeconomic and macroeconomic levels (Pologeorgis, 2012).

2.6 Skills for success

Any strategy to grow employment is based on the availability of the requisite skills in the labour market. South Africa is characterised by a very large pool of relatively low skilled workers and as one moves to higher skill levels, the number of available workers falls. In the traditional high employment industries, this would not be problematic as the mix of skills demanded follows a similar profile. According to the W&RSETA Sector Skills Plan (SSP 2013), the wholesale and retail sector follows an even more exaggerated mix with a greater proportion of low skill occupations than the economy as a whole. Figure 5 shows that 38% of the current workforce has a matric certificate and a further 50.4% have less than a matric. It was mentioned previously that the retail sector

in particular responds positively in terms of employment as GDP grows. This growth (and contraction when GDP falls) will naturally affect the lower skilled occupations first.



Source: W&RSETA SSP (2013)

Figure 5: Educational profile of wholesale / retail employees

The question remains that if one is to consider the future skills mix of the sector, will it remain unchanged or will it follow the same profile as it has historically? In general, as the world evolves into the knowledge economy, the employment growth is no longer organic. Structural changes affect the basic mix of skills required with the proportion of low skilled jobs decreasing and mid to high level skilled jobs increasing. Furthermore, technological innovation increases the productivity per worker and also the entry level skills demanded per post. While the retail sector may not be as susceptible to this phenomenon as sectors such as mining or manufacturing, it is likely to have an effect in the future. This is borne out by analysing the drivers of change which indicate a movement towards a more skills intensive environment.

If one considers the shifting trends highlighted in this document, the skills implications of these are likely to be more skewed towards the higher order, more complex skills. The key areas of focus are likely to be:

- ICT skills
- Logistics and SCM skills
- Management Skills

This is reflected by the analysis conducted by W&RSETA and reported in their SSP (2013). They identified the skills implications of the key drivers to be:

- Skills related to working in increasingly complex supply chains
- Soft skills relating to customer engagement
- Continuing upskilling and a move away from casualization
- Knowledge relating to African trading environment
- ICT related skills for mobile retailing, digital media and social networking
- Management skills to manage multi-pronged approaches

This is further supported by the list of most urgent skills listed in the scarce skills list. They are:

- Retail store manager
- Food and Beverage Scientist
- General / Company Buyer
- Finance Manager
- Finance Business Analyst
- Fuel retail analyst / administrator
- Service station supervisor / manager

Since the focus of this study is employment growth, the reality is that the biggest impact will be felt in the lower skilled occupations and therefore, additional study needs to consider what would be required at these levels to stimulate employment.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The research methodology for this study consisted of an extensive literature study as well as an in-depth questionnaire. The purpose of the primary data collection exercise was to unpack some of the issues identified in the literature review and articulate them within the South African retail context. The research was undertaken amongst the largest retailers in the country as well as SMMEs and Interns, including learners on workplace experience programmes.

A survey research method in the form of an online structured questionnaire was distributed to the relevant participants in the retail sector. The structured format has the advantage of requiring all the respondents to answer within the same framework (Vockell, 1989). The online questionnaire was developed in consultation with CPUT and W&RSETA representatives.

An online questionnaire was developed that interrogated the issues that were raised in the literature review as well as other areas of interest identified by the W&RSETA. The questionnaire was distributed via a cloud based system meaning that an online methodology was used to collect all the submissions. This allowed for a larger number of responses from different geographic regions to participate. The questions were straight forward and as a result self-completion was a viable tool.

The key participants were identified based on their experience and knowledge of the sector and a link to the online questionnaire was emailed along with an explanation on the purpose of the exercise.

The complete questionnaire is attached as Annexure 1.

3.2 Research design

The research methods applied in conducting this research was a Mixed Methods approach, both qualitative and quantitative, aimed at investigating the job creation and job retention strategies within the retail industry. Positivism emphasizes the objectivist approach to studying social phenomena, which gives credence to methods focusing on

quantitative analysis, and experiments. The collection of verifiable empirical evidence supports theories or hypotheses, however theory is subject to revision or modification as new evidence is found (Dash, 1993:6).

In the positivist paradigm, the object of study is independent of researchers without any bias, while knowledge is discovered and verified through direct observations or measurements of phenomena. An argument is constructed by taking apart a phenomenon to examine its component parts (Babbie, 2008:45). This approach was used in this research study.

The qualitative research interview obtains qualitative descriptions of the life world of the subject with respect to interpreting of their meaning. The main task in interviewing is to understand the meaning of what the interviewees say (Kvale, 1996: 124).

3.3 Sampling

The researchers conducted interviews with senior managers of the top ten largest retailers in the country and other relevant managers. Telephonic interviews were conducted with SMME owners as well as students who were participating or have participated, in Internships and work experience programmes to get relevant data on strategies for job creation and job retention in the wholesale and retail sector.

Qualitative research is aimed at gaining a deep understanding of a specific organization or event, rather than surface descriptions of a large sample of a population. It aims to provide an explicit rendering of the structure, order, and broad patterns found among participants. It generates data about human groups in social settings (California state University, 2014).

There were 33 organisations representing 33 participants and 5 Interns that participated in the survey. The breakdown is as follows:

Table 2: No of participants

Participants	Number
Executive Management	13
Senior Management	12
Middle Management	6
Technical/Specialist	2
Interns	5

3.4 Instrument

The researchers used the questionnaire to solicit the answers and asked participants for explanations and their responses were captured electronically. The questions consisted of 44 questions and contained both open and closed ended questions (refer to Annexure 1 for the detailed questionnaire). Interviews were also held with the interns who were supported by W&RSETA constituencies. Each participating intern was asked a series of 6 questions. These questions can be found in annexure 2.

3.5 Data collection

The questionnaires were administered online through the W&RSETA. The questionnaire was distributed to all relevant constituencies which comprised of small, medium and large constituencies. The responses were collected online, through the internet. There were 35 responses received and 2 were blank responses.

A series of telephonic interviews were conducted with five Interns employed in different sectors of the Retail Sector organizations. The purpose of the telephonic interviews was to solicit the views and experiences of the Interns in the various organizations within the Retail Sector. Three of the Interns were almost at the end of their Intern programme, the eleventh month. The other two were on their second month of the twelve month programme.

3.6 Data analysis

Responses are incorporated in the whole research to offer and give a balanced view of this research project, because most of the participants are occupying management positions. The data for the online questionnaire came from Executive managers, Senior

managers, Middle managers and Technical/Specialist staff. There were 33 organisations that submitted responses which represented small, medium and large organisations. The majority of the respondents represented large organisations.

The data was analysed according to the following:

- Profile of respondents according to position in company
- The size of the organisation
- Provincial breakdown of respondents
- The ability of the retail sector to create jobs
- Constraints on employment growth
- Labour environment
- Compliance and bureaucracy
- Base levels of skills
- Small business and growth of employment
- Youth employment in the retail sector
- The role of technology on employment
- Intern employment
- Skills needs

A perspective from the Interns produced another angle or view of the sector to give a broader perspective and picture.

3.7 Validity and reliability

The different methodological approaches assist in the triangulation process of the different outcomes. The Mixed Methods approach was used to be able to mix the quantitative approach in a form of a questionnaire and telephonic interviews to enhance personal interviews. The questionnaire also had open ended questions to provide qualitative responses. Peer review of the findings was obtained via a focus group sampled from the respondents. This further validated the study's findings.

The process has resulted in having a unit of analysis as management staff at different levels and was complemented by the Interns; this has created a broader survey in understanding the job creation or retention within the Retail Sector.

CHAPTER 4: RESEARCH FINDINGS

4.1 Introduction

The study revealed the different perceptions held by the different respondents in their different categories within the retail sector and their world view or frame of reference. A good example is how respondents at different levels answered the question : what are the barriers that are stopping retailers from hiring more employees? Executive Management attributed this to high wages demand; whereas Senior Management attributed this to red tape and bargaining councils, whilst middle Management attributed this to tough economic conditions and the Technical/specialists attributed this to volatile markets and high labour costs.

4.2 Profile of Respondents

The respondents were stakeholders of the Wholesale and Retail SETA and their positions included Executive Management (13), Senior Management (13), and Middle Management/Branch Management (6) Technical/Specialists (2) and (5) Interns.

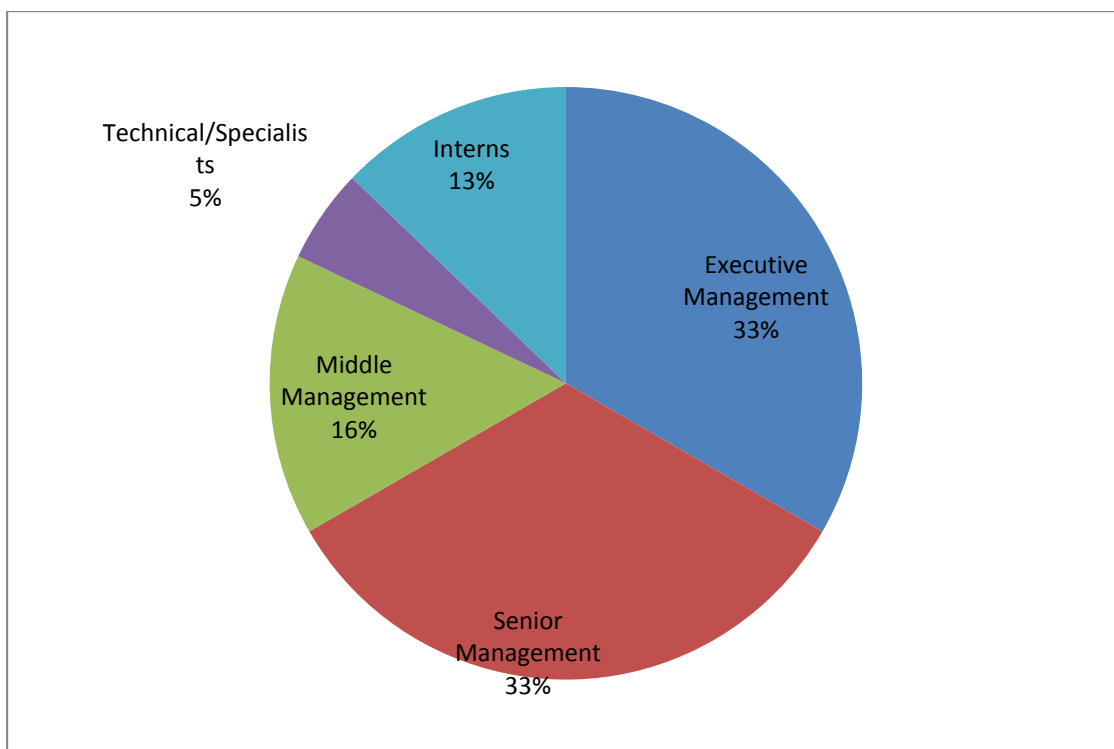


Figure 6: Number of Retail Sector Respondents

As shown in Figure 6, Executive Management and Senior Management each comprised 33% of the respondents, whilst Middle Management and the Technical/Specialists comprised 13%. The Interns were interviewed separately from the retail management team although their responses were incorporated in the study.

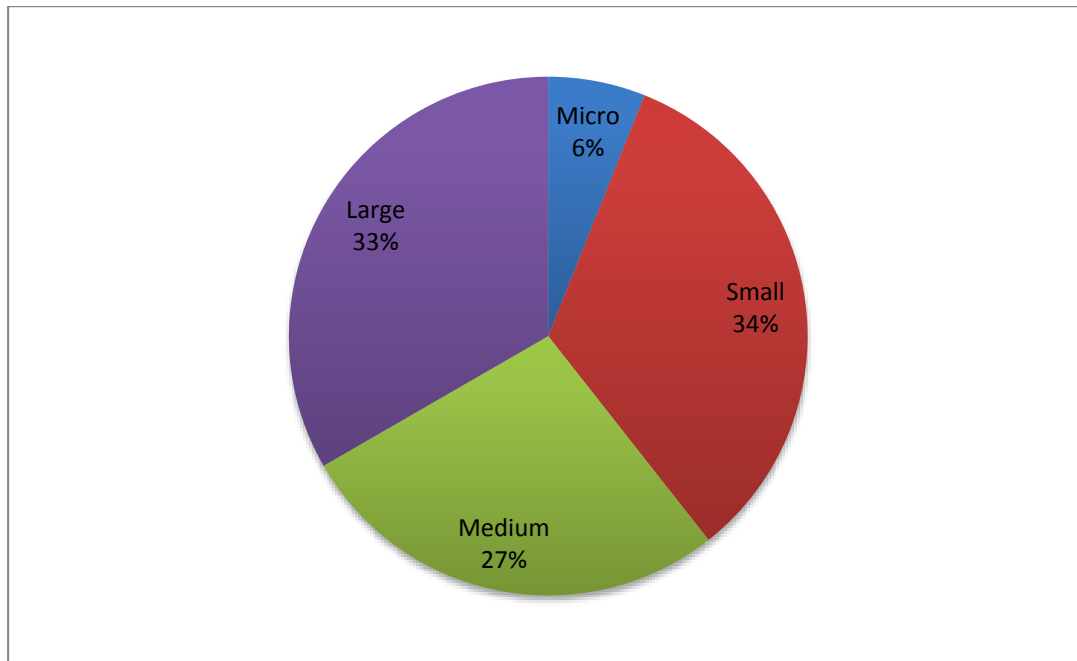


Figure 7: Size of organisations

The size of organizations that participated in the research were represented as follows; 33% were large organizations followed by small organizations at 34% with 27% representing medium size organizations and 6% represent the micro organizations. The spread of different organization is important to understand the dynamics of the retail sector organizations and their impact across the spectrum.

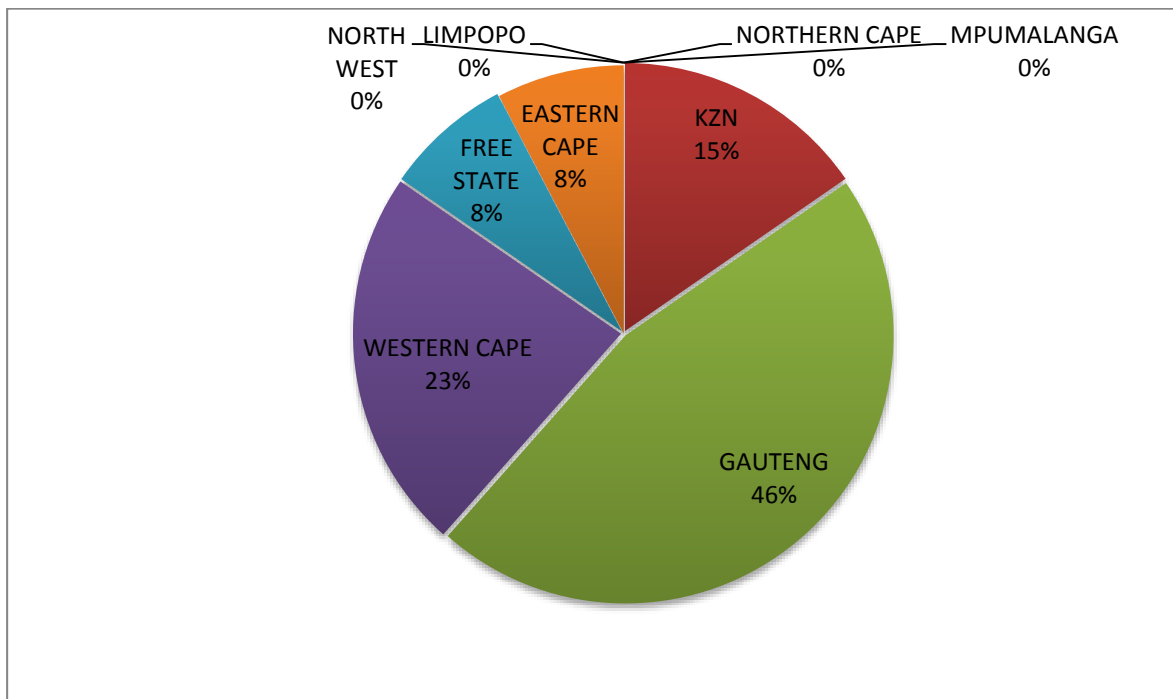


Figure 8: Provincial Breakdown of Respondents

The provincial location of organizations that responded to the online questionnaire were as follows; 46% respondents were from Gauteng, followed by 23% from Western Cape, 15% from Kwa Zulu-Natal and 8% from Free State and Eastern Cape. There were nil returns from Limpopo, Mpumalanga, Northern Cape and North West provinces.

4.3 Key Findings

This section deals with the key findings of the study. There are issues that cut across questions and therefore the findings are grouped thematically. Not all responses to all questions are therefore represented. The full list of responses can be made available on request. It needs to be reiterated that these findings are qualitative, meaning that they represent nuances to the problems identified in the study but are not necessarily representative of the entire sector. It is recommended therefore that if required, points of interest from this study be tested by means of further quantitative research.

4.3.1 The ability of the retail sector to create jobs

The response on the likelihood of the sector to create jobs in the future drew mixed reactions and responses. Figure 9 shows that, overall, respondents had different views on the matter, from pessimistic to optimistic. The greatest proportion of respondents, however, were neutral. Interpreting this in the context of the other answers given in the

survey provides an impression that there are strong opportunities for growth in employment but are being hindered or dampened by specific constraints. The purpose of this section is to unpack some of these so that interventions can be developed to take advantage of the perceived opportunities.

The response indicated that many of the respondents (43%) were 'not sure' about the creation of jobs or they may have been non-committal in their responses. This may indicate the insecurity and volatility of jobs in the retail sector. The ones that indicated 'likely' amounted to 20% of the respondents. Those who thought it was 'unlikely' were 17% the same as 'very likely' responses; with 'very unlikely' being 3%. Thus the level of optimism (37%) against pessimism (20%) reflects on the unfolding challenges of job creation and developments within the retail industry.

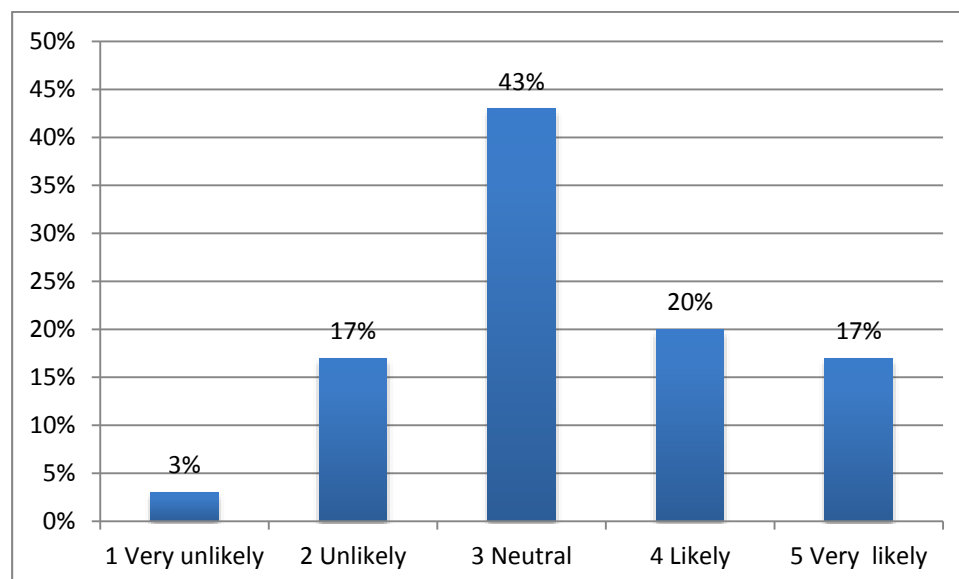


Figure 9: Likelihood of creating jobs

4.3.2 Constraints on employment growth

The responses on whether there has been an increase in the employment of casual employees were as follows:

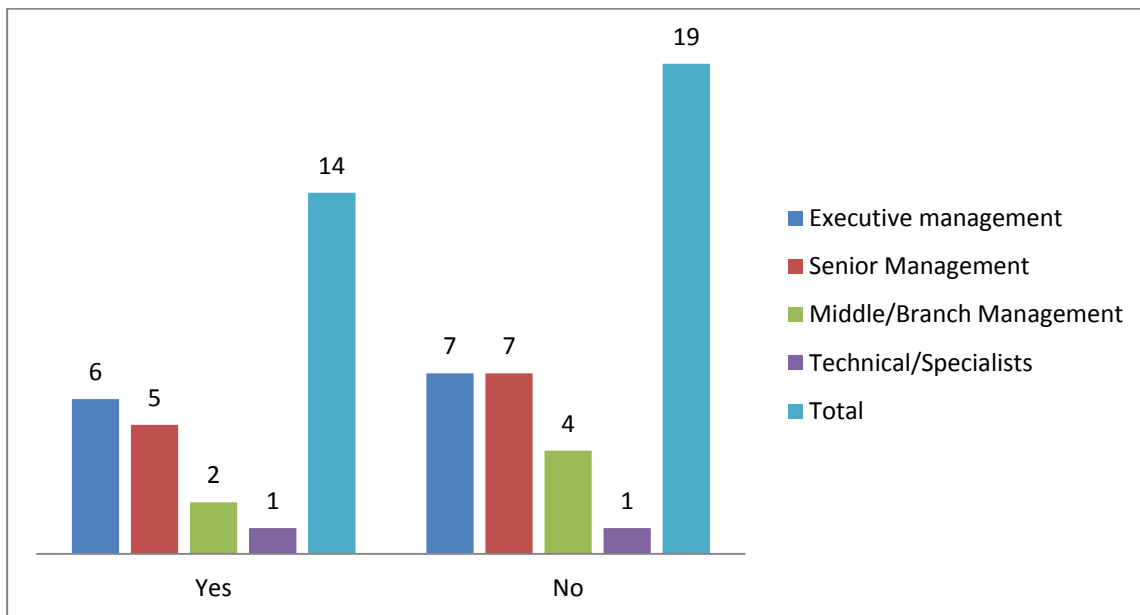


Figure 10: Employment of casual employees'

Most respondents indicated that there has not been an increase in the employment of the number of casual employees. There is disagreement on the employment of casual labour amongst respondents. This could be due to the levels at which each company employs casual labour; some may employ more and others less.

4.3.3 Labour environment

The single most cited reason that restricts companies from hiring more employees relates to the perceived restrictiveness of the current labour environment. This is not to say that the perceptions are valid but rather that they exist and are pervasive. The concerns relating to the labour environment relate to:

- Inability to fire poor performers. Most employers mentioned that the difficulty in firing poor performers has implications on their propensity to hire full time staff. The ability to build a specific culture of high quality outputs and performance is difficult if employers have to carry those who are not willing or able to be a part of such a culture. The perception is that the Commission for Conciliation, Mediation and Arbitration (CCMA) is overly favourable to the employee and as a result employers are nervous to increase their reliance on labour.
- Industrial action. There is a perception that the frequency and nature of industrial action has a negative impact on the growth of employment. The word 'fear' was used to describe trade unions. A suggestion was made by a

respondent that employers and unions should be incentivized by a 'Peace' clause in an attempt to solve labour disputes without strike action.

- Minimum wage. There was a common request to be able to hire employees outside of minimum wage. The argument being that more people can be absorbed if wages were lower.
- Special Dispensation for small businesses. This is discussed further under finding 4.2.5 in 'Small businesses to grow employment'.

4.3.4 Compliance and bureaucracy

There was a perception amongst respondents that the bureaucratic burdens on businesses are onerous. From SARS to Employment Equity Reporting to BBBEE audits, compliance to the various arms of government adds to the cost of doing business. This is particularly prevalent within the small to medium organisations where one respondent indicated that there is a deliberate attempt to remain below the various thresholds and not grow so that the additional requirements are avoided. This obviously can affect job creation and is discussed further under finding 4.2.6. in 'Small businesses to grow employment'.

It was also mentioned that those retailers who are non-compliant have a cost advantage over the compliant organisations and as a result, in the absence of enforcement, represents an incentive to be non-compliant. A suggestion was made by a respondent that a channel be established whereby owners could report known illegal traders and that government should swiftly act. This would create a level (and legal) playing field for participants in the sector.

4.3.5 Base level of skills

The retail sector can be considered an 'entry level' sector in that there are a large number of posts that are not skills intensive and can absorb the high number of low / semi-skilled unemployed in the country. However, it was noted by respondents that the base level of competence in terms of literacy and numeracy is poor. Training needs to be done, which is expensive.

Another comment which was interesting relates to the understanding of business ethics within the sector. Many difficulties facing retailers relate to the unethical behaviour of employees and as a result ongoing training on the approach to employment, ethics and

similar soft skills could make a notable difference to performance. It was also suggested that business ethics be taught at school to improve the work readiness of graduates.

4.3.6 Small businesses to grow employment

By 2030, if the National Development Plan (NDP) has performed the way the National Planning Commission (NPC) hopes it will, 90% of the jobs it has created will be in small and medium enterprises (SMEs). Retail is no exception in this regard. Large retailers will continue to expand and create more jobs through the opening of more stores but employment is likely to track the state of the economy and GDP growth.

Small businesses on the other hand are able to respond more quickly to specific needs and small opportunities within the market. These may go un-serviced by large employers but can sustain a small business. This means that it is possible to grow both the number of small businesses as well as the number of those employed therein. An example highlighted by respondents was that of Jewellery stores. An increase in opportunities for small stores will increase the employment in occupations from highly skilled goldsmiths to sales staff to store clerks and more.

However, there are constraints to the growth of small retailers in South Africa. Twenty three respondents out of 32 (72%) felt that the barriers to entry for small businesses are high thus limiting their impact on employment growth. These barriers include:

- Start-up costs are high. The cost of starting to trade is prohibitive especially when one considers the rental costs in malls with high foot count.
- Small retailers struggle to compete with larger retailers. Larger retailers get preferred space as well as having cost advantages through economies of scale. Furthermore, retail chains are able to absorb short term losses in the start-up phase to a much greater degree thus enabling them to squeeze out smaller competition.
- The feedback from the questionnaire suggested that malls are not friendly to small businesses in that the rent is very high and inflexible. It was also mentioned that there are sometimes exclusivity agreements with large chains that prevent a competitive small business from opening up in the same mall. Other retail space is available at a lower price but does not have the foot count thus limiting the potential of the business.
- Bureaucracy is high. If regulations around labour, tax and compliance with other regulations such as Employment Equity (EE) were relaxed, then that would

assist small companies to get to a place where they can be strong enough to comply without compromising their sustainability.

Having indicated the above challenges, it needs to be made clear that there are opportunities for small business and if the barriers can be removed or reduced, significant growth is likely to be realized. Some of the opportunities mentioned include:

- Focus on niche products. Small retailers are able to service smaller markets and as a result provide more specialized products. It may be necessary for support on a management / strategic level to be provided in order for these opportunities to be fully capitalized on by small businesses.
- Link to local manufacturers. This is discussed further under finding 4.2.7 'Connect Retailers and Local Manufacturers'. It is noted here because small retailers might be ideally placed as niche providers.
- Online trading. Small businesses can expand reach and customer base through online trading. It does however require a completely different set of skills particularly within the realm of online marketing.
- Linkages with large retailers. It was noted in the literature review that there may be enough scope to create linkages between small and large retailers. This was specifically investigated through the questionnaire with the following results:
 - 65% of respondents said that there is scope for linkages to be created between large and small businesses. It needs to be noted that these respondents represent both small and large organizations meaning that it is not a one sided desire but a dual interest desire from both parties.
 - Such partnerships would need to be facilitated. It was suggested that the SETA or DTI must explore fulfilling this role.
 - Large retailers can use smaller retailers to increase their footprint. In other words smaller retailers could service smaller markets on behalf of larger retailers while accessing the benefits of a large logistics network / integrated supply chain. It needs to be noted that the details of this model would still need to be explored and fleshed out.
 - Similarly smaller retailers can become agencies for specific products (niche) on behalf of large retailers. Since large retailers carry a wide range of products, they might not have the shelf space to carry the optimum depth of product within a specific category. A partnership with a smaller retailer could provide this depth and it can lead to job creation and retention within the sector.

- Cooperation amongst small businesses. Two of the biggest disadvantages of small businesses are a lack of economies of scale and access to markets. These can be overcome through the creation of small retail cooperatives. Retailers can combine their buying power to get more favourable terms. Similarly, they can share markets, skills and other intangible assets as non-competing businesses.
- Possible government or SETA intervention to assist small retailers includes:
 - A government / SETA sponsored support centre that can connect small businesses as well as provide some of the specialized skills that are often lacking within the more generalist skill sets of small business owners. Examples include help with compliance matters, SARS, labour, marketing, financial management etc. It could include business coaches and mentors.
 - Investigate rental costs / agreements in large malls. These tend to be exclusionary towards small businesses.
 - Red tape is mentioned by most respondents. Ideally, requirements for small businesses would be relaxed but then effectively enforced to ensure a level playing field.
 - Youth wage subsidy or similar incentive schemes were mentioned by respondents. This is discussed in more detail in finding 4.2.8 'Youth employment in the retail sector'.

4.3.7 Connect retailers and local manufacturers

It was mentioned a number of times by respondents that it would be of great benefit if government were to incentivize the linkage between local manufacturers and retailers. The increased access to markets would drive additional volume and thus employment in the manufacturing sector as well as creating opportunities for specialised retailers thereby increasing employment in the retail sector as well.

It was mentioned previously that such connections may be best suited to stimulate the growth of small business but it by no means excludes large retailers. It is likely however that the greatest benefit in terms of employment will be if the initiatives are targeted at small businesses. The reason for this is that large retailers already have the capacity to add stock items to inventory and carrying locally made products while boosting the manufacturing sector will not necessarily boost employment in the retail sector directly.

4.3.8 Youth employment in the retail sector

Youth unemployment is one of the most concerning issues in the modern South African labour market. Therefore employment related initiatives need to consider the impact and opportunities for the youth in the sector. The following points were made by respondents:

- There is room for the development of 'pre-work' programmes. An example would be for school pupils to spend holidays working in the retail environment to understand both the nature of the business (to stimulate entrepreneurship skills) but also to understand and be exposed to possible careers. It was made clear that these programmes should include business ethics and an understanding of the work environment.
- It is recommended that W&RSETA articulate clear career paths that can be communicated to the youth. The intention will be to promote the sector as an employer but also raise the ambitions and energy levels of applicants so that the intention is not to 'get just a job' but to build a career.
- It was also mentioned by some respondents that it would be beneficial to the employability of the youth to improve the business, financial and computer skills of prospective matriculants.
- Regionalised training facilities that involve local business from the word go to combine in-house training with formal training were suggested. This will encourage the youth to acknowledge and accept that it is a long term process embraced with commitment
- Youth wage subsidy was mentioned in a number of forms but the principle remains. Employers (especially small businesses) would be in a position to hire if the wage was subsidised.
- Internships and holiday work programmes for school learners. It was noted however that the interns under the current methodology had limited benefit to employers. The suggestion was that a more integrated approach is needed so that both learning and value is extended. There are many potential benefits and there have been pockets of success experienced where interns were able to add a lot of value. However, the skills pipeline / pathway needs to be clearly defined so that the interns have both a purpose and a career goal.

4.3.9 Learnerships

The implementation of learnerships was extensive amongst the participants but feedback was mixed in terms of their effectiveness. Learnerships still represent a valuable tool in providing work place training skills and directing young people into gainful employment. However, the following points were noted that could possibly be considered in order to increase the effectiveness of current programmes:

- It was felt that learnerships were not entirely user friendly to employers. It was noted that increased flexibility beyond PIVOTAL programmes would be valued.
- Assistance with W&RSETA processes. There seems to be an element of confusion around the requirement and processes from the W&RSETA. Additional support in terms of the nature of learnerships and how employers can get involved would likely increase participation.
- Similarly, one respondent indicated that if it was easier to get learnerships registered, it would help employers bring on young people. It would enable retailers to expand their workforce without all the associated costs as well as upskilling the learners.
- The role of private versus public TVET providers was queried. It was noted that private providers are better suited to meet the needs of employers but the perception is that public providers receive greater support. It is possible therefore that in the short term, an increase in the support for private providers may increase the impact of learnerships.
- Sales Consultants. The Key skill / career within the sector is that of sales. There are few (if any) formal qualifications for sales but this still represents a large opportunity for employment. It was recommended therefore that the W&RSETA investigate sales learnerships.

4.3.10 The role of technology on employment

It was found in the literature review that technology is having, and will continue to have, a large scale effect on the retail sector. Specifically, how advances in technology will impact on employment was investigated through the survey. In general, technology is likely to have a combination of the following effects, depending on the nature of the role affected:

1. Employment is reduced through automation or increases in productivity
2. Skills requirements of those using the system are increased
3. Entirely new occupations are created

The findings from the survey indicate examples of affected functions. These are:

- Sales / Point of sale. New technology makes the transaction process faster which means each person can process more. Therefore without higher volume, employment is likely to be reduced
- Merchandising / Stock control. Real time stock movements can be monitored and this improves the effectiveness of current systems but also increases the skills requirements of those using the system.
- Administration is made more productive through technological advances. Respondents indicated that with the increase in the volume of information, there is an increased demand for clerical jobs as well as the skills required to turn this into business intelligence.
- Security. The effectiveness of security is enhanced through the use of technology
- Marketing (social). New channels of communication are open to businesses and thus new skills and even entirely new occupations are required in order to maximise these new channels.
- The increased use of computers in all occupations is increasing the base level of skills for all occupations. It was noted by a respondent that computer literacy may become a minimum requirement in the future

It was noted by a respondent that young people will tend to be more adept at modern technology and this represents an opportunity for employment and development in the future

The literature review highlighted the growth of online retailers. This was acknowledged by respondents and will have a growing impact in the future, reducing the need for low skilled workers, but increasing the need for high level, new skills.

4.3.11 Intern employment

The interns interviewed indicated that they welcome the internship opportunity for twelve months. However, they were faced with some challenges at the workplace. Some indicated that there was no proper induction or interest to develop them during the internship programme. Others indicated that they were learning a lot in a short space of time and they were regarded as part of the team in the work place. Most of them were not sure what will happen when the internship ends. They indicated that they did not

want to contemplate the future prospects. One indicated that an offer for a permanent position has been made.

The feedback from respondents combined with those of interns raises the question on the conceptualisation of placing interns. It is recommended that a more holistic approach is taken so that the internship plays a part in a more clearly identified process that will provide greater benefit to both the employer and the intern.

4.3.12 Skills needs

The final finding reported in this section has to do with the skills needs and skills shortages reported by respondents. It needs to be reinforced that this is a qualitative assessment and therefore as such does not represent an empirically derived list. The list below reflects the dynamics of the 33 participating companies and represents an insight into some of the skills needs.

- While the majority of posts are in the lower skilled occupations, the skills gaps and training needs are more concentrated in the higher skilled occupations.
- As mentioned previously the entry level occupations have low skills needs and are good for entrance into the productive economy. There are skills requirements in these occupations though, which focus on literacy and numeracy. However, a valuable point was made by a respondent that it may have greater impact to develop soft skills that will impact on the work readiness and effectiveness of candidates. Most importantly the understanding of business ethics and workplace conduct.
- Pre work programmes as discussed in Finding 4.2.11 'Internship employment' could also have a positive impact on the retail sector.
- Finally the skills that, if developed, would most likely lead to full time employment are (this includes current hard to fill vacancies):
 - i. Repairs and maintenance (electrical and mechanical)
 - ii. Upstream (design, innovation etc.) Example: Jewellery / Goldsmith
 - iii. Sales / Telesales
 - iv. Management / Leadership Skills
 - v. Customer service
 - vi. Store Operations
 - vii. Logistics
 - viii. Human Resources

- ix. ICT
- x. Engineering
- xi. Pharmacists

4.4 Summary of findings

Table 3 shows a summary of all the key findings of the study.

Table 3: Summary of Findings

Finding	Detail
The ability of the Retail Sector to Create jobs	Mixed feelings as there are opportunities but also significant constraints
Constraints on employment growth	Labour environment was felt to be restricting employment growth Compliance and Bureaucratic requirements on businesses are restrictive. Base levels of skills in terms of basic literacy and numeracy are low
Small businesses to grow employment	The desired growth will be realised through small businesses. However the barriers to growth for small business are numerous and significant.
Connect retailers and local manufacturers	There is an opportunity to grow by fostering links between manufacturing and the market through incentivising partnership with the retail sector
Youth employment in the retail sector	There is room for 'pre-work' programmes Youth wage subsidy Internships and holiday work to gain experience
Learnerships	Implementation of learnerships was extensive amongst participants but feedback was mixed in terms of their effectiveness. Learnerships still represent a valuable tool in providing work place training skills and directing young people into gainful employment.
The role of Technology on employment	Employment is reduced through automation or increases in productivity Skills requirements of those using the system are increased Entirely new occupations are created
Intern employment	The interns interviewed indicated that they welcome internship opportunities. However, they were faced with some challenges at the workplace; some indicated that there was no proper induction or interest to develop.
Skills Needs	Training needs concentrated in higher occupations Work Readiness and 'pre-work' programmes for entrants Skills most likely to lead to employment were listed

Based on the above-mentioned findings it is appropriate to proceed to proposed recommendations as outlined in chapter 5.

CHAPTER 5: RECOMMENDATIONS AND CONCLUSIONS

5.1 Recommendations

The drivers of employment in the retail sector are complex and the South African context has a number of unique factors that further complicate the environment. However, the study has shown that there is scope for improvement with specifically targeted interventions. The following recommendations flow from the literature as well as engagements with stakeholders.

Recommendation 1

The Retail Sector, in order to create more jobs across the sector, must foster collaborations between the SMME's to create a larger pool for more improved supply chain management. There is a need for radical transformation in the sector especially in management positions to ensure a more efficient and effective supply chain strategy and implementation to improve pricing and value to customers.

Recommendation 2

The Retail Sector must develop a workable strategy to develop Small Businesses in order to grow employment opportunities. The W&RSETA must assist by developing programmes. Some of these can include:

- Mechanism / Portal for Cooperation. This can be a facilitated coordination of small businesses to overcome some of the barriers that exist in the market in terms of scale. Combined buying and negotiating power will assist in gaining competitive advantages that would otherwise not be available to small enterprises
- Shared services centres where retailers can access some of the skills that are traditionally short in small businesses. These include:
 - Management and leadership
 - Financial related skills including tax
 - Compliance with government regulations
 - IT/social media
- Facilitate business linkages between small and large retailers so that they may learn from each other to improve performance.

- Reduce requirements of small businesses in terms of labour legislation, bureaucracy and other matters of compliance.

Recommendation 3

The W&RSETA in conjunction with the DTI should investigate a programme whereby local retailers can connect with local manufacturers. The nature of the programme will need to be investigated further but the process should include:

1. Identifying priority sectors within manufacturing
2. Identifying criteria for participation (manufacturers and retailers)
3. Articulate and model incentives
4. Implementation

Recommendation 4

The Retail Sector must develop a viable and workable strategy of developing Youth Employment in the Retail Sector. A holistic approach will need to be undertaken that takes advantage of a number of interventions including:

- Pre-work programmes at school
- Encouraging entrepreneurial thinking
- Internships and Learnerships linked to defined career paths

It is important for the career paths to be designed and mapped by W&RSETA and communicated so that all programmes are contextualised. This will add value to both the learners and the employers.

Recommendation 5

The Retail Sector must support Learnerships and encourage the sector to work closely with TVET and Universities in seeking and creating the pipe line of students and prospective students to the industry. The W&RSETA must engage the levy and non-levy paying organization on their contribution to promoting Learnerships.

Recommendation 6

The Retail Sector must consider the role and the impact of technology on employment as this could lead to new job opportunities and mechanisation, online shopping is one example. Most importantly the W&RSETA must remain up to date in terms of the evolving skills needs of retailers with regard to technology so that their programmes and training interventions are proactively addressing the challenges in the market.

A concerted effort of upskilling the low based skills in the Retail Sector by all stakeholders must be encouraged. The Retail Sector must, in conjunction with the W&RSETA, monitor and evaluate the skills shortage in the Retail Sector in order to intervene appropriately to reduce the backlog in the industry.

Recommendation 7

The Retail Sector must monitor and evaluate the employment of Interns in the industry, because this process can fast track the pool of staff with a certain level of experience, from which other organizations can draw. The placement of interns needs to be considered as part of a holistic solution. Candidates should be placed where they understand the role that they will be fulfilling and what the next steps would be in order to start them on their career in the sector. Ideally, W&RSETA would have a live database for its constituency.

Recommendation 8

It is recommended that the W&RSETA or the DTI investigate the nature of the retail space environment in South Africa. More especially, the role of large malls on buying behaviour, rent and its impact on small retailers in South Africa. Programmes to encourage the development of small retailers may be limited in their effectiveness if there are difficulties in access to suitable retail space.

Recommendation 9

The role of business ethics should gain a higher place in the discourse on skills particularly for new entrants. The content on these programmes will cover the expectations of employees in the workplace as well as a practical guide to ethical behaviour. All learner programmes should include an ethics module.

5.2 Conclusion

In conclusion the creation and retention of jobs within the Retail Sector has shown that it is not based on one factor but requires a multi-factor approach; also the external environment plays a vital role in developing this sector. The PESTEL (political, economic, social, technological, environment and legal) model can help to understand this. The Political decisions have an impact on the Retail Sector direction, the NDP is a

classic example. The economic factors have a strong bearing in driving the Retail Sector to create jobs or shed jobs based on the supply and demand within the sector.

The Social factors cannot be ignored as they also play a pivotal role in determining the Retail Sector contribution, especially regarding support of the SMME's and emerging small businesses in creating jobs or shedding jobs.

The power and influence of Technology cannot be overlooked by the Retail Sector as this is one of the key factors affecting the Retail sector, especially online shopping, e-commerce and e-marketing, which reduces the space of the shop floor and influences warehousing and transport logistics. Mechanisation and automation in the sector is going to create new jobs and careers.

The study has shown that a comprehensive and viable strategy which is actionable is crucial for alleviating unemployment in the sector, especially youth unemployment. The usage of different integrated strategies and methods by the Retail Sector and W&RSETA are an important factor in finding solutions to reduce unemployment through offering the youth entrepreneurial opportunities in the sector.

The empowerment and transformation of the Retail Sector is an imperative. The Retail Sector cannot afford to be an onlooker but must be an active stakeholder in changing and improving the entire Retail Sector.

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Annexure 1: Questionnaire

The questionnaire shown below is an exported version of the online questionnaire. Question numbering and format may appear odd as there are filtering and branching questions that are done automatically online that will not necessarily be evident in the printed version. In addition, the page numbers and breaks refer to website page breaks meaning different sections of the questionnaire and not A4 pages of paper.

Not all the analysis of all the questions are shown in this report. Instead key findings relevant to the study were reported. The full set of responses is available on request.

page 1
1. Please select your role in the company (Select one option)
<ul style="list-style-type: none">• Executive Management• Senior Management• Middle / Branch Management• Technical / Specialist• Other (Please specify) _____
2. Please indicate the size of your organisation (Select one option)
<ul style="list-style-type: none">• Micro (1-9)• Small (10-49)• Medium (50-149)• Large (150+)
3. Please indicate which province you operate in (note: please select the province where the majority of your employees work. If you have a national presence please select "National") (Select one option)
<ul style="list-style-type: none">• Limpopo• North West• Gauteng• Mpumalanga• Free State• KwaZulu Natal• Northern Cape• Eastern Cape• Western Cape• National

4. On a scale of 1 to 5 where 1 is Very Unlikely and 5 is Very Likely, what is your opinion on the likelihood of the Wholesale and Retail sector creating jobs in the short to medium term in South Africa? (Select one option)

1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5. How do you think the wholesale and retail sector can create permanent jobs in small and medium organisations?

6. What strategies can be implemented to create permanent jobs for youth in the wholesale and retail sector?

7. How many employees do you have in your organisation?

8. Please allocate the % of employees employed in the following types of employment

Note: Please make sure all fields are completed and that the total is 100

Permanent Full Time ___

Permanent Part Time ___

Short term contract ___

Via Labour Brokers ___

Other Casual Workers ___

Other Formal Workers ___

Total 100

9. Have there been job losses in the employment of permanent employees? (Select one option)

☐ Yes

☐ No

10. Has there been an increase in the employment of casual employees? (Select one option)

☐ Yes

☐ No

page 2

11. What opportunities are available for SMMEs to increase job growth in the retail sector?

12. The literature suggests that the barriers to entry for formal small businesses in the retail sector are high, thus limiting their potential impact. Do you agree? (Select one option)

☐ Yes

☐ No

13. How do you think the barriers could be lowered? [Answer this question only if answer to Q#12 is Yes]

14. Do you think there is scope for business linkages to be created / facilitated between small and large retailers? (Select one option)

☐ Yes

☐ No

15. How do you think this could / should this be structured? What role should they play? [Answer this question only if answer to Q#14 is Yes]

page 3

16. What are the barriers that are stopping retailers from hiring more employees?

17. Can a government funding intervention assist in overcoming these barriers? (Select one option)

☐ Yes

☐ No

18. To what purpose should the funding be given? [Answer this question only if answer to Q#17 is Yes]

19. How does access to finance affect the SMMES in creating employment opportunities?

20. What type of infrastructure is required to grow the SMMES in the retail sector?

21. How does private infrastructure (malls for example) impact on job growth in the retail sector?

22. Do you think the current labour laws are a barrier to employment growth in the retail sector? (Select one option)

☐ Yes

☐ No

23. Please elaborate how the current labour laws are a barrier to employment growth in the retail sector [Answer this question only if answer to Q#22 is Yes]

page 4

24. What changes to the labour laws in your opinion would stimulate additional employment??

25. Is there scope for Public Private Partnership to create additional employment in the retail sector? (Select one option)

☐ Yes

☐ No

26. Please elaborate on the nature of the Public Private Partnership that will assist in generating employment in the retail sector? [Answer this question only if answer to Q#25 is Yes]

page 5

27. What are the scarce skills needs within Wholesale and retail sector?

28. At what level is most skills needed? (Select one option)

- MANAGERS
- PROFESSIONALS
- TECHNICIANS AND ASSOCIATE PROFESSIONALS
- CLERICAL SUPPORT WORKERS
- SERVICE AND SALES WORKERS
- SKILLED AGRICULTURAL, FORESTRY, FISHERY, CRAFT AND RELATED TRADES WORKERS
- PLANT AND MACHINE OPERATORS AND ASSEMBLERS
- ELEMENTARY OCCUPATIONS

29. In which areas are the skills for job creation needed?

30. In your company, which departments have the most 'hard to fill' vacancies?

31. How can the scarcity of skills be matched with youth job creation?

32. What programmes in your view can be offered to create self employment and entrepreneurship?

page 6

33. Has your company ever hosted Interns? (Select one option)

- ☐ Yes
☐ No

34. Was it successful? (Select one option) [Answer this question only if answer to Q#33 is Yes]

- ☐ Yes
☐ No

35. What benefit did your company gain from hosting interns? [Answer this question only if answer to Q#33 is Yes]

36. Were the interns successfully placed after the internship? (Select one option) [Answer this question only if answer to Q#33 is Yes]

- ☐ Yes
☐ No

page 7

37. Has your company hosted learners for workplace experience? (Select one option)

- ☐ Yes
☐ No

38. Did they graduate after the workplace experience? (Select one option) [Answer this question only if answer to Q#37 is Yes]

- ☐ Yes
☐ No

39. Did the organisation benefit from hosting the learners? (Select one option) [Answer this question only if answer to Q#37 is Yes]

- ☐ Yes
☐ No

40. What role is technology playing in decreasing/increasing job creation opportunities?

41. What specific jobs is technology influencing or will influence?

42. What aspect or type of technology is relevant?

43. How will this technology effect job creation in the future?

44. In which geographical areas are most of the shortages of workers experienced?

Annexure 2: Internship Questions and Individual Responses

The aim of this research is to solicit the experience of the internship graduates and their learning in the workplace.

INTERNSHIP RETAIL QUESTIONS:

1. How long have you been working as an intern?
2. How long did you wait to be placed in an internship after completing your studies?
3. What is your overall experience in the Retail industry (store where you are placed)?
4. Is there an correlation between your studies and the work you do currently (Are you placed accordingly and appropriately)?
5. What challenges are you facing as an intern?
6. What are the chances or prospects of you being hired permananetly?

INTERN RESPONSES:

Intern	Q1	Q2	Q3	Q4	Q5	Q6
1	11 months	3 months	Very Good, involved in overseas shipping, warehouse, stock taking, dispatch and receiving and sales department	Yes, there is synergy between the two	There are no challenges or problems and challenges at the moment	Very difficult to speculate on management on the last 3 months of the intern
2	11 months	24 months	Dealing with sales, quotations, stores production assistance, receive telephone calls and messages, assist with board meetings	Yes, production and quality assurance, calculations	Challenges of not meeting targets and deadlines. However, allowed to explain the problem	Not sure, hopes she may be considered, applying elsewhere at the moment, also considering ng to study with UNISA
3	1 month	Did not wait,	Fair, still new in the retail	Yes, still new in	Challenges, to be put in	Not, sure because still

		because he finished his studies in December 2014	atmosphere, did not know what to expect in the retail sector as a new intern	merchandising department as an intern.	isles without training, induction or guidance, also not knowing the products, not able to respond to customers when they are looking for the product	new in the store
4	11 months	9 months	Fine, there is a lot of innovation, new buying strategies and deals	Yes, was involved in marketing and working with HR in different departments	missing to learn as there is too much to learn in a short space of time, things are done as fast as possible	There is a good chance because of the relevant degree- Bachelor Commerce and experience

Annexure 3: Ethics approval letter



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Office of the Chairperson Research Ethics Committee	Faculty: BUSINESS
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At a meeting of the Research Ethics Committee on 21 May 2014, Provisional Ethics Approval was granted to DR BURTON MALGAS for research activities Related to the: WRLC (Wholesale & Retail Leadership Chair) within the RETAIL BUSINESS MANAGEMENT DEPARTMENT, Business Faculty at the Cape Peninsula University of Technology

Title of Project:	Retail's contribution and strategies for job creation and retention Supervisor: Prof RB Mason
-------------------	--

Comments:

Decision: APPROVED

 Signed: Chairperson: Research Ethics Committee	21 May 2014 Date
Signed: Chairperson: Faculty Research Committee	Date

Clearance Certificate No | 2014FBREC170