

Checker checkers

just up your street

*Since returning to full democracy in 1991 Zambia has zealously implemented the Structural Adjustment Programmes (SAPs) in a bid to fix the economy. The resultant opening up, plus fast track privatisation, has attracted foreign investors, including South African multinationals such as Shoprite. **Austin C Muneku** examines Shoprite's Zambian business practices and finds them wanting.*

Shoprite has big ambitions for Africa. Currently it operates 95 outlets in 13 countries outside South Africa but aims to raise income from non-South African business above the 50% level. As it operates 643 stores in South Africa this is quite a task and will require rapid expansion.

Zambia is important to the group. It opened there in 1995 in Lusaka's Cairo Road and now has 18 outlets with the flagship being the Manda Hill store which featured, and not flatteringly, in the SALB 27(1). Shoprite Zambia employs 1 698 people of whom 57% are permanent employees. Shoprite Zambia would not disclose the latest figures but the Internet site discloses the group had revenue of R25bn and recorded a 13% profit. Operations outside South Africa contributed R2,6bn or 10% of total revenue.

Control of Shoprite Zambia lies firmly with head office in the Western Cape and the six top jobs – such as general manager and finance manager – are held by white expatriates. Only the HR slot has gone to a Zambian. But the next tier of management, regional, branch, sales and administrative managers are all Zambians. Shoprite is now listed on the Lusaka stock exchange.

Unions in Shoprite

Only permanent Shoprite employees are unionised and neither management nor unions can explain why the casual staff are not. There are no legal restrictions and administrative difficulty seems the likely reason. Some casual workers blame the union for discriminating against them and feel unprotected and vulnerable to management intimidation. Some have been with the company continuously for two years with the company continually rolling over contracts.

The only union is the National Union of Commercial and Industrial Workers (NUCIW). There is a shopsteward at every outlet and management says it provides space and time for stewards to conduct union business.

Shoprite and NUCIW have a wage agreement and salaries must be reviewed annually and conditions of service every two years. In July, union members struck, demanding salary increases which they claimed were justified by the profits the company made from Zambian operations. The workers demanded K700 000 (US\$146) an increase of 204% on the current K230 000 (US\$48). Management offered an increment of K80 000 across the

board to cover housing, transport, medical and lunch allowances – a 35% increase. (The increase should be seen against high inflation.)

After two days, Shoprite was reported to have lost over K800m in Lusaka alone and the Ministry of Labour intervened, ordering both parties to speed up negotiations. The Deputy Minister of Labour also warned foreign investors not to abuse workers like slaves because they were at liberty to hire and fire.

Investigations at Shoprite revealed that working conditions might differ for non-unionised employees who may include managers, some supervisors and casuals as compared to unionised employees. Management was reluctant to share information on conditions of service of managers. However, union sources revealed that management salaries for Zambians and expatriates differ. Zambian managers earn K1 500 000 (US\$313) while their expatriate counterparts receive around US\$3 000 plus several allowances. This is the case even where the Zambian managers have superior qualifications.

Management claimed that for other employees the average salary is around K460 000 per month and is above the

national legislated rate and industry norms. However, evidence from payslips obtained from the union indicates a salary range of K230 000 for the lowest and K450 000 for the highest.

Casual rates are much lower and range between K35 000 per week (K140 000) to K38 000. Management claims to offer wages above the national legislated rate (which has not been revised since 1997) of between K55 000 to K135 000 a month for shop assistants.

Zambian labour law

In the past 10 years the Zambian Government has taken a number of measures to liberalise and deregulate the labour market, believing this will create jobs.

Shoprite management entered into a recognition agreement with the union and a collective agreement which expired in June. Conditions in the expired agreement included that increases would be based on company performance and would not be automatic. But the union has had difficulty in getting the relevant information.

In addition, Shoprite would not be required to meet new statutory minimums if they were in excess of what was currently being paid.

The union only gets to meet management when it is time for bargaining and even then management tries to delay collective bargaining or declares unilateral wage adjustments which are what it did after the strike. The union claims most foreign investors in Zambia violate national legislation and ILO conventions and that Shoprite is doing this in regard to freedom of association. Attempts are made to discourage union membership.

But Shoprite workers claim the union is not doing enough for them and claim that management has compromised some officials. Casual workers in

particular believe the union has let them down.

There are no claims of child labour, forced labour or discrimination against Shoprite. The company also has a clean bill of health in terms of environmental laws but in July the local press reported that health inspectors had confiscated large quantities of food that had gone stale at Shoprite fast food outlets trading as the Hungry Lion on the Copperbelt.

Social responsibility follows head office guidelines. Shoprite has a R6,5m social investment fund. From this fund Shoprite Zambia supports a limited number of charities, mainly orphanages.

Conclusion

It is speculated that Shoprite remits all sales revenue to the SA head office which reimburses operating expenses on a pro rata basis – even including salaries. Critics claim this system is open to abuse and encourages capital flight through transfer pricing, given that the bulk of exports to the Zambian outlets are provided by the holding company itself.

Shoprite claims it is contributing to Zambia's development by creating skills, jobs and business opportunities. Local management says Shoprite only imports 35% of its stock from the south while 65% is from local sources. However, further inquiries showed that Shoprite obtains the 65% from the region and the actual amount sourced in Zambia cannot be quantified.

Shoprite figures show that in 2002 the group exported stock to outlets outside South Africa worth R377m. Local business complains Shoprite discriminates against it and local farmers say the company prefers to import from group subsidiary Freshmark. Management counters that it is policy to deal with local producers as much as possible but it is concerned with their reliability.

This is how the scorecard shapes up:

Jobs: Shoprite has created jobs although the large number of casuals raises a question about quality. It could be said however that the jobs measure up well to those provided by the rest of the industry.

Development and linkage: The jury is still out but Shoprite has invested in some rural areas and opened opportunities for local companies to provide goods and services.

Labour relations: Very much a mixed grill with unions allowed to organise but casual workers and supervisors obstructed from joining. Wage policy confusing with little difference between union and non-union employees which could be a ploy. Big differentials between workers and management and management and expat executives. The union must take a knock for not using all its opportunities to legitimately challenge the company. Management need to provide more information. And the union must gain its trust by handling the information discretely.

Corporate: Could do better and management need to reflect on the group mission and governance ideals. Management also needs more autonomy to handle Zambian problems. Needs to open up more to Zambian companies and give farmers a fair deal. It could also start exporting Zambian products to other countries. South Africans get a better crack at Shoprite's excellent training programmes than Zambians.

The unions: Need to re-orient their approach and involve the general membership in all its decisions and actions. The union needs to inspire confidence in members and build a relationship with management that enables it to put forward demands that are solid, practical and convincing.

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