

AFRICA LABOUR RESEARCH NETWORK

**ZAMBIA
(SHOPRITE)**

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1. Introduction

Since the return to political pluralism in 1991 Zambia has vigorously and religiously implemented the World Bank (WB) and International Monetary Fund (IMF) Structural Adjustment Programmes (SAP) as a remedy to stabilize and resuscitate the ailing economy. Major policy measures introduced included liberalization of trade, prices, interest and foreign exchange rates, removal of subsidies, cut in public expenditure, privatization and public sector reforms.

This was a major shift devoid of any transitional measures for an economy coming from a long background of a mixed economy with dominant state participation.

The opening up of the economy coupled with fast track privatization process created some opportunities for foreign investors to venture into Zambia. Among these foreign investors are a considerable number of South Africa based Multinationals.

This study looks at Shoprite Checkers operations in Zambia, which belongs to the Shoprite Group of Companies. The Shoprite group of companies is reputed to be the largest food retailer in Africa operating 643 corporate outlets with outlets in 13 African countries apart from its diverse interests throughout South Africa.

Shoprite has expanded in the past 9 years beyond the South African Borders. There are 95 outlets in Africa operating outside the Republic of South Africa. The countries in which these outlets are located include Egypt, Mauritius, Madagascar, Uganda, Tanzania, Mozambique, Zambia, Zimbabwe, Namibia, Lesotho, Swaziland, Botswana and Malawi. Shoprite currently provides employment to some 7,400 local nationals in its non-South African operations Shoprite even plans to expand beyond the African continent and is keenly eyeing the Indian subcontinent. Shoprite's long-term aim is to increase the operating income from its non-South African operations to more than 50 per cent.

1.1 Methodology

The purpose of this study is to;

Examine and assess the corporate practices and operations of Shoprite in Zambia on a measurement of good, average or bad scale based on labour, economic and social criteria on a 60 – 40 per cent weight respectively.

The specific criteria include the following;

- Wages, unionisation, employment intensity, decent jobs relative to industry, skills development, industrial health and employment equity
- Adherence of Corporations and Supply Chain to core labour standards

- Engagement with trade unions and community
- Contribution to local economic development/linkages to local companies
- Support for acceptable forms of corporate social responsibility
- Adherence to good corporate governance
- Promotion of human rights
- Extent of environmental/health and consumer protection impacts
- Extent of political influence
- Adherence to Code of Conduct (including strong enforcement and auditing)

The study is primarily concerned with how Shoprite operations in Zambia as determined by the above criteria impact on labour and the economic and social aspects of the economy at large.

Several methods were used to collect data for the study. The main focus was to collect qualitative and quantitative data from both primary and secondary sources. The methods used for data collection include;

- Interviews with key informants using questionnaire (in particular trade unions and Management at Shoprite),
- Desk review and content analysis of published and unpublished data including policy documents, newspapers, Internet.

2. The Profile of Shoprite in Zambia

The operations in Zambia began in 1995 with one retail store in Cairo road, Lusaka. Between 1995 and 2003 17 more outlets were opened including the flagship of investment in Zambia, the Manda Hill store. Currently Shoprite operates 18 retail outlets, one wholesale and 7 fast food outlets trading as Hungry Lion throughout Zambia employing a total of 1,698 persons. The bulk of these operations are in urban areas with only a handful located in rural areas mainly the provincial centres.

Direct employment attributed to Shoprite is illustrated in Table 1 below by structure of employment. The table shows that 57 per cent are permanent employees while the remaining 43 per cent are casual employees.

Table 1 Employment Structure of Combined Workforce – Shoprite Zambia as at July 2003

Employment Category	Number Employed
Permanent Employees	918
Casual Employees	699
Total	1617

Source: Shoprite Zambia Management Interview

Management further claimed that 60 per cent of the employees are female. Shoprite also contributes to indirect employment through out sourcing certain services. Table 2 below shows secondary employment attributed to Shoprite operations in Zambia.

Table 2 Shoprite Indirect Employment July 2003

Service	Number Employed
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Security Services	196
Merchandizing Services	150
Cleaning Services	64
Total	410

Source: Shoprite Zambia Management Interview

Management were able to quantify the above indirect employment totalling 410 persons attributed to Shoprite operations countrywide. Disaggregated data on gender relating to the 410 persons mentioned above was not available.

The trends in past employment were not available but management confirmed an increase in employment over the previous years due to opening of new outlets.

However, figures on financial results could not be availed by management because they needed authorization from Head Office in Western Cape South Africa to do so. However, information on the Shoprite web site (www.checkers.co.za) is quite revealing. The information of financial results shows a consolidated position for the entire Shoprite Group. The Group recorded a turnover of ZAR 22.1 billion (US\$ 2.4 billion) in the 12 months ended June 2002. In the next 12 months to June 2003, Shoprite Group increased operating profits on revenue by 13 per cent to ZAR 25 billion. During the same period operations out side South Africa contributed ZAR 2.6 billion or 10 per cent of total revenue up from ZAR 2.3 billion in 2002.

2.1 Management Structure

Shoprite Zambia is very much an appendage of Shoprite South Africa with little autonomy. This puts the national management in relative weaker position to the corporate management at Head Office in Western cape. The national management is made up of 75 persons of whom 6 are white expatriates from South Africa. The expatriates hold the most senior management positions including that of General Manager and Finance Manger.

The national management are responsible for the day to day running of Shoprite operations in Zambia and related operational decisions such as hiring and firing of workers, administration, and stock management.

However, all decisions involving statutory issues, including decision on collective agreements, procurement and investment are referred to Head Office in Western Cape.

Out of the 75 management positions Zambians hold 69 mainly in lower management. These positions are at Regional, Branch, Sales and Administrative Manger level. The expatriates hold all the key and top management positions including that of General Manager and Finance Manager. The only Zambian in Key management position is the Human Resource Manager.

The future plans for Shoprite in Zambia gives little indication that this character of management will change. Shoprite through its holding company in South Africa is now listed on the Lusaka Stock Exchange. While this has been done, another scheme called the share incentive scheme to which Shoprite committed itself as a form of re-investment to benefit workers is yet to be implemented.

Management at Shoprite Zambia are limited to the breadth of responsibility and decision-making. Often Head Office in South Africa has to make the bulk of

decisions. The Shoprite Group has a Human Resources Division at Head Office that is committed to transformation of the workplace in line with an employment Equity Plan with training remaining a top priority. However, the scheme benefits employees based in South Africa more compared to their counterparts employed outside South Africa.

Shoprite Group has a social investment policy that is controlled from the Head Office. In 2003 a total of ZAR 6.5 million is committed to the social investment fund. From this fund the Shoprite Zambia supports a limited number of charities mainly selected orphanages.

Shoprite Zambia involvement with community is limited. Shoprite Zambia runs a consumer programme on the national radio station. It has also occasionally supported some national sporting and music activities. Shoprite also provides information boards in all its supermarkets as part of its service to the community/public.

Shoprite Zambia has a policy on outsourcing and subcontracting. Management listed outsourced or subcontracted services as security, merchandizing and cleaning.

2.2 Labour Relations

At present only permanent employees of Shoprite Checkers are unionised. Table 3 below shows disaggregated trade union membership in each of the Shoprite Checkers outlets operating in Zambia. The NUCIW puts its paid up membership from all 18 Shoprite Checkers outlets at 829. The variance arising when one takes into account total permanent employees (918) is due to those in management and supervisors that have not opted to join the union.

However, the remaining 699 casual employees are not unionised. Either the union or management could give sufficient reasons for this exclusion. The simple reason was that the casual were difficult to include because of the temporally nature of their employment. There is no legal restriction in organizing casual workers under current labour laws.

Table 3 Trade Union Paid Membership by Gender July 2003

Name of Outlet/ Branch	Female	Male	Total
Cairo	33	44	77
Matero	28	22	50
Chilenje	18	31	49
Manda Hill	32	23	55
Ware House	6	18	24
Livingstone	10	14	24
Mazambuka*	8	10	18
Mongu*	18	15	33
Kabwe	15	27	42
Chipata*	23	16	39
Ndola	44	36	80
Luanshya	18	16	34
Kitwe	28	23	51
Chingola	16	18	34
Mufulira	20	16	36
Solwezi*	29	26	55

Mansa*	26	34	60
Kasama*	38	20	58
18	420	409	829

Source: NUCIW Research Department, 2003 * Rural Outlets

Some casual workers at Shoprite Checkers felt that the union was discriminating against them. The casual workers also felt that they had no form of protection and were vulnerable to management intimidation. Some casual employees have been engaged as casuals for periods of up to 2 years.

The employers are able to beat the legal requirement that an employee ceases to be casual if in continuous employment for a period exceeding six months by rolling over fixed three months contracts. The contracts are appropriately terminated and then fresh ones re-entered into by both parties.

The National Union of Commercial and Industrial Workers (NUCIW) organize unionised workers in all Shoprite outlets. The NUCIW are affiliated to Zambia Congress of Trade Unions, International Textiles, Garments, Leather, Workers Federation (ITGLWF) and Union Network International (UNI).

The NUCIW branch with nine executive members represents unionised employees in all Shoprite Checkers outlets. The union also has a shop steward in each outlet. Management intimated that they provide space and time for trade union representatives (shop stewards) to conduct trade union business at the workplace. A Collective Agreement between NUCIW and Shoprite Checkers exists with a provision to review salaries once a year and conditions of service after every two years.

In July 2003 Shoprite Checkers countrywide went on strike demanding increase in salaries, which they claimed were very low to meet the most basic needs. The workers were demanding a living wage that they strongly felt they deserved from profits the company made from Zambian operations. The workers called for better conditions of service and vowed not to report back for work until their demands were met.

The workers were demanding a salary increase to a minimum of K 700,000(US\$146) from the current minimum of K 230,000(US\$48), which is an increase of 204 per cent. Management on the other hand offered an increment of K 80,000 across the board covering housing, transport, medical, lunch allowances and the salary increment which would bring the minimum to K 310,000(US\$65) or an increment of 35 per cent.

The annual overall inflation at the end of the year 2002 was 26.7 per cent. However, prices in Zambia have remained at a high level relative to wages since the runaway inflation rates of over 200 per cent in the early 1990's that witnessed a drastic decline in real wages and workers purchasing power. Most workers especially those in low-income brackets have not recovered from this decline in purchasing power. According to a monthly survey carried out by Jesuit Centre for Theological Reflections (JCTR) the **Basic Needs Basket** for the month of June stood at K 1,012,000 (US\$210). The Basic Needs Basket is made up of the cost of food for a family of six (2 adults and 4 Children), the cost of essential non-food items such as charcoal, wash and bath soap etc.

The JCTR conducts the **Basket Basic Needs** survey as a way of highlighting the daily challenges that the majority of Zambian households encounter in trying to meet

decent sustainable livelihoods. It is important it must be taken into serious consideration during discussions on wages and conditions of service.”

The Ministry of Labour intervened in the two days strike in which Shoprite Checkers is reported to have lost over K 800 million from the Lusaka outlets alone.

The Ministry of Labour called on management at Shoprite Checkers to expedite the delayed negotiations to avoid further industrial unrest. Labour Deputy Minister went on to warn investors not to abuse workers like slaves just because they were at liberty to hire and fire.

Negotiations had resumed but have ended in a dispute. The parties have agreed to the appointment of a reconciliation board. The union is now demanding a salary increase of K 500,000 covering the five issues mentioned above while management has offered K 150,000 across the board. The union has already proposed a name of the conciliation board Chairperson but management has not responded.

2.3 National Legislation and Ratification ILO Conventions

In the past ten years government has taken a number radical measures to liberalize and deregulate the labour market. The current government strongly believes that deregulation of the labour market will create flexibility and the much needed jobs. To achieve this government has reviewed and amended the principal labour laws with little consultation with the relevant social partners, i.e. unions and employers.

At present there are about fifteen pieces of legislation in Zambia that directly or indirectly affect labour and labour relations. These include the Industrial and Labour Relations Act (ILRA), Employment Act, the Minimum Wages and Conditions of Employment Act, Factories Act, Employment of Women, Young Persons and Children Act, National Pensions Authority Act, Workmen’s Compensation Act and the Public Service Pensions Act. However, the principal Acts are the Industrial and Labour Relations Act (ILRA) and the Employment Act.

In 1993 the IRA 1990 was repealed and replaced by the Industrial and Labour Relation Act (ILRA 1993). The ILRA removed mandatory membership to unions and left the right to be a member of a union to the individual worker. This meant that unions had to go out to organize and recruit members. Mandatory check-off system was stopped, leaving the deduction of subscription at the discretion of the worker and the employer. The ILRA further restricted strike action including prohibition from participation in lockout or strikes. For instance no employee or trade union is allowed to take part in a strike action which is not in contemplation or furtherance of a collective dispute to which the employee or trade union is party. This meant killing the spirit of solidarity, which is key in the trade union fraternity.

In December 1997 government again amended the ILRA. The amendment provided for formation of trade unions and employers’ representative organizations, including the formation of federations of trade unions and federation of employers’ organizations.

The amendment to the ILRA in 1997 also redefined the recognition and collective agreements by removing the word joint council and collective agreements and replacing them by simply collective agreements.

The motive behind this move by government was to comply with the situation in the liberalized economy where employers were agitating for a shift from industrial or joint

council bargaining to enterprises bargaining. Employers were arguing that joint council collective agreements were acceptable in a liberalized economic environment because what really counted was the employers' ability to pay and this varied from one employer to another even if they operated in the same industry. This amendment effectively put an end to joint councils as employers dismantled their joint council bargaining units.

The amendment to the ILRA was meant to liberalize the industrial relation arena and to aid the accelerated deregulation of the labour market. The trade unions perceived this development as a measure meant to further weaken them.

The Employment Act has also undergone a number of changes in the last ten years. The Employment Act was amended in 1997 to facilitate deregulation of the labour market as well as remove some of the so-called over protection clauses workers enjoyed and was now seen to be scaring away investors. The key changes in the 1997 amendment to the Employment Act was the definition of casual employment, the addition of the Supreme Court other than the Industrial relations Court alone hearing labour related cases. The amendment also delegated a lot of powers to the Labour Commissioner.

The 1997 amendment to the Employment Act defines a casual employee as “any employee the terms of whose employment provides for his payment at the end of each day and who is engaged for a period of not more than six months”. Trade unions have questioned government rationale on this change especially since before the amendment the maximum period of continuous employment of casual employees was three months.

The amendment also removed the clause that made it mandatory for an employer to provide housing or in the absence of a housing allowance. This also applied to the mandatory provision of medical services by the employer to the employees.

The Minimum Wages and Conditions of Employment Act was intended as statutory protection for non-unionised workers in formal employment who were not organized mainly because of the small numbers at their place of employment. Through this Act the Minister of Labour could issue a statutory instrument to announce minimum monthly wages and other conditions including hours of work, overtime, paid leave, sick leave, maternity leave, funeral benefits, redundancy, retirement, medical discharge, allowances and repatriation benefits. The Act was amended and title changed to the Minimum Wages and Conditions of Employment (Shop Workers) Order, 1997. This change meant reducing the category of workers covered previously to shop workers only i.e. shop assistants or those in connection with the business of any shop.

Zambia has ratified a total of 43 International Labour Organization (ILO) conventions including the 7 core International Labour Standards. However, only 39 of these are in force following denunciation of conventions 45 Under Ground Work (Women) and 87 Night Work (Women) and the denunciation of conventions 5 Minimum Age (industry) and 123 Minimum Age (Under Ground Work) as a result of the ratification of convention 138. See Annex 1.

3. Labour Relations: Basic Worker Rights

Zambia has ratified both ILO conventions 87 and 98 on Freedom of Association and Protection of the Right to organize and Right to Organize and Collective Bargaining. National legislation in particular the Industrial and Labour Relations Act (ILRA), which regulate the formation of trade unions and provides for the right to collective bargaining, support these conventions.

Management maintains that it has complied with national labour legislation and Shoprite employees other than those in management are free to join trade unions of their own choice. Management demonstrated this assertion by pointing to the existence of a recognition agreement between Shoprite Checkers and the National Union of Commercial and Industrial Workers (NUCIW). The NUCIW is the national union currently organizing eligible permanent employees in all Shoprite Checkers outlets.

Management went on to indicate that a Collective Agreement between the NUCIW and Shoprite Checkers exist. But a scrutiny of the Agreement shows that it become effective on 1st July 2001 and expired on 30th June 2003.

The current expired Collective Agreement provides for review of wage/salary every year but with a number of conditions. Some of these conditions include that future increment and adjustment will be based on performance of company, turnover growth, shrinkage improvement and improvement in profitability and that increment are not automatic. Furthermore, in the collective agreement it is stated that the Shoprite Checkers will not be obliged to adjust wages/salaries to meet new minimum statutory requirement if this will be in excess of what is currently being paid.

Management was aware of expiry of current Collective Agreement and explained that negotiations to review and extend the Collective Agreement were in progress and will soon be concluded with the union.

On disclosure of information on strategic company issues management maintained that this was the discretion of the Shoprite Checkers Head Office in Western Cape South Africa. This include information on company finances, investment, restructuring. Strategic information could only be availed with the express permission of the Head Office in South Africa.

However, the union officials and workers interviewed at Shoprite Checkers indicated that it was a difficult struggle for them to have a union recognised. Management did not like the idea of formation of a union in Shoprite Checkers outlets because they strongly believed that unions would make it difficult for them to attain the targets for profits as well as achieve the Company mission statement to reinvest profits realized into expansion programmes.

Nevertheless, continuous pressure from workers and the NUCIW coupled with the enabling provisions of national legislation brought a change of mind in managements' thinking and the union was recognised. Management also agreed to deduct union dues off the payroll.

According to the union, managers often discourage workers from joining the union. This is evident in the case of casual employees and the supervisors who are in constant pressure from management not to join the union. Furthermore workplace union meetings are usually not allowed. Meetings between the trade union and managers only take place when there is a collective bargaining meeting.

The unions also claimed that management had tendency to delay the collection bargaining process and at times declared unilateral wage adjustments without consultation with unions. After the two days strike action in July 2003 for instance management decided and put a notice captioned in the box below.

NOTICE BOARD

To: ALL NON-UNIONISED EMPLOYEES/CASUAL EMPLOYEES

To day 17th July 2003 is the final day for payroll adjustments. The Union have not formally accepted the Company final position of an increase of K 150,000 (US\$31) per month gross and the Company has therefore decided to give this increase to qualifying employees who are not union members. This increase for these employees will be effective from 1st July 2003.

This increase on gross is made up of K 115,000 (US\$24) across the board plus K 35,000 (US\$7) in recognition of contribution made by staff to shrinkage improvement and in anticipation of future support for improving shrinkage levels.

In view of all the prevailing circumstances and inflation levels w believe that this increase is very fair and reasonable.

The casual rate per hour has also been adjusted to K 1,550 which represents 24 % increase. This is with immediate effect.

A double rate will apply for Sunday and public holiday as usual.

Management

The unions and employees at Shoprite say that such arbitrary notices were a normal feature of management style. Trade unions have further observed that most investors coming to Zambia have a tendency to violate national labour legislation and ILO conventions including Shoprite Checkers. The common practice to elude the labour laws is by resorting to casual and temporal employment contracts for the bulk of their employees.

The evidence from the union clearly shows that Shoprite Checkers Zambia practices are contrary the spirit of ILO conventions 87 and 98 including the national labour legislation.

Union representatives do not have access to all workplaces in particular food preparation areas, control rooms for security, cash office and finance offices. The union have limited freedom to distribute information to workers in that they need to obtain permission from management to do so. This is again contrary to national legislation that allows union officials to inspect work places. Zambia has also ratified ILO convention 135 on Workers' representation.

The union also find it extremely difficult to obtain company information to held them prepare for negotiations. Requests for company information for negotiation purpose by unions are often not entertained by management. When management decides to provide information it is not timely and relevant for the intended purpose.

It is often not a policy of Shoprite Checkers Zambia to demand from its sub-contractors and suppliers to adherence to labour laws. In other words adherence to labour laws is not an important criteria for choice of sub-contractors or suppliers.

Employees of Shoprite Checkers have equally misgivings about their union representatives. They claim the union is not doing enough to represent their interests effectively. Some go to the extent of claiming that management compromises the union officials. This is strongly so among the casual employees who feel that the union has let them down.

4. Labour Conditions

Investigations at Shoprite Checkers Zambia revealed that two sets of working conditions exist. The conditions of service for non-unionised employees who may include managers, some supervisors and casual, and conditions of service for unionised employees.

Management were reluctant to share information on conditions of service of managers. However, union sources revealed that management salaries for Zambian and Expatriates differ. Zambian managers earn a K 1,500,000 (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. There is no national legislation to discourage this practice of discrimination even though Zambia has ratified conventions 100 (Equal Remuneration) and 111 (Discrimination - Employment and Occupation).

As for the other employees management say that the average salary is around K 460,000 per month and is above the national legislation and industry. However, evidence from payslips obtained from the union indicates salary range of K 230,000 for the lowest and K 450,000 for the highest. The union employees who fall within this range include Cashiers, Till Packers, Shelf Packers, Parcel Counter, Storeroom Labourers, Receiving Labourers, Stock Counter and Service Department. A cleaner's salary ranges from K 150,000 for the lowest to K 180,000 for the highest. Supervisor's salaries range from K 350,000 to K 450,000 for the highest.

Below is table 4 showing the minimum salary schedule obtained from the current collective agreement in force effective from 1st July 2001.

Table 4 Shoprite Checkers Minimum Salary Schedule – 01/07/2001in Zambia Kwacha Per Month

Title	Basic	Housing	Travel	Medical	Lunch	Gross
Trolley Collector	160,000	50,000	30,000	10,000	10,000	260,000
Till Packer	160,000	50,000	30,000	10,000	10,000	260,000
Parcel Counter	160,000	50,000	30,000	10,000	10,000	260,000
Receiving Labourer	160,000	50,000	30,000	10,000	10,000	260,000
Storeroom Labourer	160,000	50,000	30,000	10,000	10,000	260,000
Shelf Packer	160,000	50,000	30,000	10,000	10,000	260,000
Service Dept.	160,000	50,000	30,000	10,000	10,000	260,000
Cashiers	160,000	50,000	30,000	10,000	10,000	260,000
Stock Counter	160,000	50,000	30,000	10,000	10,000	260,000

Source: Shoprite Collective Agreement 2001

It is evident from table 4 above that there is a uniform salary structure for all categories of unionised employees. On the other hand the wage range for casual employees is K 35,000 per week (K 140,000) for the lowest and K 38,000 per week (K 152,000 per month). Furthermore, management claims to offer a better deal than what national legislation provides.

The Minimum Wages and Conditions of Employment (Shop Workers) Order, 1997 is a statutory protection for shop workers in formal employment who are not unionised or are employed in establishments that have no union representation. Through this statutory instrument the Minister of Labour can without consultation with social partners announce minimum monthly wages and other conditions including hours of work, overtime, paid leave, sick leave, maternity leave, funeral benefits, redundancy, retirement, medical discharge, allowances and repatriation benefits. The categories of workers covered by this statutory instrument are shop workers only i.e. shop assistants or those employed in connection with the business of any shop.

The minimum wages are arranged in eight grades with the lowest being K 55,000 and the highest K 135,000. These have not been revised since 1997 when this statutory instrument came into force. The problem trade unions find with this Statutory Instrument is that the Minister does not consult social partners including trade unions on arriving at minimum wages and conditions of employment. Furthermore the revision of these is not regular and but remains the sole discretion of the Minister. The decisions of the Minister are often arbitrary and at great variance with the prevailing situation in the economy.

The maximum working hours under the provisions of this Statutory Instrument is forty-five hours per week. A severance benefit under this instrument is three months pay for each completed year of service. Similarly the Shoprite Checkers collective agreement provides for a maximum forty-five hours per week.

The company complies with the provisions of the labour laws in force and no practices of child labour, forced labour and discrimination have been reported. In the collective agreement it is stated that the company shall employ no person below the age of fifteen years.

This is in accordance with national legislation. Zambia has also ratified ILO conventions 29 (Forced Labour) and 138 (Minimum Age). The company has however no explicit policy to compel the supply chain to observe the same practices.

The company has no policy on occupational health and safety. In the collective agreement the only clauses that cover this aspect relate to medical regulation, protective clothing and accident without elaborating in details the obligations. For instance on accidents the collective agreement clause mere mentions that quote, “All accidents occurring at the place shall whether involving injury or not (minor or serious) be reported immediately to the store management.”

However, the company is compelled to abide by the national legislation relating to compensation arising from work place accidents as contained in the Workmen Compensation Act.

The company has no in house social security scheme for its employees apart for the compulsory National Pension Scheme administered under the National Pensions

Authority Act. The collective agreement provides for severance benefits in four categories;

- (i) Normal retirement on attaining the age of 55 years or early retirement in agreement with employer. An employee who has served for a minimum period of 10 years shall be entitled to benefits of two and half months for each completed year of service.
- (ii) Redundancy benefits shall be subject to negotiations with the union but for non-unionised employers benefits of not less than two months pay for each completed year of service will apply.
- (iii) Death Benefit paid to registered spouse and children 1-2 completed continuous years of service (2 months basic pay); 3-5 years (4 months basic pay); 6-10 years (5 months basic pay)
- (iv) Early Medical Discharge benefits of not less than two and half months basic pay for each completed year of service.

The Collective Agreement further assures the following benefits where so indicated.

Benefits	Collective Agreement at Company Level	National Legislation	ILO Convention
Medical aid	Yes as part of Total Salary Package. See table 4. Employer is only responsible for Medical expenses relating to Medical Examinations at request of employer	No national legislation exist to compel employer to pay medical expenses for employee	
Loans	Loans may be granted at discretion of employer		
Education bursaries	Not provided by employer		
Transportation	Employer Shall pay K 16,000 when employee is required to assist with irregular tasks after 21:00 hours. Also as part of salary See Table 4.		
Paid Leave	24 days paid normal leave		
Paid sick leave	Sick leave maximum 26 days for employees on Probation. For permanent employees maximum of 90 days on full pay and further 90 days on half pay		
Medical facilities on site	No medical facilities at Work Place. Employer on provides First Aid kit.		
Subsidised housing/housing	No provision in		

allowance	Collective Agreement. Employer pays housing allowances as part of total salary package see table 4.		
Childcare services	Not provided		
Incentive bonuses	Christmas Bonus		
Paid maternity leave	90 days paid maternity		Zambia has ratified ILO Convention 103
Mothers Day	Female employees entitle to 1 day absence from work each month		
Funeral Benefits	K 650,000 Death of Employee K 500,000 Death of Spouse K 500,000 Death of Legal Child below age 16		

Source: Collective Agreement Shoprite Checkers Zambia 2001-2003

However all the above benefits only apply to permanent unionised employees and are denied to casual employees. The hours of work are 45 per week as stated in the Collective Agreement. However some workers interviewed claimed that they often work for 48 hours per week contrary without overtime payment for the extra hours contrary to the provisions of the Collective Agreement and national legislation that stipulate 45 hours per week. The over time hours per week are often determined by monthly sale targets and often performed at request of management.

The union has had discussions with management over the issue of profit sharing schemes. Management has always shown rigidity over the matter and general response not encouraging. However, the union is aware that some managers benefit from such a scheme despite denying the same to the other workers.

On training the union say that it is only the privy of those appointed to management. Shoprite Checkers mainly provides training to Zambians appointed to management positions. Limited in house training is also available to a few selected staff mainly supervisors.

The company has no explicit training policy. Management says that it provides on the job training to employees. The workers and unions on the other side say that this is not sufficient. The collective agreement does not provide for study leave or financial support to employees in terms of study loans. Training often does not include a development programme linked to a career path.

4.1 Reorganisations/restructuring/relocation

The company has not undertaken any significant reorganization/restructuring or relocation during the period of their operations in Zambia. However, as mentioned earlier it is company policy to outsource and subcontract certain services. This is highly evident in the areas of security, merchandising and cleaning. Management confirm that this trend will remain the same for now and in the future plans. The

Company does not demand conditions relating to compliance with labour codes other than the normal business related conditions.

The company has no plans to relocate in the near future stating that it is happy with the business climate in Zambia. In terms of future investment decisions in Zambia the Management viewed the following to be critically important;

- Inflation rates
- Exchange rates Stability
- Economic growth
- Domestic consumer spending
- Good labour relations
- Overall stability and predictability of the economy

Average wage levels were important but not critical according to management. However, the most important factor driving investment was profitability, which in the case of Zambia was showing an upward trend.

4.2 Human Rights

No serious human rights violations have been recorded during the period of Shoprite Checkers operations in Zambia. The trade unions have time and again decried the poor working conditions at Shoprite Checkers. The Zambia Human Rights Commission who many times expressed concerns about the poor working conditions at Shoprite has echoed this assertion.

Only one incident of an expatriate manager passing derogatory racial remark against Zambian workers has been reported. The government intervened and severely reprimanded the expatriate against this practice. The company has no code on good practice to deal with issues such as sexual harassment, and HIV/AIDS at work place.

4.3 Environment

The company in Zambia has no policy on environment but complies with national legislation and standards on this matter. Shoprite Checkers in Lusaka and Kitwe works in collaboration with Local Authorities in disposing its garbage. No serious environmental complaints have been brought before the company during its period of operations in Zambia. However, during the month of July 2003 it was reported in local press that the Health Inspectors had confiscated and destroyed large quantities of foodstuff that had gone stale from Shoprite Checkers fast food outlets trading as Hungry Lion on the Copperbelt province of Zambia.

5. Economic and Social Impact

The coming of Shoprite Checkers to Zambia as an investor in the retail industry was generally welcome because it was at a time when the state owned retail business had collapsed and left a big gap in the industry.

Shoprite first established itself in Zambia in 1995 and participated in the privatization process. The nature of its participation in the privatization process was through **Asset Sale**. This type of privatization involves only the sale of physical infrastructure belonging to a state enterprise under privatization. According to the Zambia

Privatization Agency (ZPA) in Asset Sale privatization no workers are retained as all are retrenched prior to privatization. Shoprite Checkers paid a total of US\$ 13.17 million for acquisition of physical infrastructure of the former state owned National Import and Export Corporation through privatization.

The major commitments Shoprite put in its business plan in securing the bid on privatization included the following;

- Skills training and management development
- Promotion of a healthy retail environment
- Development of a sustainable Shoprite network nationwide
- Fair and equitable pricing structures
- World standards of merchandizing and retailing
- Broad based participation in the ownership of the company

In response to these commitments the Zambian Government gave Shoprite huge incentives that included;

- Exemption of import duty on capital goods for the first five years of operations
- Exemption from Corporate Tax for the first five years of operations

Shoprite Checkers has at present 18 retail outlets, 1 wholesale outlet and 7 fast food outlets trading as Hungry Lion throughout the country. Freshmark, Shoprite distributor of fresh fruit and vegetable, also operates in Zambia with depots in Lusaka and Kitwe.

Shoprite Checkers has indeed set pace in the retail industry with management claiming that it enjoys over 70 per cent market share in the industry. In February 2003 Shoprite Group of Companies listed 2.7 million shares on the Lusaka Stock Exchange (LuSE).

The investment in Zambia has grown significantly with turnover increasing from K 19 billion (ZAR 76 Million) in 1996 to K 276 billion (ZAR 552 million) in 2002. When one takes the Groups 2002 revenue contributions from outside of ZAR 2.3 billion the contribution by Zambian operations to this is 24 per cent and 2.5 per cent to the overall Group revenue of ZAR 22 billion. It is worth noting that the population of Shoprite outlets outside South Africa have grown from one store in Lusaka in 1995 to 95 outlets in 13 Africa countries today. One would argue that contribution of Shoprite Checkers investment in Zambian has played a significant role to Shoprite Checkers expansion in Africa.

It is also speculated that Shoprite Checkers remits all its sales to the Head Office in South Africa who in turn reimburse operations expenses in Zambia on a pro rata basis. It implies even money for salaries has to come from South Africa even if generated locally. Critiques claim that this system may be open to abuse and encourage capital flight through transfer pricing given that the bulk of the exports to the Zambian outlets are handled by the holding company itself. However, no formal complaint has been made in this regard against Shoprite Checkers.

Shoprite Checkers has contributed to the creation of jobs in the industry. The combined employment for the collapsed state owned retail enterprise was 1,491 compared to the 1,617 created by Shoprite Checkers. However, the quality of these jobs is being questioned given the large number of casual employees engaged.

Management also claim that Shoprite Checkers is contributing to Zambia's development programme by creating skills, jobs and business opportunities to local

nationals and establishments. According to local management Shoprite checkers imports from South Africa account only for 35 per cent of stocked items while 65 per cent is from local sources. When management were asked to substantiate it was learnt that 65 per cent include imports from the region and the share of Zambia could not be quantified.

What is evident is that Shoprite Checkers contributes more to South Africa export market. In 2002 the Shoprite Group exported stock to its outlets trading outside South Africa to the tune of R 377 million. Local business claims that Shoprite Checkers discriminates against them in term of doing business as part of the supply chain. Equally local farmers have complained that Shoprite discriminates against local farm produce in preference of imported produce distributed by its subsidiary Freshmark.

The local farmers see no logic why government should continue to allow Shoprite Checkers import fresh vegetables and farm produce such as cabbage, potatoes, onions, tomatoes and eggs when these are abundantly available on local market. Management however concede that it is Shoprite policy to do business with local as much as possible but are equally concerned with reliability of local suppliers. The contributions by Shoprite Checkers to backward and forward linkages within the Zambian economy are not quantified but obviously they are minimal.

The Shoprite Group acts in accordance with the principles as embodied in the Code of Corporate Practice and Conduct in the King Report 2002 (“the Code”). The group also complies with the significant requirements incorporated in the Code and the Johannesburg Stock Exchange (JSE) Securities Exchange SA listing requirements.

6. Conclusions

From the foregoing one can assess the corporate practices of Shoprite Checkers Zambia on the basis of labour on one side and economic and social on the other.

6.1 Labour Criteria

Labour relations in Shoprite Checkers Zambia present a mixed grill. Shoprite has allowed unions to organize and workers to join unions though at the same time denying casual employees and those in supervisory categories to freely do so. Can then one say that Shoprite is doing this to be seen to comply with national labour legislation when in fact it does not intend so in practice? This can be confirmed by the tendency towards employment of casual labour as opposed to permanent employees.

The rate of unionisation however is relatively high one considers both the eligibility (90 per cent) and those excluded due to employment category (51 per cent).

The wage policy at Shoprite is a bit confusing because apparently there is little or no difference between the unionised and other non-unionised employees including supervisors. This could be a deliberate policy to discourage employees to join the union. Well if unionised and non-unionised have uniform wages what difference does it make to belong to the union? The disruption of collective bargaining processes by imposing unilateral and arbitrary adjustment point to managements’ lack of

appreciations of unions and the notion of collectivity and a violation of worker rights as enshrined in ILO conventions 87 and 98.

One also notices big salary differentials between rest of employees and management as well as between Zambian managers and expatriate managers. This works contrary to ILO conventions 100 and 111.

Shoprite Checkers has indeed contributed to employment creation in Zambia in particular to the retail industry. The quality of jobs however does not measure to decency. Casualisation of labour as practiced at Shoprite Checkers does not add to the much-needed decent jobs. Nevertheless one could also claim that jobs at Shoprite Checkers measure well to those provided elsewhere in the industry both formal and informal.

Skills development and industrial health is lacking for the bulk of employees at Shoprite Checkers. Only a limited number of those in management and supervisor have benefited from skill development in the form of training. Shoprite Checkers has no health policy for its employees. Though employment pattern at Shoprite Checkers seem to be gender balanced management positions are predominantly occupied by men.

Shoprite Checkers relationship with the supply chain including subcontractors is governed by purely business considerations and not labour standards.

Shoprite engagement with the union and community are minimal. Management interaction with the union is not regular unless when there is a crisis or negotiations are going on. Shoprite Checkers supports limited community initiatives such as its annual contribution to orphanages.

However, the unfavourable balance in labour relations it is equally true that the union has not taken advantage of all favourable national legislation that is complemented by ILO labour standards to challenge certain management practices of indeed to management to task. This is an area that the union need to build confidence and capacity to engage the Zambian Shoprite management.

To achieve this the Zambia union at Shoprite Checkers will need to collaborate and network with unions elsewhere organizing employees of Shoprite in other countries especially South Africa.

6.2 Economic and Social Criteria

Contribution to local economic development and linkages to local company is difficult to assess in the absence of quantified information. What is certain is that Shoprite is one of the actors in the privatization process of Zambia and came in when the big retail industry was faced with collapse. Shoprite Checkers has also invested in some rural areas.

Shoprite Checkers has equally opened opportunity for local companies to supply goods and services even though on a limited level. However, the stimulus is provided to local companies with prospects of expansion and employment creation. The farming community however still feel that they are not receiving a fair share of the Shoprite Checkers market. Shoprite continues to deny market for local farm produce in preference of imports delivered by its distributor Freshmark.

Shoprite Checkers Zambia investment is influenced more by the profit motive than any other consideration. Shoprite Checkers corporate social responsibility is derived from the Shoprite Holdings Group corporate governance practice. Shoprite Group corporate governance is in line with the Code of Corporate Practice and Conduct and the JSE Securities Exchange SA listing requirements and most recently the LuSE listing requirements.

The unions could seek reference to the Codes of Practice and Conduct to challenge the Company on issues of social responsibility, human rights promotion, environment and health and consumer protection. What is certain the above codes to which Shoprite Checkers subscribes adhere to strong enforcement and auditing procedures?

The Shoprite Group acts in accordance with the principles as embodied in the Code of Corporate Practice and Conduct in the King Report 2002 (“the Code”). The group also complies with the significant requirements incorporated in the Code and the Johannesburg Stock Exchange (JSE) Securities Exchange SA listing requirements.

In conclusion therefore it is evident from the above that Shoprite Checkers Zambia practices from a labour standpoint is below average. Management need not only open spaces for union engagement but also equally provide an enabling environment for the union to freely establish without fear or intimidation. For instance casual employees must be free to join the union without the threat of losing their jobs. Management need to allow trade union forums at work place and allow time for this.

Furthermore, management need to reconsider its information policy especially providing the necessary company information to enable the unions adequately prepare for negotiations and also be well informed on the company’s situation. The union should equally prove to management that it would use such information whenever provided responsibly and confidentiality is so required. This is what bonds mutual trust and respect between management and the union.

Management at Shoprite Checkers Zambia need to reflect the Shoprite Group corporate mission and governance ideals in their management style notwithstanding the profit objective. Management will also need a great leverage of autonomy and the scope of responsibility broadened to deal effectively with local challenges without recourse to Head Office in South Africa. This could include decisions on wage negotiations, training and investment to a certain extent.

However, the union has a critical role to play to realize the above. The union needs to think strategically re-orient its approach and involve the general membership in all its decisions and actions. The union through the leadership need to inspire members so that they have the sense of confidence and belonging. The members need to be assured that nothing but their interests is being championed and that they feel protected. The union has to build capacity to engage management with confidence and also be able to put forward demands that are solid, practical and convincing.

On the economic and social front Shoprite Checkers need to open up business to local Zambian companies that have the capacity and are competitive. Shoprite Checkers need to give Zambian farm products a fair share of its market. In the same way it is promoting South African exports to other African countries it should develop the same policy for local produce as well.

Shoprite Checkers social investment programme in Zambia is need to be enhanced to plough back the billions that it rakes in sales. Local management must be able to

make decisions on scope and extent of social investment programmes within Zambia.

Annex: list of ratifications of ILO Conventions by Zambia a member of the ILO since 1964.

- Minimum Age (Industry) Convention, 1919, **Number 5**
- Rights of Association (Agriculture) Convention, 1921, **Number 11**
- Workmen's Compensation (Agriculture) Convention, 1921 **Number 12**
- Workmen's Compensation (Accidents) Convention, 1925, **Number 17**
- Workmen's Compensation (Occupational Diseases) Convention, 1925, **Number 19**
- Minimum Wage-Fixing Machinery Convention, 1928, **Number 26**
- Forced Labour Convention, 1930, **Number 29**
- Underground Work (Women) Convention, 1935, **Number 45**
- Recruiting of Indigenous Workers Convention, 1936, **Number 50**
- Contracts of Employment (Indigenous Workers) Convention, 1939, **Number 64**
- Penal sanctions (Indigenous Workers) Convention, 1939, **Number 65**
- Contracts of Employment (Indigenous Workers) convention, 1947, **Number 86**
- Freedom of Association and Protection of Right to Organize Convention, 1948, **Number 87**
- Night Work (Women) Convention (revised), 1949, **Number 89**
- Protection of Wages Convention, 1949, **Number 95**
- Migration for Employment Convention (revised), 1949, **Number 97**
- Right to Organize and Collective Bargaining Convention, 1949, **Number 98**
- Minimum Wage Fixing Machinery (Agriculture) Convention, 1951, **Number 99**
- Equal Remuneration Convention, 1951, **Number 100**
- Maternity Protection Convention (Revised), 1952, **Number 103**
- Abolition of Forced Labour Convention, 1957, **Number 105**
- Discrimination (Employment and Occupation) Convention, 1958, **Number 111**
- Social Policy (Basic and Standards) Convention, 1962, **Number 117**
- Employment Policy Convention, 1964, **Number 122**
- Minimum Age (Underground Work) Convention, 1955, **Number 123**
- Medical Examination of Young Persons (Underground Work) Convention, 1965, **Number 124**
- Minimum Wage Fixing Convention, 1970, **Number 131**
- Worker' Representative Convention, 1971, **Number 135**
- Benzene Convention, 1971, **Number 136**
- Minimum Age Convention, 1973, **Number 138**
- Rural Workers' Organization Convention, 1975, **Number 141**
- Tripartite Consultation (International Labour Standards) Convention, 1976, **Number 144**

- Working Environment (Air Pollution, Noise, Vibration) Convention, 1977, **Number 148**
- Nursing Personnel Convention, 1977, **Number 149**
- Labour Administration Convention, 1978, **Number 150**
- Labour Relations (Public Service) Convention, 1978, **Number 151**
- Collective Bargaining Convention, 1981, **Number 154**
- Termination of Employment Convention, 1982, **Number 158**
- Vocational Rehabilitation and Employment (Disabled Persons) Convention, 1983, **Number 159**
- Protection of Workers' Claims (Employer's Insolvency) Convention, 1992, **Number 173**
- Safety and Health in Mines Convention, 1995, **Number 176**
- Worst Forms of Child Labour Convention, 1999, **Number 182**