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CHALLENGES AND OPPORTUNITIES: THE WAL-MART EFFECT IN SOUTH AFRICA

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15 February 2012

A research report submitted to the Department of Sociology, School of Social Sciences, Faculty Humanities, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Sociology by Coursework and Research Report.

DECLARATION

I, _____, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Sociology (Development Sociology) by Coursework and Research Report in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Kelly Alexander

Signed at ……

On the …….. day of …… 2012

ACKNOWLEDGEMENTS

I would like to thank Prishani Naidoo, for her invaluable guidance and for tirelessly assisting me in the completion of this research.

I would like to acknowledge my respondents for giving of their time and expertise – I am thankful to you for the insights which you shared.

To my incredible and loving family, I am so grateful to you all for your encouragement and support every step of the way.

ABSTRACT

This research aims to interrogate the question of "Challenges and Opportunities: The Wal-Mart Effect In South Africa". The research aims to investigate the potential effect that Wal-Mart will have on labour, the local economy and consumers in South Africa. This is in the broader context of neo-liberal globalisation. The key findings regarding stakeholders' engagement around the issues of Wal-Mart's arrival and the role of the state, the resistance by local and international trade unions, the detrimental effects on the local and informal economies, the failure of the South African macro-economic policy environment and the positive effect that Wal-Mart will have on consumers are all presented and analysed. The key message that emerges is that neo-liberal policies in South Africa have eroded labour rights, and hampered the development of the local economy. Although Wal-Mart's arrival could exacerbate this, it simultaneously provides a springboard for resistance and a unique opportunity to rethink the policy framework of the country. In a country with high levels of poverty, Wal-Mart may force local retailers to become increasingly competitive and to provide goods to consumers at a lower cost – which is obviously something that will benefit local consumers. Furthermore Wal-Mart's strength is in its systems and processes which is something that could benefit South African companies as they learn from the giant retailer. Wal-Mart's entry into South Africa will have to be carefully managed and monitored to ensure the maximum benefit for all stakeholders, and to limit the adverse effects of the retail giant.

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1 CHAPTER 1: INTRODUCTION

1.1 WAL-MART: THE AIMS AND ORIGINS OF THE CORPORATION

Wal-Mart is the world's biggest retailer, largest private employer and makes sales in excess of three billion dollars each week! Wal-Mart's sales are equivalent in size to the world's 23rd largest economy, Norway, "and exceeds the GDP of SA" (Shevel, *The Sunday Times*, 22 May 2011-a). Through a number of store formats, Wal-Mart sells everything from food and clothing, to tools and cars (Yoffie, 2005). Despite its financial success, the corporation is reputed to have an extremely anti-union stance and is particularly harsh in its labour policies and practices (COSATU, 2011-c). Wal-Mart shuts down plants and stores where unionisation rights are won; it hires and fires workers at will, forces the lowest echelon of worker to work overtime without pay and is reported to have sexist gender policies – in which only men are promoted (Wal-Mart Watch Report, 2007-a).

That Wal-Mart is an incredibly successful corporation is evident in the fact that it "became the first trillion dollar company in the world" (*Trade Intelligence*: Wal-Mart Trade Profile Report [Hereafter *Trade Intelligence*], 2010: 29). In the words of SACCAWU spokesperson, it is the world's largest private employer, and the world's second largest employer in all categories – second only to the Chinese army (Abrahams, interview 30/01/2012). The corporation has grown so rapidly, it has moved from earning one billion dollars every week in 1993, to earning that every one and a half days in 2001 (*Trade Intelligence*, 2010). Wal-Mart also claims to be committed to sustainability. "Wal-Mart is a business which strives to be a leader in sustainability, corporate philanthropy and employment opportunity" (*Trade Intelligence*, 2010: 50). By 2015 Wal-Mart also hopes to create 500 000 jobs globally (Shop Talk, 2011). The corporation aims to be supplied by one hundred percent renewable energy, to create zero waste and to sell products that sustain resources and the environment – although it is unclear when these targets must be met by (*Trade Intelligence*, 2010). Wal-Mart has also created numerous local farming and agricultural projects, such as the Direct Farm Programme which is based in China and which aims to include as many as one million farmers by 2011 (ibid.).

Another way to attempt to understand the sheer size of the corporation is through its financial success. According to Bride, Deputy Organising Director for Global Strategies - United Food and Commercial Workers Union (UFCW):

> the six members of the Walton family, heirs to the company ... are worth approximately US$ 92 billion – that's ninety two BILLION dollars – BILLION with a "B" – a capital "B". ... This figure, based on 2007 statistics, is equal to the combined wealth of about 35 million American families, which equates to about 30 percent of the population. (interview, 02/02/2012 emphasis in the original).

Wal-Mart International is one of the fastest growing areas of Wal-Mart and Mexico is highlighted as a prime example of its international success (*Trade Intelligence*, 2010). Wal-Mart International's Innovations Group is constantly attempting to figure out how to best reduce waste, cut costs and pass the savings on to consumers and how to leverage benefits as a result of the purchasing power that Wal-Mart has (ibid.). This stream-lining model is part of the reason the corporation enjoys so much success. Wal-Mart International has 4292 stores in 15 countries with over 700 000 associates (workers) worldwide, and 75 percent of the stores operate under different names and do not trade as a 'Wal-Mart' (ibid). Mexico was the retail giant's first international venture, opened in 1991 – after operating exclusively in the USA since 1962. In 2010 the international division of the company brought in approximately 25 percent of the company's sales, compared to 14.5 percent in 2000 (ibid). Wal-Mart Mexico grew almost 2 percent faster than the market in the 2011 financial year, up until November 2010 (ibid).

Wal-Mart began operating in 1962 in Arkansas, USA (United States of America), and was opened and run by Sam Walton. According to Vianello (2011) the Walton family still owns 43 percent of Wal-Mart. The corporation is now operational in 16 countries across the globe, including the USA, and its stated mission is to:

> save people money so they can live better. We earn the trust of our customers everyday by providing a broad assortment of quality merchandise and services at Every Day Low Prices ('EDLP') while fostering a culture that rewards and embraces mutual respect, integrity and diversity (ibid: 10).

The sheer size of Wal-Mart is absolutely astounding. For example each week, approximately 100 million shoppers visit Wal-Mart's USA stores, which equates to almost one-third of the American population (ibid). That is over 14 million customers going through Wal-Mart's doors each day! This is an absolutely incredible number of people and provides Wal-Mart with an almost incomprehensible amount of power in the supply chain and in the retail industry. The sheer size of this retailer alone justifies any form of study on the company.

Wal-Mart has also invested in local communities, through the funding of NGOs (Non-Governmental Organisations) in order to assist with the running of schools, clinics and other training centres which specifically cater to factory workers in the developing world (ibid). In the USA, Wal-Mart is the largest private employer, employing 1.4 million associates. According to *Trade Intelligence* (2010), the Wal-Mart culture revolves around Sam Walton's notion that if the company wanted its employees to work well, then it had to ensure that they were well treated. However, as indicated by Anderson and Cavanagh (2000: 1) Wal-Mart are "notorious for union-busting and widespread use of part-time workers to avoid paying benefits". This highlights a sharp inconsistency between the company's rhetoric and practice.

In the USA, between 1963 and 2002 the number of single store retailers, i.e. those that do not form part of a retail chain, declined by fifty-five percent (Basker, 2007). This shows the immense centralisation and concentration of power in the industry. There are other large retail stores in operation – such as Tesco and Carrefour, but Wal-Mart is by far the largest (Lefifi, *Business Day*, 15 May 2011). Therefore, while not solely responsible for this, Wal-Mart has played a role in the centralisation of the retail industry. This is a trend which is also evident in South Africa, and was a feature of the retail sector before Wal-Mart arrived (Lamberti, interview 18/01/2012).

Certain studies find positive effects in terms of the arrival of a Wal-Mart on local jobs, (Basker, 2007). This is due to the fact that more jobs are created by Wal-Mart, even if this is only a marginal increase. However Basker also states that:

> these results remain open to various questions. For example, country-level data on retail employment do not distinguish between part-time and full-time jobs, so if Wal-Mart employs more part-time workers than the retailers it replaces, the total number of jobs may rise while the number of full-time equivalent jobs actually falls. Unfortunately, there is no definitive evidence on average hours of work by Wal-Mart employees compared with other retail employees, and at present, the importance of this effect is unknown (2007: 185).

Wal-Mart, in the power it wields and the strength of its anti-union standpoint, is incredible. For example, shortly before Wal-Mart moved to California there was a large scale strike as the result of opposition grocery store managers wanting to lower wages in their stores (Basker, 2007). This was due to the fact that they needed to be able to compete with Wal-Mart. When this later went to court, the workers lost in this case (ibid). This was due to the fact that grocery stores owners were forced to take this hard-line attitude towards workers in order to compete with Wal-Mart. This serves to reinforce and legitimise the arguments regarding Wal-Mart's anti-union practices and negative effects on labour. Furthermore in the USA, it has been shown that "Wal-Mart's rise has had a negative effect on retail wages. At least where the retail sector is unionised, it seems reasonable that Wal-Mart's entry ... could similarly reduce wages even if it increases employment" (2007: 187).

Another astonishing example of the amount of power that Wal-Mart exerts is the way in which, for example, it does not stock CDs or magazines whose lyrics or cover art it considers to be offensive. Wal-Mart will not stock a magazine or CD if the cover art is too revealing or if the content covers topics such as homosexuality, overt sexuality, or abortion (Klein, 2007). Klein discusses the example of a Nirvana album that Wal-Mart had not intended to stock, which was due to result in a "projected 10 percent" loss in sales for the group, causing the band to change the cover artwork and certain lyrics (2007:167). The important point here is that Wal-Mart's domination in the market as a retailer gives them huge leverage which affects the way producers make and market products. This form of censorship has a profound influence on shaping culture, norms and values, and the world in which we live. To provide a single corporation – albeit one as large as Wal-Mart –with such power to shape and place limitations on what is perceived as right and wrong in a society is deeply concerning. Michael Abrahams, Head of

Media and Spokesperson at the South African Commercial, Catering and Allied Workers' Union (SACCAWU) highlighted the way in which Wal-Mart has the ability to shape what is produced and consumed (Interview, 30/01/2012). He stated that multinational retailers such as Wal-Mart, "become a very significant factor in shaping the world we live in -the products we consume, how we consume, what we consumer, where we consume" (Interview 30/01/2012).

1.2 WAL-MART IN SOUTH AFRICA

Wal-Mart's arrival in South Africa has been heavily contested by both government and organised labour. Minister Ebrahim Patel of the Department of Economic Development, Minister Rob Davies of the Department of Trade and Industry, and Minister Tina Joemat-Pettersson of the Department of Agriculture, Forestry and Fisheries jointly opposed the acquisition of Massmart by Wal-Mart. They were joined in this endeavour by COSATU (Congress of South African Trade Unions) affiliate SACCAWU (South African Commercial, Catering and Allied Workers Union). There has been ongoing litigation regarding whether or not to allow Wal-Mart to acquire Massmart[1], and the conditions that should reasonably be imposed on the transaction.

In September 2010 Wal-Mart put in an offer to buy the Massmart group. This offer was rejected and a 51 percent stake in Massmart was then offered for R16.5 billion, which would allow Massmart to remain listed on the JSE (Johannesburg Stock Exchange). The deal was initially unconditionally approved by the Competition Commission in February 2011.

However this was subsequently appealed by the trade unions, most notably SACCAWU, due to the fact that it was felt that there were issues which the Competition Tribunal did not pay

[1] Massmart comprises four divisions: Massdiscounters, Masswarehouse, Massbuild and Masscash (Massmart annual report, 2011). Within each of these there are a number of stores. Within the Massdiscounters division there is Game, Game FoodCo and Dion Wired, with a total of 113 stores in the division (ibid.). Within Masswarehouse there is just Makro, with 14 stores (ibid.). In Massbuild there is Builders Warehouse, Builders Express and Builders Trade Depot, with a total of 81 stores (ibid.). Finally in the Masscash division, there is CBW, Jumbo Cash and Carry, Cambridge food and Shield, with a total of 776 stores (ibid). Massmart employs over 30 495 people, operates in twelve countries and has a customer base ranging from LSM two – ten (Living Standard Measure – where 1 is the lowest and 10 the most wealthy). The group, as of 2011, reportedly engaged with 9548 suppliers and service providers (ibid.). Massmart is the second largest distributor of consumer goods on the African continent (ibid.).

adequate attention to – such as the effect that Wal-Mart had on labour before the retailer had even officially entered South Africa (Bonakele, Deputy Commissioner, Competition Commission, interview 07/10/2011). The trial date was rescheduled for March, but the government's delayed entry into the fray meant that the deal was again very, "reluctantly" postponed (*Engineering News*, 22 March 2011). The reason for the government's entry into the legal proceedings regarding Wal-Mart's entry to South Africa, was due to the fact that there had been negotiations before the Competition Tribunal hearing, and the government believed that these negotiations would lead to binding accords being signed with regard to conditions that would be placed on the deal, addressing the concerns of government and trade unions (Bhana, 2011). When this did not occur, the opposing government departments' concerns regarding food security, detrimental effects on the employment in the manufacturing sector, the effect on the conditions of work for labour, and the effect on suppliers and the supply chain were not addressed in any formal way, resulting in the late entry of government into the Competition Tribunal (Bhana, 2011).

Once the Competition Tribunal reconvened, it heard expert witnesses from both sides regarding the potential effects of Wal-Mart's entry into South Africa. There was also much debate regarding the 'public interest', an issue which was questioned in terms of its validity for debate in the Competition Tribunal. For the unions and SACCAWU in particular, the outcome of the tribunal was weak as the only conditions that were imposed on the deal, were the conditions which Wal-Mart and Massmart volunteered to impose upon themselves. These conditions are the establishment of a R100 million supplier development fund[2], a ban on job shedding related to the merger for two years, continued recognition of SACCAWU as the official union for three years, and preferential re-employment access for the 503 workers who lost in their jobs in 2012 – allegedly due to the merger (Moorad, *Bizcommunity*, 6 January 2012).

While it may seem that the conditions imposed are a positive thing, Bleby (*Business Day*, 1 June 2011-A) highlights that, "the concern over job losses has been settled in the way

[2] The R100 Million supplier development fund, was something that Massmart initially volunteered to do. They have set aside the money, and created the fund, which will be administered by Mncane Mthunzi of the Consumer Goods Council of South Africa (CGSA). This fund will be used to support small suppliers and assist them to develop (Manana, interview 19/10/2011). It will also be used to assist suppliers who are struggling, to ensure that they continue to operate.

companies wanted. They have successfully diverted the focus of remedies from [what] the unions and government wanted [and moved it] into territory over which they have control". Furthermore, according to Benedict, a UNI Global Union spokesperson – who worked in concert with SACCAWU, the R100 million fund that Wal-Mart is required to establish, represents only 0.003% of annual global sales (2011). It is therefore difficult to say whether the deal will be of substantial benefit to workers yet.

The decision of the Competition Tribunal was once again appealed by the trade unions and a further hearing occurred in the Competition Appeals Court in October 2011, with the judgement due in early 2012. Here the unions claimed that the tribunal hearings were procedurally unfair, and "failed to place the burden of proof of the positive impact of the deal on the merging parties" (Xulu, *Financial Mail*, 27 October 2011). Judge Dennis Davis of the Competition Appeals Court, stated that "all the minister [Minister of Economic Development, Ebrahim Patel] is aiming for [in the appeal] is better conditions than those imposed by the tribunal" (Fin24, 23 October 2011-B). Moorad states that because the government and unions were "spooked by Wal-Mart's Herculean ability to topple its local procurement master plan of manufacturing-and-production-based economic growth, the Ministers applied to the Competition Appeal Court to review and set aside the Tribunal's appeal of the deal" (*Bizcommunity*, 6 January 2012). Therefore it seems that the issues being debated now are simply the conditions that should be imposed on the deal, as opposed to the actual acquisition itself.

SACCAWU states that Wal-Mart will bring about increased concentration in an already oligopolistic sector; the union is concerned about the negative effects on the local market – including for suppliers, manufacturers and small businesses; and is worried that Wal-Mart's procurement policies will adversely affect the local supply base (COSATU, COSATU Today, 22 January 2011-B). Notwithstanding the above, SACCAWU has expressed concerns regarding Wal-Mart's reputation and the fact that it is renowned for having a very poor labour relations history, and has reportedly led to large-scale job losses and upset the balance of the local economy in other countries of operation (COSATU, COSATU Today, 22 January 2011-B). This is due to the heightened pressure on other retailers to "adapt to Walmartisation in order to compete and survive" (COSATU, COSATU Today, 22 January 2011-B). NEHAWU (National Education Health and Allied Workers Union), in support of SACCAWU, stated that Wal-Mart

is one of the major offenders and supporters of "capitalist globalisation that results in big economic inequalities by denying workers their rights" (NEHAWU, COSATU Today, N.D. 2011).

Local South African trade unions are working in conjunction with UNI Global Union and UFCW (United Food and Commercial Workers Union) who, as well as providing support and information, were attempting to get Wal-Mart to sign a Global Agreement which would be binding and apply in all of Wal-Mart's stores across the world (Cosatu, COSATU Today, N.D. 2011-A). UNI Global represents twenty million retail workers globally, and so – if it is able to increase this number – the union may be able to exert greater pressure on Wal-Mart to improve its treatment of workers and attempt to gain representation for the Wal-Mart labour force across borders (COSATU, COSATU Today, 19 July 2011-C).

According to Planting (*Moneyweb*, 28 July 2011), UNI Global Union has managed to secure agreements with both Shoprite and Nampak, to ensure that they meet certain labour standards as they expand globally. It would hope to be able to achieve something similar with Wal-Mart, but has not yet achieved this. For Jennings, the General Secretary of UNI Global, Wal-Mart's business model is "driving the world into a 'damaging race to the bottom' ... [by] squeezing wages on the one side and suppliers on the other" (in Planting, *Moneyweb*, 28 July 2011).

This type of multinational, cross-border organisation is necessary in the face of globalisation. For Panić, although there is much contestation around the meaning of the term, there is a general consensus that globalisation relates to economic activity (Panić, 2003). Panić highlights two interrelated movements which together constitute globalisation. The first is "widespread liberalisation of international trade and capital flows" which has been initiated by governments and the other is the "international division of labour achieved mainly through the actions of transnational enterprises in pursuit of their corporate interests and objectives" (Panić, 2003: 5). This is echoed by Standing (1997: 7) who states that "what goes under the problematic name of 'globalisation' [has] eroded hard-won labour rights and forms of labour security". This globalisation, global restructuring or neo-liberal globalisation refers to the shifts in the organisation of work, the global division of labour, the increased mobility of capital as well as

the regulatory changes such as the deregulation of international trade (Standing 1997). According to Webster, Lambert and Bezuidenhout (2008), globalisation has resulted in the world being characterised by unevenness, in which there is extreme wealth on the one hand, and massive insecurity with regard to the ability to sustain one's livelihood on the other. Webster et al. state that this unevenness:

> implies that people in various parts of the world experience the dislocation brought about by globalisation in different ways. Working people in the industrialised North are concerned about their jobs moving to other countries. Major regions of the world economy that were previously insulated from capitalism are now drawn in as major sites of industrial investment. New working classes are created. Other regions of the globe are essentially excluded from these new waves of economic transformation and remain marginal (2008:1).

The effects of neoliberal globalisation on labour are evident in Wal-Mart's arrival, as it is praised by business as a great opportunity to create jobs, encourage the arrival of more FDI (Foreign Direct Investment) to the country and as a means to "help South African suppliers to compete better in international markets" (Fin24-A, 1 June 2011). However, there are many other areas in which the deal may detrimentally affect South Africans – particularly in terms of labour. It is also interesting to note the interference of government in this deal, a move which seems to be at odds with the neoliberal path, promoting less government intervention in business affairs, which the country is pursuing. Bhana explains how the drive which is evident in the New Growth Path – a policy document designed to lead to job creation (among other things) places a focus on manufacturing to create jobs (2011). Bhana reveals that the government is concerned that Wal-Mart's arrival will lead to a massive increase in imports which will undercut the South African manufacturing sector (2011). According to Levin, Director-General of the Economic Development Department (EDD), the reason for the late intervention of government was that it became "apparent that the merging parties [were] delaying making binding commitments" which address the public interest issues (2011: 3). These public interest issues include the effect of the merger on the retail sector and "supplier industries"; the effect on employment, and the effect on competition both locally and internationally (Levin, 2011: 6).

1.2.1 FEAR OF THE WAL-MART EFFECT

Wal-Mart's influence extends into all areas of the retail industry: the supply chain, the cost of goods, and as mentioned - on workers themselves (Levin, 2011). The arrival of this multi-national giant in South Africa has led to a number of powerful stakeholders engaging, contesting and debating the various issues that have arisen. Opinion on the arrival of Wal-Mart in South Africa is divided. There are the pro-business groups who are in favour of the arrival of Wal-Mart and the implications of this for South Africa's global reputation. This group welcomes the FDI input, and sees great value in the R16.5 billion injection to the economy. This group supports the view that "working-class resistance to capitalist restructuring [is] problematic because it disrupts their respective market-driven or technocratically planned growth strategies" (Hart-Landsberg & Burkett, 2001: 404). The second group are those who fear the negative repercussions for the retail sector and associated industries, the economy and for labour as a result of Wal-Mart's entry into South Africa. They are opposed to the Wal-Mart takeover of Massmart as they believe that it will "lead to job losses and put local suppliers out of work" (Naidoo & Hazelhurst, IOL, 1 June 2011). The important questions that have been asked are: what effects will this retail monolith have in South Africa, and should we have fought harder to keep them out?

1.3 WHAT THE WAL-MART EFFECT MEANS FOR SOUTH AFRICA

The area of focus for the research report is the "Wal-Mart Effect" and within this, the contestation around Wal-Mart in South Africa and what this means for the potential effects that Wal-Mart will have in South Africa. My focus is on the effects of Wal-Mart on labour, the local economy and the retail sector in South Africa. The research focuses on the possible outcomes of the 'Wal-Mart Effect', such as a potential decrease in job security and employment levels in the retail sector, as well as the effects of neo-liberal globalisation on labour. I have also examined potential effects on the South African local economy and on consumers. These 'potential effects' will be drawn from experiences of Wal-Mart elsewhere, as well as the arguments of the various stakeholders involved in the deal. I will also briefly look at Game to offer an explanation as to why Wal-Mart chose Massmart.

The fact that Wal-Mart's arrival in South Africa is such a recent development means that very little has been written on the subject, and there is a definite void in the literature on this topic. The effects of neoliberal restructuring by local retailers on the South African retail environment has been researched, however the potential for this to be exacerbated by a multinational corporation (MNC) has not been explored sufficiently. For example, Wal-Mart's acquisition of Massmart has been approved with the condition that there can be no "merger-related retrenchments for a period of two years, as well as a continued recognition of SACCAWU for three years post the merger" (Moorad, *The Times*, 11 June 2011-B). Despite this seeming to be a positive thing, Sozzi, an analyst based in Wall Street, stated that in that time Wal-Mart could potentially grossly manipulate labour costs to its benefit (*The Witness*, 1 June 2011). These claims need to be investigated, as well as the power which a multinational retailer like Wal-Mart holds in the global economy, and the resistance which South Africans may have to the deal.

Dynamic markets are those economies which are not developed, first world economies – simply they are rapidly growing economies which are not mature (White, 2011). However these markets are currently experiencing growth and dynamism, and are the focus of a large amount of investor attention (ibid.). South Africa's inclusion in the Brazil-India-China-South Africa (BRICS) grouping confirms it as a dynamic market, which makes it an interesting country to study in relation to the Wal-Mart effect. Wal-Mart's operations in other dynamic markets, such as Mexico and South Korea, will be touched upon where relevant in order to highlight the 'Wal-Mart effect' and provide further information with which to analyse the South African case - my primary area of focus.

The focus on dynamic markets is particularly important in the post-2008 financial crisis setting. As White argues, "money and power are shifting from the North and the West, to the South and the East" (2011). Many (White, 2011, Khanna, 2009, *The Economist*, 6 January 2011) therefore view these dynamic markets as currently holding great potential for growth and more power than is usually assigned to the 'developing world'. In the context of neo-liberal globalisation, these perceived shifts in power are very important. This is due to the fact that the large and developed economies of the North have, for a number of decades, had the power to dictate the terms and conditions by which the global capitalist economy is run – regardless of the effect that this has had on less wealthy countries in the global South. Now with the perceived shifts in

power, it is argued that there is an opportunity for less developed countries to exert greater influence over the policy direction and general trends that emerge in the capitalist economy.

This research is of significance as it provides a rigorous evaluation of the claims that are being made about Wal-Mart, while also investigating the neoliberal context that this is occurring in. Wal-Mart's arrival in South Africa provides a unique opportunity to reflect on the broader shifts in capitalism globally and exposes a number of flaws in local policy and its implementation, particularly with regard to its effects on job creation and the stagnation or decline of certain important sectors of the economy. This research provides insight into the way in which the corporation works, contestation over its entry into South Africa and the effects of the corporation and neoliberal globalisation on labour, the local economy, and the possibilities for labour organisation.

1.4 RESEARCH QUESTIONS

The general questions that have guided this project are:

1. What effect has neoliberal reform, and the restructuring of the workplace had on South African labour and the retail sector in particular?
2. Does South Africa present a unique context for Wal-Mart, particularly with regard to the presence of an organised and historically mobilised labour force?
3. How has organised labour contributed to the potential effects of Wal-Mart's entry into South Africa?
4. What are the different views of leaders of business, government and labour regarding the potential effects that Wal-Mart may have in South Africa?
5. Does Wal-Mart's arrival expose a failure of South Africa's policies to protect the interests of its citizens?

My general area of interest and questioning has been what the potential effects of Wal-Mart's arrival in South Africa will be for labour, the local economy and consumers. I have attempted to

answer this through examining the contestation around Wal-Mart's entry in the Competition Tribunal, and the arguments made and positions held by the relevant stakeholders.

The research focus is sociologically important as Wal-Mart, as the world's largest retailer, has a considerable amount of power in the global economy. The way this power is exercised has implications in all sectors of the retail industry and in whichever local context Wal-Mart operates. Labour; suppliers, and those involved in the supply chain; consumers and other retailers; will all be affected by the arrival of this mammoth retailer in South Africa. The important issue is the way in which the local context shapes the Wal-Mart effect, and is able to manipulate and constrain the retail monolith – and hopefully extract the maximum amount of benefit for South Africa. There are implications in terms of broader economics, economic policy and the levels of competition in the industry. According to Philip (*The Sunday Times*, 5 June 2011), for every retail store that opens, more than one hundred informal retailers are forced to go out of business. The downstream implications of this are drastic, particularly in light of the fact that Wal-Mart/Massmart aims to open 50 – 100 new stores in the next three years, according to Massmart CEO (Chief Executive Officer) Grant Pattison (2011-A).

Furthermore, there is a possibility that related industries (such as manufacturing and agriculture) may also be affected by the practices of Wal-Mart (Levin, 2011). This is due to the fact that Wal-Mart reputedly streamlines the supply chain in order to cut costs as well as having access to a global supply chain. This will then have the potential to affect labour in those industries. The competitive edge that Wal-Mart has may mean that it crowds smaller retailers out of the market. This will again affect jobs and the local economy. If Wal-Mart begins importing a large amount of goods that were previously manufactured within the country, it will adversely influence the industries that were related to the manufacturer, as well as the economy more broadly. According to Bleby (*Business Day*, 1 June 2011-A), the South African government claims that "a 1 percent switch from local purchases to imports would cost 4000 jobs". In the South African context where unemployment is at 25.7 percent, this has the potential to lead to devastating consequences (Statistics South Africa: Quarterly Labour Force Survey, 2011:7). This official unemployment figure is generally assumed to be lower than the actual figure, as it does not include those who are discouraged and have given up looking for a job. According to Flores-Arraoz and Musca (2011), the country's unofficial unemployment rate is forty percent.

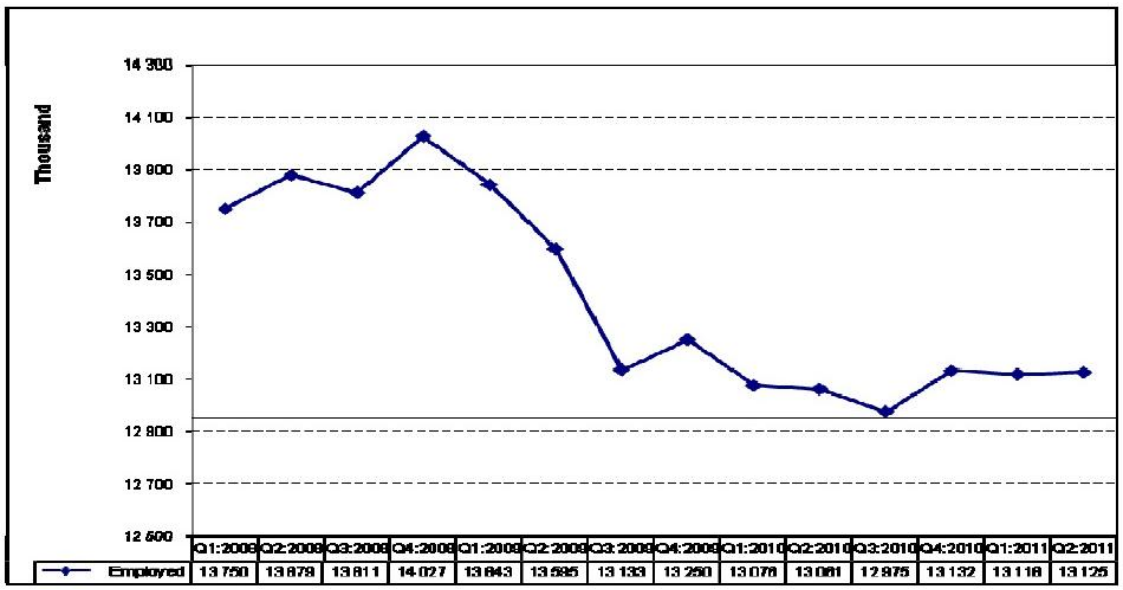


Figure 1: Total Employment: Q1: 2008 - Q2: 2011 (Statistics South Africa: Quarterly Labour Force Survey: Quarter 2, 2011)

As is evident above, employment rates in South Africa are low and have recently dropped due to the global economic crisis. This results in the already pertinent issue of jobs being further heightened and prioritised, and is a central issue and failing of the country which needs to be urgently addressed. The New Growth Path (NGP) is a policy which places a major focus on job creation and which aims to "target ... limited capital and capacity at activities that maximise the creation of *decent work* opportunities [and] use both macro and micro economic policies to create a favourable overall environment and to support more labour-absorbing activities" (NGP, 2011: 6, emphasis mine). Furthermore, the quality of the jobs that are created is an extremely important issue for trade unions, as they are fighting against a rising trend towards casualisation (SACCAWU, 2004).

This research is significant as it is a contribution to knowledge in this area, particularly in South Africa. It provides a springboard for further research that can be pursued, especially once Wal-Mart has become established in South Africa. It also highlights through the brief examination of two other dynamic markets, the far reaching effects of neo-liberal globalisation. Most importantly, my research highlights what to expect from Wal-Mart in its operations in South Africa by presenting the various claims about the corporation and assessing how accurate they

are. The delimitations of my study are a particular focus on the South African context. Although some attention will be paid to the dynamic markets of Mexico and South Korea, this will not be the major focus of the research.

2 CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

There are various factors to be considered when examining the entry of Wal-Mart to South Africa. Firstly it is important to examine the beast that is Wal-Mart and learn about the company. An examination of the global economic setting that the deal is taking place in is also vital as it is important to understand the way in which the capitalist system is currently operating, and how this affects power relations and the general context of the deal. Next the South African local retail sector needs to be examined, so that future mapping of the changes that occur as a result of Wal-Mart's arrival can be done.

2.2 LABOUR RELATIONS: OVERVIEW

The labour relationship is one in which, theoretically, a worker is able to sell his or her labour power on the labour market to an employer. This labour market is very rarely even in terms of bargaining power, due to the fact that the workers are unable to resist accepting certain waged positions, due to a lack of alternatives. “The employment contract is indeed free in the sense that men and women are not forced to work at gun-point; but if the alternative to working on the employer’s terms is poverty and starvation, this is no great consolation” (Hyman, 1975: 23).

The nature of industrial relations in capitalism is that it is based on the “principle of keeping the poor poor, since any increase in wages would signify a concomitant cut in profits” Bendix (2001: 7). Therefore the interests of the two groups are naturally adversarial. Workers would appreciate, often deserve, and would immensely benefit from, increased wages; but employers resist this – often viewing it as an unnecessary cost. Part of the problem arises from the way in which the relationship is seen as one between antagonistic groups. Therefore:

> from his side, the employer or manager who represents him has no personal interest in the ... employee. He is not interested in the individuality of the worker or in his unique characteristics as a human being different from all other human beings, but merely his

> ability to perform the work required. At worst he sees the worker as just another factor of production and, at best, as another, replaceable, member of the labour force (Bendix, 2001: 5).

It is therefore important to realise that although we speak of the 'working class', of 'workers', and of 'employers' as though they are homogenous groups; they are in fact diverse and comprised of a multitude of different races, genders and personalities.

> Both parties, and particularly the employee, are placed in a group context, leading to ... depersonalisation. ... [P]erceptions of collectivity ... play an important role, with the result that personal identities become submerged in the anonymity of the collectivity but where, in the final analysis, only the assertion of, and respect for, individuality can lead to a more equitable relationship (Bendix, 2001, 5 and 6).

Furthermore, as highlighted by Polanyi, with regard to labour, the "alleged commodity 'labour power' cannot be shoved about, used indiscriminately, or even left unused without affecting also the human individual who happens to be the bearer of this peculiar commodity" (1957:73). It is therefore necessary to consciously remember the individual who exercises their labour power, and not think simply of labour as a commodity.

The retail sector in South Africa is largely comprised of black, female workers – of varying ethnicity, while the managers are largely white males (Kenny, 2007). Even within the group of retail workers, there are differences in gender, age and ethnicity between those who are classified as permanent, contract and casual workers. Furthermore in the retail industry, "permanent workers were almost all unionised by SACCAWU, while very few casual or contract workers belonged to a union ... although many casual workers had joined and left again after servicing problems" (Kenny, 2007: 487). Where the abovementioned depersonalisation occurs and individual agency is subsumed in assumptions about the collective, Hyman (1975:13) states that this is known as "reification".

It is important to bear this in mind henceforth, where the term 'labour' or 'workers' is used, it is important to recognise that this does not refer to a homogenous group of people, but unique

individuals, attempting to sustain themselves. Furthermore labour power must not be thought of separately to the individual who exercises that power. This lack of homogeneity is reflected in the divisions between different categories of workers – permanent, contract and casual.

Kenny highlights the way in which casual and contract workers experienced their work as something resulting in them being considered secondary (2007). This is due to the fact that they were constantly excluded, mistreated and disciplined by full time, permanent staff as well as managers (Kenny, 2007). Many of the "subcontracted workers felt their lower status in the stores – 'We are seen as dogs, we are things to be used'" (Kenny, 2004: 495). As well as this Kenny (2004: 498) indicates that "workers, who in the 1980s would have been united in natural opposition against an autocratic, racist employer, became divided by their experiences" of work as distinct in terms of casual, contract and permanent. This divisive behaviour results in a lack of workplace solidarity, which could be used to effectively organise labour.

As highlighted by Webster, Lambert and Bezuidenhout, the rise of globalisation has led to a "segmentation of labour markets into a core of permanently employed and a periphery of insecure contract workers ... as central to the system of control in the workplace (2008: 53). This division in the workplace led to certain sectors of the government thinking of unionised labour as a "privileged labour aristocracy" (Webster et al. 2008:166). This segregation between workers is evident to those in power and a lived experience for the workers themselves, and adds additional challenges and barriers to successful workplace organisation. The nature of precarious employment does not lead to a unique lived experience for all precarious workers, but rather is "simultaneously, situational and diversified" and adopts a distinctive character according to the individual, political and social circumstances (Barchiesi, and Kenny, 2008: 8).

2.3 NEOLIBERAL GLOBALISATION AND WAL-MART – WORKING HAND IN HAND.

Another area of importance to examine is neo-liberal capitalism and the effect of this on labour organisations. The dominance of neo-liberal economic policy was fuelled by the supremacy of the United States military as well as their ability, through funding and credit for the Third World, to push for deregulation and free markets in various parts of the globe (Silver and Arrighi, 2003). This was done through the use of conditional loans and structural adjustment policies which were implemented, and led to neo-liberal policies such as deregulation being

implemented. Since the end of the Cold War and the collapse of the USSR (Union of Soviet Socialist Republics) it has been suggested that neo-liberalism is a tool which has been created in order to allow the hegemony of capitalism to spread and increase its influence (Moore, 1995). This is due to the way in which development is conceptualised, to refer to a neo-liberal programme of capitalist progress. This is evident in the implementation of development programmes by the World Bank and International Monetary Fund (IMF).

> The IMF and World bank ... became centres for the propagation and enforcement of 'free market fundamentalism' and neoliberal orthodoxy. In return for debt rescheduling, indebted countries were required to implement institutional reforms, such as cuts in welfare expenditures, more flexible labour market laws, and privatisation. Thus was 'structural adjustment' invented (Harvey, 2005: 29).

This is particularly true for the period of the 1980s and after, compared to the period of the 1960s and 1970s where loans were often made "for the very poorest nations" with no strings attached (Willis, 2005:36). Furthermore this expansion of neo-liberal ideology led to the decline in standards and enforcement of labour legislation, in favour of flexible labour regimes, as indicated above.

David Harvey examines how, in several epicentres, there were major shifts in policy that resulted in large-scale deregulation of industry and agriculture and the attempt to curtail the power of labour (2005). These epicentres were, China under Deng Xiaoping, the USA under Ronald Reagan, and the UK under Margaret Thatcher (Harvey, 2005). Harvey explains how neo-liberalism was primarily a theory regarding the way to best advance human freedom and well-being, through limiting the role of the state and allowing individual action to occur unfettered (2005). Harvey highlights how neo-liberalism has "become hegemonic as a mode of discourse" (2005:3). The creative destruction that is neo-liberalism followed from a period of protectionism and strong intervention at the level of the nation state – a period where Nixon exclaimed "we are all Keynesians now" (Harvey, 2005:13). There was a radical shift and two short decades later, with neo-liberalism firmly entrenched, it was touted that 'There Is No Alternative' (TINA), or as Fukuyama wrote – the world had arrived at the "End of History" (2003). This shift was motivated by the threats placed on the economic elite and ruling class and the challenge by labour and the left for an increasing share of national wealth, and thus it has

been said that neo-liberalism was "from the very beginning a project to achieve the restoration of class power" (Dumenil and Levy in Harvey, 2005: 16).

Despite the global financial melt-down of 2008, the hegemony of neo-liberal capitalism has not been challenged for failing to produce its claimed results of high economic growth leading to decreases in poverty and unemployment. The financial crisis was the result of what Barchiesi refers to as 'debt driven consumption', and yet this model has not been rethought (2011). Rather, this financial melt-down has simply led to the search for new markets, as profitability in the core 'developed' or 'first world' countries is shrinking.

For Levitt the theory and practice of neo-liberalism:

> favours creditors over debtors, finance over production, and the rich over the poor. A growing underclass of marginalized persons is excluded from formal circuits of employment, production and consumption. Hundreds of millions of poor people in poor countries are simply redundant to the requirements of the global capitalist economy. The system is chronically inequitable and endemically unstable. Ultimately, it is politically unsustainable (Levitt, 2006: 153).

Increasingly, labour is drawn into corporatist bargaining arrangements. According to Schmitter, corporatism is:

> a system of interest representation in which the constituent units are organised into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognised or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands (In Harrison, 1980:13).

Analysts have argued that corporatism came to shape politics in post-apartheid South Africa, with various institutional mechanisms being created to facilitate the coming together of representatives of various sectors of society (for example, government, business, labour and community) in the discussion and development of policies and approaches to change (Von Holdt, 1991). While the labour movement and its supporters would come to celebrate forms of corporatism, such as NEDLAC (National Economic, Development, and Labour Council), an alternate, and more critical view of corporatism also emerged, namely, that it can result in the state "imposing its will on the labour movement ... to demobilise and co-opt organised labour ... into government structures" (Nel, Kirsten, Swanepoel, Erasmus & Poisat, 2008: 9). This is done in order to facilitate a more acquiescent labour force, with less power to make meaningful demands, in order to aid heightened capital accumulation in the capitalist system.

According to Maree and Godfrey (1995) capital has been the state's major partner in policy formation, and the state plays a role in informing relations between capital and labour. This explains how, under neo-liberalism, with a weakened state, capital is able to exert greater control and force over labour. However where corporatist relations emerge it can be an alliance of the power of capital and the state that is used against labour as highlighted above. According to Maree and Godfrey, there are two types of corporatism – societal corporatism, whereby the legitimacy of the state depends on "autonomous representative organisations" and state corporatism, where the organisations are created by and dependent on the state (1995:114). Finally corporatism can occur on one of three levels; macro – referring to broad class issues, meso – concerning sectoral issues, and micro – in which negotiations occur between the state and an individual firm (Maree and Godfrey, 1995).

According to Polanyi, capitalism is caught in the contestation between a dual movement of the market and society's reaction to the negative effects of the market (Polanyi, 1975). Policies favouring the self-regulation of the market have become the dominant discourse since the 1970s, more recently in the form of neo-liberalism and globalisation. However for Polanyi regulation and markets went hand-in-hand and the idea of a self-regulating market was an anomaly (1957). Basically, for Polanyi, the idea that the market did not need regulation, and could be dissociated from the control of society was flawed (1975). For Polanyi, it was certain that as the self-regulating market advanced, society would protect itself against "the perils

inherent in a self-regulating market system – this was the one comprehensive feature in the history of the age" (1975:76).

Polanyi refers to three fictitious commodities; land, labour and money; where are all adversely affected by the advancement of the power of the self-regulating market (Polanyi, 1957). These are termed fictitious commodities as "the postulate that anything that is bought and sold must have been produced for sale is emphatically untrue in regard to them" (Polanyi, 1957: 72). This is due to laissez-faire economic policies and the deregulation of trade, diminished protection for labour and an emphasis on the free market, which has spelt disaster for much of the world's poor. For Polanyi, the rise of the self-regulating market and resultant commodification of nature, people and the symbol for purchasing power (money), led to a major shift (1957). This shift resulted in "human society [becoming] an accessory of the economic system" in contrast to the economic system being an accessory and tool to further develop and improve the lives of people (Polanyi, 1957: 75). Polanyi saw that the free-market would "wreck the 'fabric of society'", and indeed this is evident as the outcome of neo-liberalism, which has taken the self-regulating market to an extreme (Munck, 2003:326).

Polanyi saw that "social history in the nineteenth century was thus the result of a double movement: the extension of the market organisation in respect to genuine commodities was accompanied by its restriction in respect to fictitious ones" (1957: 76). Polanyi stated that this resistance to the advancing of the market society, or double movement, was because "no society could stand the effects of such a system of crude fictions ...unless its human and natural substance ... was protected against the ravages of this satanic mill" (1957: 73). This is true today as the increasing instability in capitalism as a result of the growing number of pockets of resistance to neo-liberal policies, is evidence of a counter movement, which increasingly aims to effect change. Polanyi states that while there was "an unparalleled momentum to the mechanism of markets, a deep-seated movement sprang into being to resist the pernicious effects of a market controlled economy. Society protected itself against the perils inherent in a self-regulating marketing system" (1957: 76).

It is interesting to note that Burawoy (2003) states that a critical issue arising out of Polanyi's work is that it is necessary for there to be struggle in the interest of society as a whole, and not simply on the basis of limited class interest. "When classes struggle ... to defend or expand society, then they are likely to be much more successful" (Burawoy, 2003: 229). And for Burawoy, it is the experience of the market, or of being subjugated to the market that can unite those from different classes, and not limited issues around production (Burawoy, 2003). This is clearly evident in the Wal-Mart case, and the unions are attempting to contest the deal based on both of these aspects – the good of society at large, as well as the issues of production that affect the working class. Burawoy continues to contest Polanyi's notion that the counter-movement will occur, as "markets do not invariably generate a vibrant active society" (2003: 244).

This links to Munck (2004: 253) who questions who it is that will "'spontaneously' move against the unregulated and disembedded market system and why", how is this all supposed to occur? Munck indicates that the nation-state is still assumed to be the best way to examine labour relations, and questions why this is so, despite the fact that neo-liberal globalisation has "undermined the national order of things for a quarter of a century at least" (2004:256). For Munck, it is necessary to turn away from the narrow focus on class alone, and indeed from the "holy trinity of race, gender and class" and include 'space' on various levels – from the local to the international (2004: 258). However the understanding of the state is still important as it is this context, and national level organising, that will facilitate effective organisation at different scales – regional and transnational. This is due to the fact that although the idea of the nation has been "reconfigured by the global free market initiative ... the national terrain has not been superseded, workers still live in particular places and make demands on national governments" (Munck, 2004: 262).

According to Yoffie (2005), Wal-Mart's international practices, although theoretically against the use of child labour and in favour of safe workplace conditions, are inadequate. For example in Klein, it is shown that Wal-Mart sell goods produced in sweatshops and by child labour, and consumers questioned "why... if Wal-Mart had the power to ... alter CD covers and influence magazine content, did they not also have the power to demand and enforce more ethical labour standards from its suppliers?" (2005:329). However, Wal-Mart ensures that despite this lack of regulation and enforcement, and therefore a lack of concern for the welfare of these workers, it

is able to successfully publicise its philanthropic endeavours (Yoffie, 2005). This tactic of shifting public attention led to *Fortune* naming Wal-Mart the 'Most Admired' company in the US in 2003. When profits and sideline welfare projects are seen as more valuable than the lives of thousands of workers, which are adversely affected by the corporation daily, it is clear that Polanyi is correct. Bride states that one should not expect the founders of Wal-Mart to show concern for the workers of other countries – South Africa included – as they are not concerned with labour in their country of origin (interview, 02/02/2012). However as Polanyi states, society will rise up against the power of the self-regulating market, which has been evident in the actions of the trade unions against Wal-Mart's arrival. This is a clear indication of the double movement at work, as well as an indication that Munck's understanding of national organisational strength is still important.

Gereffi examines the phenomenon of 'buyer-driven global commodity chains', which result in production occurring in a region that is dissociated from the corporation (1994). Buyer-driven commodity chains refer to large retailers or brand-named merchandisers establishing "decentralised production networks in a variety of exporting countries, typically located in the Third World" (Gereffi, 1994: 97). These buyer-driven commodity chains are responsible for the production of many light consumer goods, and are highly labour intensive resulting in highly competitive 'globally decentralised' network of factories (Gereffi, 1994). This level of competitiveness generally results in workers being pressurised to work harder, for longer, and for a lower wage. Gereffi highlights that for large retailers such as Wal-Mart, due to most goods being low cost and not specialised, their requirements in terms of international contractors are not very stringent, which coupled with Wal-Mart's lack of regulation and monitoring of labour, results in ever worsening conditions for workers in these factories (1994).

The increase in buyer-driven commodity chains has been accompanied by a corresponding shift from 'lean and dual' relations between capital and labour to 'lean and mean' relations (Silver, 2003). The first of these models is where labour and capital are closely linked and attempt to work together in a beneficial way – what Collins (2003) refers to as 'dense or paternalistic relations'; whilst the second reflects a situation where capital simply attempts to gain the most surplus value from labour. This shift between the two models is seen in South Africa where labour relations have transitioned. According to Chun (2011) there is a general trend towards

declining rates of unionism, which is no-doubt a result of increased flexibilisation, as well as the above shift to ‘mean’ relations.

Collins (2006) makes the argument regarding increasingly harsh labour practices by highlighting the way in which MNCs are extracting more than labour from the communities that are producing their goods. This is due to the way in which many community members are increasingly responsible for the child- and health-care of workers, as well as supplementing the income that is earned (Collins, 2006). MNCs are able to get workers whose cost of reproduction is far higher than the wage they earn (Collins, 2006). In this way, the MNC extracts a higher level of surplus value from the worker. According to Durand “the ideas gap between the developed and developing countries is clearly exploited by transnational corporations in their global strategies” (2007: 408). Specifically in terms of retail, and one of the reasons that Wal-Mart’s entry into South Africa is being resisted is that, as far back as the 1920s, retail chains have been accused of "paying low wages, not contributing to their communities, taking money out of communities, paying fewer taxes than local merchants, and turning America into 'a nation of clerks'" (Ross, 1984 in Basker, 2007: 178).

Therefore the increasingly globalised nature of capital has particular negative repercussions for labour, and social movements acting at the community, local, national, and international level. As Munck (2004) highlights, these actors must now relate to capital and each other on various different scales, as a result of globalisation. This has been evident since the emergence of the alter-globalisation movement in the 1990s, and is evident today in the “Occupy Protests” which have spread from New York (Occupy Wall Street), to numerous places around the globe – including Rome, Sydney and London- and are “aimed to ‘initiate global change’ against capitalism and austerity measures” (Gabbatt, Townsend & O’Carroll, Guardian, 16 October 2011). This example highlights that there is – and has been – a growing resistance to neoliberal globalisation.

Webster, Lambert and Bezuidenhout (2008) highlight the importance of an increased ‘social awareness’ regarding the fact the individual is located in a particular place due to social forces. “As individuals rediscover their essential worth, their dignity and the inherent value, their sense

of anger at the injustice of commodity status is magnified. Such anger is the motor of collective action" (Webster et al. 2008: 207). The global nature of capital has often led to the response of resistance being global. These international linkages are evident in the opposition to Wal-Mart in South Africa, with local unions getting assistance from American trade unions in contesting the Wal-Mart deal – and the formation of the 'Anti-Wal-Mart coalition' (COSATU, 2010). However as Bride, Deputy Organising Director for Global Strategies, UFCW (United Food and Commercial Workers Union) indicates "the challenges of organising across national boundaries are numerous. There are, of course, the logistical challenges of time zones and distance, but far more onerous are the challenges relating to culture and perspective". This is a potentially interesting area for more research work to be done.

In spite of this 'double movement', and the resistance to Wal-Mart in South Africa, it would seem as though the power that Wal-Mart exerts over its global labour force and the levels of capital mobility that it has, means that it is unlikely to be constrained by any labour agreement (Munck, 2004). Wal-Mart claims to have union representation in 50 percent of the countries that it operates in (Shop Talk, 2011). However, Tilly & Galvan shed some light on the nature of this union representation, showing that in Mexico they could not "locate a single active union" (2006: 68). There was also a lack of consensus among workers regarding whether or not a union contract did in fact exist; and often it was only top level managers – and not the workers themselves – who were aware of the existence of a trade union (Tilly & Galvan, 2006). For Tilly and Galvan, the "unions invisibility for many workers suggests that these organisations do not provide adequate service to their membership" (2006: 69). This is another interesting area in which further research work could be done. The South Africa unions have contested the arrival of Wal-Mart on the basis of – among other things – its reputation in dealing with labour. According to the Genesis Report, produced at the request of the three government departments intervening in the acquisition, Wal-Mart's labour practices leave much to be desired (2011). Bernhardt (co-director of the National Employment Law Project in the US) states that Wal-Mart's actions, and its constant contestation and legal battles involving class action suits, indicate a "structural, systemic underpayment of employees" (Genesis Analytics, 2011:22). The South African unions oppose Wal-Mart's arrival on the basis that it will lead to downsizing of local manufacturers, and "significant job losses ... in particular ... black and female employees" as well as worsened conditions in the industry for employees (Vlok, 2011: 3).

The wrecking of the fabric of society due to the prevalence of self-regulating markets is also evident in South Africa. Here the gap in wealth between the rich and poor has only increased since the voluntary acceleration of the adoption of neoliberal policies since 1996, resulting in South Africa being the most unequal society in the world (Vavi, 2012). According to Bond (2005: 339), "South Africa is illustrative of neoliberal urban policy drift beginning in the early 1980s". This shift came about due to South African capitalists facing the problem of over-accumulation and stagnation, due to the limited size of the internal market (Bond, 2005). Hart highlights how on the "30 June 1996... the ANC government unilaterally inaugurated GEAR (...Growth, Employment and Redistribution), a home-grown version of structural adjustment" (2007:681). During the period at the end of apartheid and the beginning of democracy in South Africa, "development policies and programmes- [in numerous areas, were designed] to accept and attempt to manage the dynamics of neo-liberalism (Bond 2005). Therefore macroeconomic policy was crafted in order to attempt to maximise the benefits of neo-liberalism, as opposed to developing the citizens of South Africa. For Bond (2005) and Hart (2007) the resultant adverse effects of neo-liberalism are a growing phenomenon that is evident in South Africa and extends to other third world nations. For Takirambudde, (1995: 40) an "acute dimension of change is economic liberalisation [which] has been implemented as part of ... SAPs [and which] …. South Africa have implemented [voluntarily]". This is in contrast to the restrictions on trade and imports which had been in place before, and limited the goods which were able to enter the country (Caldwell, 1992).

2.4 THE EFFECTS OF NEO-LIBERALISM ON LABOUR

The role of the nation-state has changed considerably as a result of the adoption of neoliberal policies. This is due to the theory advocating for a radically reduced role of the state, in favour of business principles which are far more efficient and which prevent State Owned Entities (SOEs) crowding out the small scale producers and entrepreneurs (Friedman, 1982). Hart explains how GEAR led to the "devolution of massive responsibility to newly constituted local governments" (2007: 681). This has the effect that national struggles by labour are often seen as fruitless, resulting in a new role and place in contemporary society for global organisations for labour, such as UNI Global Union. As stated by Panić (2003: 19), "traditionally, changes in the international division of labour have been analysed from the standpoint of individual countries". Whereas in the past it was assumed that the state had in its domain, the ability to control, limit

and influence its interactions with other nations, and attempt to manipulate this in order to ensure that it receives the maximum benefit possible, this is no longer the case (Panić, 2003). With the advancement in economic size and power of MNCs, the nation state does play a role, but it is far less important than in the past, as MNCs now advance economic and cultural integration and often exert great influence over the policies of the state (ibid.).

Secondly, there is an increased focus on international, transnational or regional movements. Capital is able to move freely from one country or EPZ (Export Processing Zone) to the next, which is clearly embodied in the MNCs which are in operation in various places around the world (Silver and Arrighi, 2003). This forces the price of labour down, due to the heightened competitiveness of labour globally. According to Standing (1997: 17 – 18), the "growing flexibility [of labour] has reflected economic globalisation, since the mobility of capital, labour and technology has been greatly increased" and similarly there is an increase in "wage flexibility ... [as] the globalisation process, ... has given employers more credible threats to bring to the bargaining table". Chun indicates that whereas flexible labour is thought of as 'atypical', this is no longer the case (2011). This is due to the fact that precarious employment is now the 'typical' form of work, and can be found everywhere; it is no longer the exception, but the rule (Chun, 2011).

In South Africa, the strong links of the trade unions to the state provides a unique example of where the labour movement is strong, which is a declining phenomenon (Chun, 2011). This may be due to the strong ties between the ruling party and the labour federation. This tri-partite alliance developed and fortified in the struggle against apartheid, with the result that labour is a particularly powerful force in South Africa. However critics like McCarthy (2005) have argued that the high wages that result from this mean that on a global scale our labour is uncompetitive. This is said to be due to the spatial fix which refers to the relocation of production to different regions or countries as a result of either a crisis of legitimacy or profitability (Silver, 2003). A crisis of legitimacy refers to the labour force engaging in excessive protest action against the employers (Silver, 2003). A crisis of profitability refers to the point that is reached when production becomes too expensive due to increasing costs of labour, transport or inputs (Silver, 2003). With neoliberal globalisation, there has been a shift to the 'hypermobility' of capital today, where there is a single labour market and capital can easily relocate (Silver, 2003). This

is important to investigate in terms of the recent fight against Wal-Mart's acquisition of Massmart in the Competition Tribunal.

The complex nature of the buyer-driven commodity chain utilised by MNCs like Wal-Mart means that is not always clear for workers who their employer is, and thus the MNC may be exempt from having its reputation tarnished by the poor conditions of workers who produce for it (Gereffi, 1994). Wal-Mart makes strong claims regarding its environmental and labour practices, and this should include the companies it outsources to, but whether or not this occurs can be difficult to track (Shop Talk, 2011). Therefore the link between globalisation and the increased associations and movement across the globe, as well as increased labour rights violations and neoliberal policies is clear. This is due to the need to organise labour across borders on the one hand, and due to the increased dissociation from production and treatment of labour in distant locations. These factors all reinforce each other – with the increasing labour violations occurring at the hands of MNCs, there is a corresponding increase in urgency with regard to organising these labour forces. Lee (2007: 176) highlights how a factory in China, which was an electronics subcontractor for Wal-Mart "committed all the most common violations of the Labour Law". The factory owners did not pay overtime, or the minimum wage and it made no contributions to the pension insurance of the workers (Lee, 2007).

In line with Herod's (2001) labour geography[3], in certain cases communities may welcome Wal-Mart's arrival as they believe that they will benefit from it, either in terms of jobs, or the low prices which the company promises. Basker highlights the way in which in October 2005, for example, 11,000 applicants applied for 400 positions as 'associates' at a new Wal-Mart store in Oakland, California (2007). In areas where there is a high level of unemployment, this number of applicants is not unusual and this scenario is likely to occur in South Africa if Wal-Mart/Massmart begins to open new stores. In a South African context, those who are poverty stricken and unlikely to be affected if Wal-Mart creates or destroys jobs, may find relief in the

[3] Herod's labour geography refers to the ability that workers have to shape the capitalist landscape (2001). Herod here returns agency to workers as a group, and reminds us that it is not simply capital that shapes the geography of capitalism, but rather that workers too, play a vital role (2001). "The process of labour's self-reproduction ... must take place in particular geographical locations. Given this fact it becomes clear that workers are likely to want to shape the economic landscape in ways that facilitate this self-reproduction" (Herod, 2001:33). Therefore workers play a role in attempting to secure a geography that meets their needs within the capitalist economy.

savings that are offered by the retail chain and not oppose the MNC. Furthermore, workers may attempt to create as favourable a geography as possible through the use of the trade unions.

Collins (2003) highlights the way in which when textile workers won union rights in Guatemala at a Philips-Van Heussen factory, the factory was immediately closed and relocated. Wal-Mart practices forms of 'hegemonic-despotism', which is described by Collins (2003) as the use of the threat of a factory relocating and the resultant job losses to keep labour in order. Klein (2005: 241) provides an example of how management at a Wal-Mart in Ontario used a very "subtle but extremely effective threat" against workers, which lead them to believe that if they voted in favour of unionisation, their store would have been shut down. Basker explained that when:

> meat packers in a Texas Wal-Mart Supercenter voted to unionize in 2000, Wal-Mart switched to pre-packaged beef and closed down its meat-packing departments in several states [and] in 2005, Wal-Mart closed a store in Quebec whose workers had voted to unionize (2007: 187).

This type of activity leaves Wal-Mart international's claims about union representation in a questionable position and was thus important to examine in line with the aims of this research project.

While globalisation seemingly disempowers the state, Panitch (in Clarke, 2006:41) believes that the shift in the state's traditional role does not mean that it is powerless. This is because it is still able to facilitate the accommodation of globalisation through trade agreements, policy adjustments and the "domestic process of neoliberal economic restructuring" (Panitch as cited in Clarke, 2006:41). The contestation that labour movements take up against capital should be directed at the state given their influential and directive role discussed above. It is the state that allows and creates the conditions necessary for the flourishing of a deregulated and exploited labour sector. As is evident in South Africa, the state allows for certain basic labour rights to be transgressed by capital. Thus it is the state that should be in contestation with the labour movements in order to solve these macro-policy issues. However, it appears that the state often lacks the capacity, or will, to resist the influence of market-led capitalism, and to protect its citizens against the resultant degradation. The South African government's involvement in the

Competition Tribunal regarding the conditions under which Wal-Mart is allowed to conclude their acquisition of Massmart, confirms that the nation-state does still have power to act.

2.5 THE NEO-LIBERAL RESTRUCTURING OF THE WORKPLACE

The effects of neo-liberal policies on labour, through dramatically increased flexibilisation, have been disastrous for workers. As seen above, these policies are designed to meet the needs of capital and to ensure that it is able to keep costs down at any expense. This has resulted in the deterioration of working conditions and a decline in job security for large numbers of workers. Kenny and Webster (1998) highlight the various ways in which flexibility may occur and how this affects workers. These are: functional flexibility, whereby workers are expected to perform multiple jobs, or work different hours; and numerical flexibility, which creates insecure groups of workers – such as temporary, casual or contract workers, who can easily be fired or hired according to the needs of the employer (Wood, 1989 in Kenny and Webster, 1998).

The case of Wal-Mart clearly indicates the way in which casual labour is used, and exploited, in order to serve the profit interests of shareholders (Rosen, 2006). Stories from the workers highlight the way in which they are forced to work longer hours – without overtime pay – or forced to leave early in times when stores are quiet (Rosen, 2006). This is despite the corporation's massive profits and therefore its ability to treat workers fairly. Furthermore, workers are often fired, during slow and quiet periods, based on trumped up charges. This is purely to ensure that when the store gets busy once more, new casual workers will be hired at a lower wage rate, than more experienced workers (Rosen, 2006). This highlights the precarious nature of these workers' position within the labour market. This is important for this research study in its investigations, as Wal-Mart's entry into the South African retail industry could have the same effects on the labour market as experienced in other contexts where Wal-Mart operates. As previously stated, lessons learnt from other contexts are important in terms of capturing and providing a comprehensive picture of what Wal-Mart's entry into South Africa will mean for consumers, the retail industry, supply chain operations and workers employed by the MNC. These lessons have been drawn on by the government departments, as well as trade unions in order to bolster their arguments regarding Wal-Mart's potential deleterious effects in South Africa.

South African trade unions are correct to be nervous of the arrival of the retail giant. Wal-Mart's track record in the USA speaks volumes and many of the activities described above have led to legal action being taken against Wal-Mart by its associates. These include accusations of non-payment of overtime hours and associates being forced to skip meal breaks and work constantly (Basker, 2007). In one case, workers were awarded $78 million in compensation for these unpaid wages. Another example is, "a federal class-action lawsuit against Wal-Mart for discrimination against female employees [which] is currently pending; the potential plaintiff pool consists of a record-breaking 1.5 to 2.0 million current and former female employees" (Basker, 2007: 187). Whether or not Wal-Mart intends on preventing this from occurring in its South African stores is – at this stage – unknown, however their consistent track record of poor labour practices and employee complaints, does not inspire much confidence.

2.6 WAL-MART IN THE WORLD

Mexico and South Korea are two countries where the effects of Wal-mart have already been felt. What follows is a brief look at the experiences of neoliberal restructuring of the retail sector and the presence and role of Wal-Mart in these two countries, which, it should also be mentioned, are considered dynamic markets.

2.6.1 THE CASE OF SOUTH KOREA

The South Korean economy began to reform in the 1980s in order to allow the economy to become increasingly liberalised (Lee, 2005). After the 1997-1998 Asian Financial Crisis, the IMF became involved in the liberalisation and reform of South Korea (Lee, 2005). As discussed above, South Korea is a clear example of the effects of the IMF intervention, and this reform meant major losses in the rights that workers had won and enjoyed from 1987 onwards (Shin, 2010). In the decade beginning in 1987 "newly organised unions pursued independence from their managers and the government, framing labour relations issues with broader political democratisation issues" (Shin, 2010: 215). The South Korean economy was fundamentally state run, although not unlike a free-market system. The state controlled unions and credit which was

available and thus had influence over the large family owned companies, called ‘chaebol’, which were dominant in the economy (Lee, 2005: 259). Hart-Landsberg & Burkett (2001) highlight that neither the state-led, nor the free-market approach to development are dissimilar. This is due to the fact that both theories view capitalism as the only way to achieve development, and thus “largely ignore considerations of class and contradictions in their analyses of South Korean capitalism” (Hart-Landsberg & Burkett, 2001: 404).

Lee highlights the way in which reforms of this nature - broad macroeconomic alterations to the principles and practices around which society is organised - when implemented, are bound to lead to resistance (2005). Lee states that this type of neoliberal reform:

> requires changing formal institutions such as... laws, and property rights as well as informal institutions such as sanctions, taboos, customs, traditions, and codes of conduct, which govern the way that individuals in society interact with each other. These are local-specific conditions that any attempt to reform the country’s formal institutions must take into account, as they are slow to change and may not be compatible with newly introduced formal institutions (2005: 262).

This is demonstrated in the example of the heads of corporations in South Korea being likened to the head of a household. For this reason values such as generosity and tolerance are prized, and the corresponding neo-liberal leadership values – of individuality and competition – greatly differ from this (Lee, 2005). This highlights the way in which the neo-liberal reforms which occur in developing and dynamic markets are more than simply economic reforms, but affect numerous far-reaching aspects of each society they occur in.

One of the principle aims of the IMF, post-crisis, was to increase labour market flexibility in South Korea. The result of this was to allow “redundancy layoffs in the cases of mergers, acquisitions, corporate restructuring, and bankruptcy” (Lee, 2005:271). The more extensive result of the neo-liberal labour market reforms was the creation of a tiered labour market, which is divided into those secure, well-paid workers who have union representation; and an ever increasing number of insecure workers with few or no benefits and a lack of job security (Lee, 2005). This is also now a feature of South African labour relations. “It is thus no exaggeration to say that the labour market reform has somewhat improved labour market flexibility at the

expense of temporary irregular workers, especially female workers, and youth" (Lee, 2005: 271).

In contrast to the success it has had in Mexico, Wal-Mart sold its 16 stores in South Korea in 2006 after losing about ten million dollars in 2005 (Kim, 2008). According to Sang-Hun (*New York Times*, 23 May 2006) Wal-Mart made large loss in Korea and therefore is likely to be more cautious in future. This was due to numerous factors, which, according to Kim (2008) are all related to not properly understanding the consumer. "Many Koreans have never heard of Wal-Mart. In Seoul, a sprawling area of 10 million, there is only a single store" (Landler and Barbaro, 2006: 3). This lack of scale is a contributing factor to its failure in the country as Wal-Mart did not have the economies of scale to compete (Landler and Barbaro, 2006). Wal-Mart's failure in South Korea was also due to slow expansion which meant that it was not able to benefit from economies of scale and bargaining power (*Datamonitor,* 2008). Wal-Mart was also apparently uncompetitive in relation to "aggressive [South] Korean discounters" (*Datamonitor*, 2008: 6).

In terms of the lack of understanding regarding consumers, Wal-Mart failed to understand the shopping culture in South Korea. Whereas Wal-Mart went in with its 'big-box' store format; South Korean shoppers were used to more personalised service, with shop assistants there to package products and assist with the process (Kim, 2008). Furthermore, the format of bulk items was not practical, as many shoppers had large distances to travel and limited space at home for storage. According to Kim (2008: 347), the South Korean consumers prefer to "shop daily, instead of weekly or biweekly, and purchase small packages [with the result that] Korean consumers' shopping behaviours and preferences did not match with Wal-Mart's retail format, which was set up to serve consumers' infrequent bulk shopping".

2.6.2 THE CASE OF MEXICO

Mexico was similar to South Korea in that it also began its neoliberal reform process in the 1980s. There was a rapid deregulation in terms of trade barriers between the USA and Mexico, but in the labour market, there were corporatist measures put in place in order to control the

trade unions (Thomas, 2010). The Mexican government implemented an 'incomes policy' which imposed wage controls through "government-friendly unions, the business community, and the government" (Thomas, 2010: 875). Mexican corporatism was due to both the nature of the state and the type of relationship that organised labour had with the government and business (Thomas, 2010). Mexican corporatism took the form of 'macro' and state corporatism , according to Maree and Godfrey's definition (1995). This indicates that it was limiting for labour. Labour has numerous constitutional rights which are enshrined, such as the right to strike, rights regarding association, and protections regarding hours and pay; however it is argued that labour unions are passive (Thomas, 2010). This is explained by their heavy reliance on the government as they are too closely tied to the state and its 'patronage' (Thomas, 2010: 877).

A particularly interesting aspect of Mexican labour relations is that newly formed companies are allowed to create the conditions of collective bargaining, even before they hire any workers (Thomas, 2010). This is a pertinent fact in the case of Wal-Mart in Mexico as this practice therefore limits the ability of workers to negotiate on certain issues. Upon entering the workplace, the conditions have been set and this obviously makes it difficult to engage on certain issues and bring about change. This is a stark contrast to the South African labour relations environment where there are numerous forums for labour and business to engage, and trade unions are active in establishing workplace conditions. The South African forums such as NEDLAC are corporatist, however these are more closely aligned with the idea of societal or democratic corporatism, where the legitimacy of the state is reflected in the independence of the various stakeholders involved (Maree and Godfrey, 1995).

Thomas highlights that since the neo-liberal reform began there has been a sharp decline in the power of unions in Mexico, as well as a decrease in the levels of protection for workers (2010). As we now come to expect, this can be traced back to the increased 'flexibilisation' of the workforce, the lack of power of unions to combat macroeconomic changes, as well as the increase in non-unionised informal-sector workers (Thomas, 2010). This is also similar to the experience of South Korea in redeveloping its battered economy. Thomas states that "in any case, official unions became even less assertive [in Mexico] than in prior eras and were increasingly associated with a posture of complicity towards the non-enforcement of basic

labour protections embodied in the Mexican Constitution" (2010: 879). There was also an increase in the number of workers – again, largely female – who sought work in the 'maquiladoras' or the border industries. These workers would work for subcontractors and were largely not represented by a union – partly because of the nature of their employment, and partly due to the numerous "socioeconomic and cultural factors that appear to inhibit union organizing" (Thomas, 2010: 879).

Durand (2007) examines the generally held idea that global retailers have a positive effect on local consumer prices. Wal-Mart entered Mexico in 1991 and has since become the dominant retailer in the country, and the largest private employer in the country (Tilly & Galvan, 2006). Wal-Mart in Mexico currently has 1578 stores in four different formats in the country, and represents 11.10 percent of Wal-Mart international's market share and 19.3 percent of international sales (*Trade Intelligence*, 2010). Wal-Mart Mexico has almost doubled the number of stores in that country between 2006 – 2010 (ibid.).

Wal-Mart in Mexico has a programme which is known as 'Adopt-an-SME', whereby buyers work closely with a certain SME (108 were selected in 2008) in order to provide them with the necessary assistance required in order to bring that SME's products to the shelf, over a period of eighteen months (ibid). This is a positive programme and is clearly designed to bring benefits to the wider community. The arrival of a MNC as powerful as Wal-Mart in South Africa may be toted as an opportunity for local retailers to learn from it and to benefit from new productive ideas (Durand, 2007). Wal-Mart have created a supplier development fund and partnered with an organisation which develops entrepreneurs in South Africa. However, the higher competitive pressure and the extent to which they are able to drive down prices means that these other 'advantages' of the arrival of a MNC may not come close to compensating for the negative effects. An example of the competitive pressure which Wal-Mart exerts is clear in the statistic that Wal-Mart Mexico (Walmex) is responsible for fifty percent of the imports out of the top four retailers in Mexico (Durand, 2007:402).

In terms of wages, the Wal-Mart stores in Mexico paid much the same as other retailers, but they did not pay benefits. The industry is characterised by low wages, high labour turnover and

a low skilled workforce (Durand, 2007). Tilly & Galvan highlight that Wal-Mart did not pay workers overtime, but that this was not unique and other large retailers engaged in the same practice. Although there is a high level of union representation, most unions accept corporatist frameworks and they cooperate with the government and the companies (Tilly & Galvan, 2006). As mentioned earlier, many workers are not even aware that they have union representation, even where it does exist. Walmex has a 138 percent turnover of staff each year (Tilly & Galvan, 2006:18). In the USA, in 2004, the weekly earnings of unionized retail workers was approximately 11 percent higher than the earnings of those who were not unionised, and only 5.7 percent of all retail workers were actually unionised (Bureau of Labor Statistics, 2005, in Basker, 2007). "If the retail sector is relatively nonunionized, Wal-Mart is an extreme example: there are no unionized Wal-Mart stores in North America" (Basker, 2006: 186). Lamberti states that this is simply the way that Wal-Mart work, they want to have the ability to staff their stores when they think is best and not have to contest with a union in terms of paying overtime for example (interview 18/01/2012). In a politicised and unionised country like South Africa this type of activity would be heavily contested by the trade unions. This is why intervention through the Competition Commission was called for in South Africa, and strategically an effect of the entry of Wal-Mart might be further labour action, as has been threatened by the unions. This is therefore an important consideration in relation to the aims of this research.

Accelerated growth of 'big-box' stores (as these large retailers are known) comes at the expense of traditional, independent retailers, as larger population segments are able to buy in modern stores. De-fragmentation of the retailing industry, has occurred in the USA, Africa, Asia and Latin-America (Durand, 2007: 405). Therefore although the prices that consumers must pay for their goods may decline as a result of MNCs, there is an increased oligopolistic trend in the sector which is obviously detrimental to smaller retailers. This finding is confirmed by Tilly & Galvan (2006) who highlight the shift in Mexico from neighbourhood stores to supermarkets.

2.7 THE CASE OF SOUTH AFRICA

> *"The pressing need to reform South Africa's labour law is the direct consequence of South Africa's re-entry into the global economy and the ever accelerating transformation of the labour market. The world of work has changed – effective competition imposes requirements of innovation, flexibility and increased productivity*".

(Speech by Minister of Labour, Tito Mboweni, at the launch of the Draft Labour Relations Bill, February 2, 1995. In Webster, 1999: 20)

The South African case is not dissimilar to either Mexico, or South Korea, except that the neoliberal reforms began in earnest a decade later. South Africa's post-apartheid legislation provided much protection for labour in South Africa, and was seen as a triumph after apartheid legislation. This is in terms of the constitution as well as legislation such as the Labour Relations Act (1995) and the Basic Conditions of Employment Act (1997). However for some, this was not as positive as it may appear, and has led to a disempowering of workers. According to Bramble (2003:198), workers have lost the "spirit of self-sacrifice and solidarity" and the legislation has "neutered ... the dynamism" of the labour movement (2003:187). Furthermore, Bramble indicates that the strongly legislated labour relations environment has led to workers being passive and not taking action for themselves, but relying on union structures (2003).

Therefore the unique power that trade unions hold in relation to government, as a result of the struggle against the apartheid government, means that "workers in South Africa have unprecedented influence over economic and social policy formulation" (Kenny & Webster, 1998: 217). However as this legislation was being passed and the rights of labour were being entrenched, capital (and certain state departments) was driving against this legislation as it was seen to be too rigid. According to Kenny and Webster (1998), business complained that the new regulations increased the costs of doing business due to the increased cost of labour.

Clarke (2006) discusses the way in which the RDP, which advocated a state-driven development model for South Africa, was replaced by policies favoured by the Washington consensus; i.e. "fiscal discipline, appropriate public expenditure priorities, tax reform, financial liberalization, appropriate exchange rate policy, trade liberalization, abolishment of barriers to foreign direct investment, privatization, deregulation, and property rights" (Williamson, 1994, in Lee, 2005: 260). COSATU strongly opposed the shift in policy to GEAR, and took issue with the ANC's adoption of this policy – which was informed by the IMF, World Bank and World Trade Organisation (WTO). Vavi (1997) stated the policy had been "forced down the throats of the majority. We warned then and we continue to warn that GEAR will not deliver to the poor".

Furthermore Vavi claimed that the "alternative to GEAR remains the RDP. There is no other alternative. The RDP was relevant in 1994, is relevant now and will be relevant in future" (1997). The ANC government saw GEAR as 'non-negotiable' and COSATU and SACP (South African Communist Party) – the ANC's alliance partners - were 'angered ... by the content' of the document (Webster et al., 2008: 166).

According to Makgetla (2004: 270) the competitiveness driven model in the form of GEAR "adopted by government contrasts with the more traditional development strategy that guided the ... RDP, ... in [which] the inequalities and dualism entrenched by apartheid in themselves are seen as the central obstacle to equitable growth and employment". In South Africa this tension between the two policies is due to the fact that:

> on the one hand economic restructuring and the pursuit of free market policies drive in one direction – towards labour market flexibility and a possible dilution of positive labour rights; but on the other, the spread of democratisation, a momentum towards unionisation, decentralised collective bargaining and labour protection regimes thrusts towards rigidity in labour markets and enhanced legal protection (Takirambudde, 1995: 43).

Furthermore the resultant opening of the economy and cuts in government spending mean that "growth has largely resulted from rising productivity rather than expanded demand and output. These trends have led to a decline in formal employment, even in sectors that have raised exports substantially" (Makgetla, 2004: 272).

Despite GEAR's initial success in terms of economic growth, the rising unemployment rate in South Africa has "often been associated with jobless growth" (Barker 1999, Hofmeyr 2001 in Casale, 2004:4). GEAR has failed "to perform anywhere close to its own expectations for growth and job creation" (Webster et al., 2008:166). Therefore although the economy has grown, the type of growth that we have experienced has not been productive, the rate has not been as high as predicted, and therefore the country has failed to make room for the increasing number of job seekers. Casale highlights that it "is likely that there has been a considerable *real* increase in informal self-employment over this period, in light of the low-labour absorption

capacity of the formal economy in the face of large increases in labour supply" (2004: 5). It is necessary to question whether this informal sector will benefit or be harmed by Wal-Mart's arrival in South Africa.

This jobless growth is what has led to an increased number of workers being forced to work in precarious employment settings with little or no job security. "The decline in full-time employment and parallel rise in casual and informal employment since the mid-1980s has resulted in a downward pressure being exerted on wages and working conditions, especially for workers in the lowest-skilled job categories" (Clarke, 2006: 16). However Andy Bond – Wal-Mart's former executive vice-president – states that what is "missing in this whole debate is that highly productive companies can both lower costs to their consumer and pay good wages." (Bleby, *Business Day*, 11 May 2011-D). It will be interesting to see if this goes beyond rhetoric and is something that is implemented in South Africa. In a country such as South Africa, with such high unemployment rates and poor standards of education and training, workers find themselves in a very difficult position where they are rarely able to negotiate or secure a better deal for themselves. Workers also struggle to find alternative employment, and often simply give up searching.

In terms of the manufacturing sector in South Africa, Makgetla (2004:273) states that "rising imports and foreign investment largely displaced local producers leading to a loss of capacity and jobs". In order for local manufactures to be able to "compete on [the increasingly] contested domestic and foreign market, producers had to raise productivity just to maintain sales, [and] ... slashed employment ... [thus], manufacturing experienced slow output growth combined with downsizing" as a result of GEAR (Makgetla, 2004:273). This has eroded South Africa's ability to compete, has likely meant a loss of skills and has negatively affected the employment situation in the country. Even the South Africa government has not supported local manufacturing completely, as "the parastatals have begun to rely on imported inputs, sometimes with a devastating impact on local employment" (Makgetla, 2004: 277). This, coupled with a lack of skills that learners are able to attain through primary and secondary education, results in what appears to be a growing, yet stagnant, youth population in the country.

The issue that arises in all three countries examined above is that "reducing wage costs runs the risk of setting in motion a never-ending downward spiral, which leads to escalating conflict and industrial instability" (Kenny and Webster, 1998: 219). For Barchiesi, low wage jobs are seen as the solution to poverty, and not as part of the problem – which highlights a major flaw with neo-liberal thinking (2011). This is exacerbated by capital's ability to relocate with such ease, and the ever increasing reserve army of labour, whose members are desperate for any chance to attempt to eke out a living and sustain themselves. The idea that circulates in capitalist societies is that the worker is free to work, or not to work, for any particular employer; however in societies where the "industrial reserve army" (Sanderson, 1969: 50), or number of unemployed workers, is so great, the choice is actually whether to "starve or stay alive" (Sanderson, 1969: 44). As stated by Hyman (1975: 23)"…an employer can threaten to shut up shop and take his capital elsewhere; but even though individual workers can move to a different labour market, a whole labour force has no such option". Furthermore, in all three examples above, the increased flexibilisation of labour and corresponding growth in the informal sector is creating divisions in the labour market and resulting in hostility between different groups of workers.

According to the Labour Force Survey 2008, in South Africa the majority of formal employees in the wholesale and retail sector are males, with an average of 928 thousand workers in the sector between 2001 and 2007. This is in comparison to an average 743 thousand female permanent employees, 501 thousand informal male and 784 informal female employees for the same time period (Labour Force Survey, 2008). It is clear that in this sector, women find themselves in the most precarious situation, forming the largest group of informal sector workers.

The global mobility of capital creates a highly complex situation, with multiple contradictory and very powerful forces at odds with each other. On the one hand, in a country like South Africa with such an elevated rate of unemployment, there needs to be a focus on job creation. However, it could be argued that this focus on wage labour may seem to be a short-sighted analysis and one could argue a far more revolutionary position such as the overthrowing of the capitalist system. This would end the need for waged labour and, theoretically bring about greater equality in society. However as that is not the rhetoric of the labour movement in South

Africa, at the end of the day, people need to be able to meet their basic needs and for most individuals, in a capitalist economy, waged employment is the only way.

According to Muneku (2011:4) the Decent Work Agenda is "a way towards sustainable poverty eradication and equity [through] ... the promotion of full and productive employment". The labour force does need to be protected and South Africa does have very powerful unions and comprehensive labour legislation, which will act in tandem to ensure certain standards are upheld. But with the reserve army of labour as large as it is - South Africa has the world's highest unemployment rate (Gunnion and Patterson, *Business Day*, 26 January 2012) - there is a large amount of tension that is placed on the labour relations system. Furthermore the Basic Conditions of Employment Act (BCEA) makes provision for a downward variation regarding minimum standards of protection (1997). The BCEA states that "an employer and an employee may agree to replace or exclude a basic condition of employment", which is problematic as the balance of power lies with the employer (1997:21). The South African labour market has the same dualism that seems to define South African life – as is evident in the contrast between the rigid labour market, and the highly flexible and unregulated labour market. The high cost of labour in this country, coupled with labour's relative lack of productivity, means that goods produced here are not competitively priced and therefore not attractive on the global market (Saville, 2011).

When examining the case of Lesotho, a country which is land locked by South Africa, I discovered that Lesotho resorts to importing textiles from China, as they source this at a cheaper rate than available if importing from South Africa (Herbst, Malherbe, Mills, Spicer, Thompson, 2008). This clearly illustrates the lack of productivity in South Africa particularly relative to the substantial power which China is able to exert globally through its competitive labour force (McCarthy, 2005). Despite all of the negative issues that surround labour in China, such as the existence of sweatshop like conditions, and a lack of benefits, the effects of its productivity are felt the world over. Countries are simply unable to compete with China, and the country has shaken the very foundation of labour relations and the basis of labours' bargaining power. Quite simply, the more productive, poorly organised and thus exploitable, a labour force, the more attractive it is to capital.

2.7.1 RETAIL IN SOUTH AFRICA

An examination of the South African retail sector shows that one's position in terms of employment relations – whether casual, contract or permanent – has a major impact on the way in which the labourer is treated, and their sense of self worth (Kenny, 2007). Contract workers, for example, are usually paid by a labour broker, and not by the stores in which they work. However these workers (casual and permanent) are constantly ill-treated by (usually) white, male management (Kenny, 2007). This constant degradation of workers and particularly in the case of casual workers – the constant threat of being fired – has ill-effects on individuals (Kenny, 2007). Furthermore, the difference in terms of an understanding of what exactly constitutes a worker, has serious implications for the way in which various groups are able to organise (Kenny, 2007). In a study of retailers on the East Rand of Johannesburg, Kenny details how casual workers felt excluded from the definition of a 'worker' and the corresponding rights enjoyed; and permanent staff saw themselves as aligned with, but superior and distinct to, the casual workers (2007). These distinctions result in difficulties in building solidarity among workers and effectively organising.

The transition from apartheid to democracy in South Africa was accompanied by economic reforms which resulted in the undercutting of labour rights in the country. This is due to a focus on economic growth, with the result that "working-class resistance to capitalist restructuring [is] problematic because it disrupts [the] respective market-driven or technocratically planned growth strategies" (Hart-Landsberg & Burkett, 2001: 404). With the rise of neoliberal economics the state began to shift its provision of certain services through privatisation. This means that the market, and not the state, is responsible for the provision of often essential services. Furthermore, the state does not get heavily involved in the protection of labour. Tariffs, such as those on imports are no longer strongly upheld by the state, and in the case of South Africa, were dropped very quickly (Hart, 2007). This results in the collapse of local industries (such as the textiles industry) and the impoverishment of various labour sectors (Hart, 2007). In terms of the retail sector the market has had a devastating effect on the workers in this sector as they are now deprived of certain rights, effected through the casualisation of the labour force. For example, Kenny highlights how employers would scrutinise employees and they would be forced to explain their movements and whereabouts – resulting in employees being

required to ask permission to go to the bathroom (2007). Notwithstanding the above humiliation, workers commented on how, if managers were not happy then they would simply chase them out of the store, without warning (Kenny, 2007). One worker spoke of how he was threatened with instant dismissal unless a certain task was completed by the time the store closed, while others revealed that cashiers often go to hearings if there are shortages - however these hearings are a formality for dismissal, rather than an opportunity to defend oneself (Kenny, 2007).

The service sector is a clear example of the way in which the deregulation of the labour market only serves the interests of the elite, whilst worsening the position of the working class. Furthermore, in the South African retail sector, the legacies of Apartheid are still evident in the fact that there is a largely white, male, management class and workers are generally black, and those in the most precarious employment positions are female (Kenny, 2007). Wal-Mart's entry has the potential to exacerbate these inequitable labour structures and relations and this is important to investigate in light of the competing perspectives on Wal-Mart's benefits and detriments.

In the South African retail sector, there has been a marked 'feminisation' of the labour force since 1995 (Casale, 2004). In the International Labour Organisation's (ILO) review of the South African labour market, it was said that "[p]erhaps the most important change in labour supply over recent years has been the rising labour force participation rate of women" (Standing et al.,1996:60, in Casale, 2004: 1). It is interesting to note that, unlike other parts of the world where a similar feminisation of the workforce occurred due to increased demand for labour, in South Africa it was largely due to economic necessity (Casale, 2004). This means that the women who entered the workplace were doing so as they were forced to enter the labour market, and they generally entered in the informal sector (ibid.). This insecure nature of work and the fact that women are being pushed into low-paying work, means that this is likely to have "reinforced women's disadvantaged position in the labour market" (Casale, 2004:1). According to Casale:

> data show that women ... continue to be crowed into specific, generally low-paying categories of employment and occupation, and that women still earn significantly lower

> returns to their work than men in the same categories of formal education, employment and occupation. ... For the majority of women the feminisation of the labour force in South Africa has therefore been associated with a worsening of their disadvantaged position in the labour market relative to men (Casale, 2004: 22).

2.8 AFRICA: THE NEW GROWTH FRONTIER

2.8.1 TESTING THE WATER

Many commentators have highlighted that with the global economic crisis of 2008 and subsequent slowdown, coupled with the Eurozone crisis, the developed world finds itself in a predicament and is therefore searching for new markets. As stated by Matola:

> ever since the global financial meltdown of 2008, the transformation of global power and economic relations has become irreversible even as the stability of the international economy remains at risk. This transformation continues to gain momentum thanks to developed economies' stagnation, the European sovereign debt crises, structural weaknesses in the financial sector and continuing political crises in many advanced economies. Moreover the relative decline of the west's traditional political and economic power, and the rise of new emerging market powers and groupings, are changing the way the world understands and relates to itself (*Business Day*, 26 January 2012).

Africa is one of these new emerging, or dynamic markets, and due to the low base which the continent is beginning with –in terms of overall levels of development, penetration of capital and sophistication of markets – there is much potential for growth.

Since the global economic downturn in 2008, much attention has been focused on dynamic markets, with 7 of the 10 fastest growing economies in 2011 found in Africa (*The Economist*, 6 January 2011). And with an annual average growth rate of 5.1 percent in 2011 – compared to a 3.9 percent world average, and a 1.6 percent average for advanced economies - the hype surrounding the continent seems to be justified (ibid.).

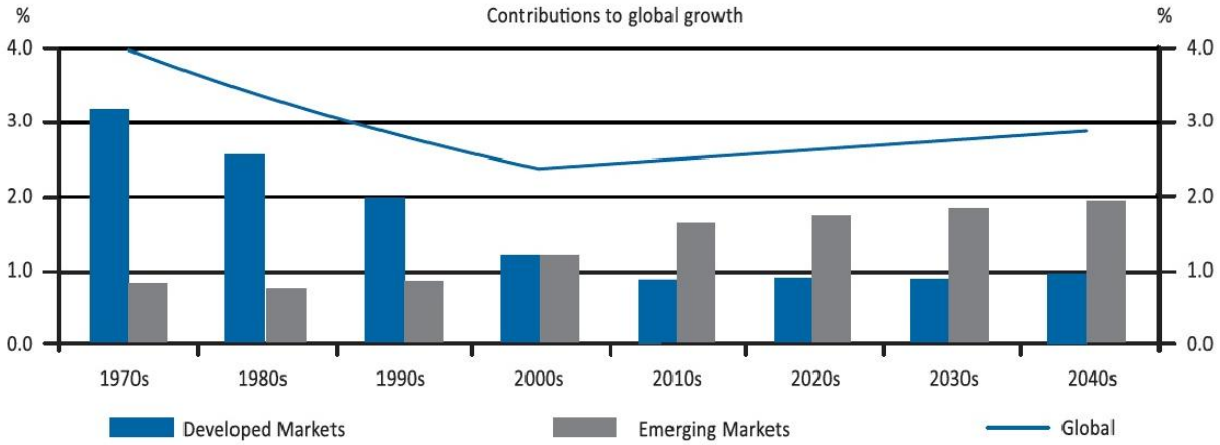


Figure 2: Emerging Markets & Global Growth (Hong Kong and Shanghai Banking Corporation (HSBC), 2011. In National Planning Commission: National Development Plan).

The above graph highlights the shift in economic activity and growth from the developed world to the emerging, or dynamic, markets. This is very important as numerous corporations whose markets were in the traditionally wealthy and developed nations, are now searching for new markets and a means to sustain growth.

2.8.2 MASSMART IN AFRICA

The case study of Game, which is owned by the Massmart group, highlights one of the reasons that South Africa and the Massmart group are so attractive to Wal-Mart. The movement of Game into Africa (and experience thereof) gives insight into areas of success and failure. This immediately provides Wal-Mart with a footprint in Africa as well as the necessary skills and experience in terms of entering, expanding, and being successful in Africa.

Game opened in 1970 and was acquired by Massmart in September 1998. In the early 1990s Game started to enter Africa as the local retail market was “already over-traded” (Townsend & Luiz: 2010: 2). It entered Botswana in 1993, Zambia and Namibia in 1999, and Mauritius in 2002, which fared far less successfully than the rest of its African stores (Townsend & Luiz: 2010). In 2004 a Game store opened very successfully in Mozambique and following that, stores opened in Nigeria (2005), Tanzania (2006) and Ghana (2007), however these provided a greater challenge and were not as prosperous as had been expected. Therefore by 2010, Game

had a presence in 11 African countries, with plans to enter five more African countries by 2015 (Townsend & Luiz: 2010). In Nigeria, Potgieter – the CEO of Game – claims that "in a 100 kilometer radius in Lagos ... there are more people than in South Africa" and Game has one store in this area (Townsend & Luiz: 2010: 4). This highlights the enormous market potential in Nigeria country for increased capitalisation by the retail chain. According to Potgieter, Game stores in Africa generate a higher profit, and return on investment than in South Africa (Townsend & Luiz: 2010). Additionally, in Nigeria, over 70 percent of stock is being procured locally (Townsend & Luiz: 2010).

3 CHAPTER 3: RESEARCH METHODOLOGY

3.1 DESIGN – STRATEGY & FRAMEWORK

The contested nature of my research question means that a qualitative approach was best suited as it allows for in-depth investigation of conflicting views and opinions from a variety of sources and experts on the topic. Due to the fact that much of the research is speculative in terms of 'potential' and 'expected' effects, this would not be gained with ease through quantitative methods. Qualitative methods and data are focused on in-depth data and consider individual interpretations of events, feelings and lived experiences (Greenstein, 2004). The methods of data collection include case study analysis, document analysis, field visits, participant observation, and expert interviews. In social science, involving the study of individuals, common and fixed laws do not exist and so there should not be an attempt to study and create these laws (Flyvbjerg, 2000). Therefore, according to Flyvbjerg (2000: 64), qualitative methods, such as the "active interview [are the] 'primary methods' for social science … with the help of participant observation, historical analysis, and narrative". According to Weiss (1995: 9) interviews are important as they allow for "developing [of] detailed descriptions, ... integrating multiple perspectives... [and] describing process". I found this to be most helpful in developing a more nuanced view of the contestation around Wal-Mart's entry into South Africa, and the various issues raised.

I decided to interview only experts on the subject of Wal-Mart, retail and the possible effects that Wal-Mart would have in South Africa. These experts were individuals who were closely

related to the deal, influential players and decision makers in various sectors, as well as those with unique knowledge and insight into a specific aspect of the deal. Due to the emergent nature of my research, I felt that there would be little that could be gained from interviewing those who were not closely tied to Wal-Mart, Massmart, the unions, the retail sector, state or the Competition Commission. Hence the need to seek expert insight into the merger process, the various hearings, and the numerous arguments made both for and against Wal-Mart's arrival. The only disadvantage to seeking expert interviews is that these are very high-level individuals and it was, at times, difficult to gain access to these individuals. However once an interview was secured, the quality of insight and information gained made these respondents invaluable.

The data collection method that I employed was data triangulation, which engages with multiple sources of data and information; and methodological triangulation, which examines an issue with the use of many different methods (Roberts, Sitas, and Greenstein, 2003). This mix of document analysis, fieldwork, high level presentations and expert interviews detailed above - from those both in favour of, and against, Wal-Mart - means that I have been able to collect dense data, that explores all aspects of the corporation, the local setting, the acquisition of Massmart and the labour issues. I was also exposed to a number of issues which I had not previously considered, which raised a new and unique set of questions, and an alternate framework for my thinking. An example of this is the effect of Wal-Mart on actual patterns of consumption and issues around the way in which something like retail can affect the way in which individuals experience leisure, religion and other social activities (Abrahams, interview 30/01/2012).

The research that I have completed is descriptive and uses inductive logic which does not begin with a theory, but with observations and learning, which are then organised into cohesive theory (de Vaus, 2001). However Popper claims that observation cannot occur without preconceived ideas about what one is observing (1989). Popper states, "the instruction 'Observe!' is absurd … [as] observation is always selective [and] … needs a chosen … point of view" (1989: 46). This is true; however, even the theoretical understanding that one begins with is not fixed. In the case of the Wal-Mart effect, the issue is far more complex than I initially thought, and my research has led me to realise that there are positives and negatives to the deal. Furthermore the issue cannot be resolved with a simple 'yes' or 'no' answer – rather each sector of society will be

affected in a unique way. The opinion of the stakeholders that I interviewed was rather standard in that their opinion was clearly formulated in the context of their position in relation to the deal, the economy, labour, and the state.

I have borrowed from the theory of using confirming and disconfirming cases, and have briefly examined Wal-Mart's experience in South Korea and Mexico which highlights variation and difference between country experiences (Miles and Huberman 1994: 28, in Punch, 2001:54). This has informed my thinking regarding the realities of Wal-Mart's effects. This method allowed me to shed light on the differences between the claims that the corporation makes about its practices, and what the reality of its dealings are.

In terms of document analysis, I engaged with newspapers (including –*Mail & Guardian*, *Business Day*, the *Sunday Times* and others), as well as reports prepared for government and the merging parties for the tribunal regarding Wal-Mart's practices, transcriptions from the hearing and the debate in civil society about the Wal-Mart effect. The South African debate is contextualised through the newspaper reports in particular, which are a primary source to monitor the unfolding events. These articles as well as the reports and statements from the government and unions allow for a more in-depth understanding of the effects Wal-Mart's arrival could have, and the nature of the debate. I have also examined a number of the transcriptions from the Competition Commission, Massmart company reports, the macro-economic policies of the South African government and advertising material distributed by Massmart/Wal-Mart.

Finally, I engaged in three fieldwork exercises in order to get a better sense of the retail sector in Africa (due to the fact that one of the reasons for Wal-Mart's entry into South Africa is that South Africa offers a 'gateway' into Africa), and to understand the experiences of retailers in the informal sector. In August 2011 I visited Maputo in Mozambique in order to compare Pick 'n Pay, Woolworths and Shoprite in that country. Mozambique is an example of a growing African economy, with an expanding formal retail sector. Massmart is operational in Maputo, with a Game store, and so this was also an opportunity to understand the expansion of South African retail into the continent.

I visited Diepsloot in October 2011, an 'informal settlement' North of Johannesburg in order to fully understand the South African informal sector and the way in which retail works in this setting. This provided me with a greater understanding of the potential Wal-Mart effect on that sector, as my retail experience had largely been restricted to a formalised, 'shopping centre' experience. It was thus important for me to learn about the operation of this sector. The third fieldwork exercise was a morning in June 2011 spent at a Cambridge[4] store in Thembisa. These fieldwork exercises were necessary in order to examine the effect of formal retail on the informal sector, as well as – in the case of Mozambique – to gain a greater understanding of the retail environment in Africa. In addition to this, it was necessary to understand the impact that existing local retailers have had on the informal sector. All three of these fieldwork exercises created the opportunity for further research in order to examine the effect that Wal-Mart has had on these communities.

3.2 DATA

In order to analyse the data which I collected I used inductive logic and was able to categorise the data which I had collected and from this, lead to a number of findings. Thus each piece of qualitative research stands on its own, but can be linked to other similar studies with similar outcomes in order to discover if trends emerge, and to be able to compare and contrast various themes and issues (Strauss and Corbin, 1990). Thus from the information I collected, I developed a commentary, and proposition regarding the potential effects that Wal-Mart will have in South Africa. By engaging with material and experts who are both 'pro' and 'anti' Wal-Mart, I have explored both arguments, and found the merit and flaws in each.

3.3 SAMPLE

Due to my current employment at the Gordon Institute of Business Science (GIBS), I was able to include in my sample the Deputy President of South Africa – Kgalema Motlanthe, the CEO of Massmart – Grant Pattison, as well as the Minister of the National Planning Commission –

[4] Cambridge is a food wholesaler which aims to cater to LSM 2 – 5 (Massmart Annual Report 2011). Cambridge is part of the Wal-Mart/ Massmart group, and falls under the Masscash division (Massmart Annual Report 2011). Massmart aims to increase the number of Cambridge stores as well as consolidate and rebrand other stores under the 'Cambridge' brand (Massmart Annual Report 2011).

Minister Trevor Manuel' who all spoke at GIBS, and whose presentations I was fortunate enough to attend. This is a group of people that I would not ordinarily have been able to gain access to, and who I had requested interviews with, but had not been granted. I also attended public lectures by Professor Jenny Chun - University of British Columbia, and Professor Franco Barchiesi – Ohio State University – as part of the Global Labour University conference held at the University of the Witwatersrand in September 2011.

I initially intended to use a snowball sampling method, i.e. referral of participants by known experts, however this was not particularly successful (Greenstein, 2003). Respondents did not volunteer other potential participants. Therefore I engaged in purposive sampling and specifically selected people to participate in my research on the basis of their area of expertise and ability to effectively comment and share their knowledge in relation to the South African Wal-Mart experience (Greenstein, 2003).

3.3.1 PROFILE OF SAMPLE

My interview respondents were: Gareth Ackerman - Chair of Pick 'n Pay Holdings and a Director of Pick 'n Pay Holdings and Pick 'n Pay Stores Limited; Tembinkosi Bonakele – Deputy Commissioner, Competition Commissioner; Harry Karamichael – Owner and Manager of a Spar store and Owner of a shopping centre; Professor David Lewis – former Special Advisor to the Minister of Labour, co-chair of the Presidential Commission on Labour Policy and former Chairperson of the Competition Tribunal; Mark Lamberti – Chairman and former CEO of Massmart; Mike Abrahams – Head of Media and Spokesperson for SACCAWU; Zandile Manana – Marketing Executive of Massbuild, and former Executive Assistant to Group CEO at Massmart; Jeanne Renou – Marketing Manager at Raizcorp; Hippo Zourides – Chief Operating Officer Retail Masters (Trading as Pick 'n Pay Mozambique) and Michael Bride, Deputy Organising Director for Global Strategies, UFCW (United Food and Commercial Workers Union). I also met with Mr Al-Noor Rawjee in Maputo, who is the owner of Retail Master and runs the Mozambican Pick 'n Pay stores.

3.4 LIMITATIONS

The emerging nature of my study held the possibility for unintended outcomes. If there was a major intervening factor at a late stage of my research, it would have nullified all the research completed – for example if Wal-Mart were to withdraw from South Africa. Luckily this was not the case. However, it did mean that the focus and nature of the research process could easily change at any point during its course.

3.5 VALIDITY AND RELIABILITY

A number of issues must be considered which do not apply exclusively to either of the two research approaches, but must be considered by all researchers when engaging in a research project. The importance of research being valid and reliable is a key issue for de Vaus (2001), as these concepts ensure that the research which is conducted is of a high standard. External validity promotes the extent to which the research can be generalised (de Vaus, 2001). When examining the issue of 'generalisablilty', Flyvbjerg (2000) states that the selection of extreme or atypical cases, will reveal more information than typical cases - i.e. those which are the norm. This research is specific in the comment it is making regarding Wal-Mart's entry to South Africa in very particular circumstances. Therefore it will not have external validity, and this is not something that it strives to achieve.

In terms of internal validity, this ensures that the study measures what it is designed to (de Vaus, 2001). Due to the fact that my expert interviews were limited in number, the use of other material, such as reports, and submissions to the Competition Tribunal were used in order to ensure that the facts presented in interviews were accurate, or to contextualise them.

3.6 ETHICS APPRAISAL

The research topic does not deal with particularly sensitive issues, in terms of vulnerable groups; however, I approached all aspects of the project with the appropriate amount of care and respect. As highlighted by Wassenaar (2006: 67), "autonomy and respect for the dignity of

persons" is vital. Participants that were interviewed were not required to provide any information against their will and where information was sensitive or classified, it remained confidential if disclosed. If this information was not volunteered, then respondents were not pressurised to share or answer the question. All respondents were given the opportunity to remain anonymous in the presentation of my findings, and were all informed of the nature of my project and participated willingly, thereby ensuring informed consent. I was always honest, fair and respectful towards all whom I came into contact with throughout the duration of the research project. Those whom I interviewed were not placed under pressure, and I did not act in a way which would compromise their dignity. At no point did I attempt to deceive those I interviewed (Laher & Israel, 2006).

4 CHAPTER 4: PRESENTATION AND ANALYSIS OF RESULTS

A number of broad themes, closely linked to the stakeholders involved, have emerged from all aspects of the research process, and have been a focus at all stages of the research. These include the potential effects that Wal-Mart will have on labour, the local economy and consumers, and the Competition Commission process and various arguments that were made in support of the divergent positions. Furthermore the expansion of Wal-Mart into Africa and the way in which this relates to neo-liberal globalisation, as well as the role that the state has played in the merger, and the way in which government's policies influence the potential effects of Wal-Mart's arrival in South Africa will be examined. It is clear that none of these issues stands in isolation, and that a change in one area will have a correlating result in another.

4.1 THE IDEOLOGICAL BATTLEGROUND AROUND WAL-MART'S EFFECTS

4.1.1 PUBLIC INTEREST

The Competition Commission is involved in the regulation of business in South Africa and is responsible for ensuring that companies are not able to act in a manner which prevents fair competition from occurring. Therefore in the Wal-Mart/Massmart case, the Competition Commission was involved in order to ensure that the deal would not negatively affect the ability of other retailers to compete. However, the Competition Commission is also tasked with ensuring that issues around the 'Public Interest' are considered and that a merger or acquisition does not occur with the overall result being detrimental to broader society. As stated by Bride, Deputy Organising Director for Global Strategies (UFCW), South Africa's Competition law is one of the "world's most enlightened pieces of competition legislation. It recognizes that globalisation has both winners and losers and seeks, under the aegis of merger approval, to mitigate the adverse effects of corporate consolidation" (Bride, interview 02/02/2012).

The competition authorities are required to consider public interest issues, and according to Bonakele, Deputy Commissioner at the Competition Commission, "the public interest is defined in terms of the Competition Act as "the impact of a particular transaction on employment and SMMEs (Small, Medium and Micro Enterprises) or industrial sectors in the country" (interview

07/10/2011). Any mergers and acquisitions that occur must not be detrimental to the business environment, and the Commission also intervenes in cases where there has been an abuse of power – such as in a case of price fixing. This 'Public Interest' clause is unique to South Africa, but has resulted in some controversy as it is not clearly defined, which has led to disputes regarding what should be considered.

The 'Public Interest' clause means that in a merger evaluation, a merger could be approved, despite having anti-competitive elements, if it has favourable public interest issues that outweigh this (Lewis, interview 30/08/2011). And the opposite is also true, as a deal with no competition issues could be prevented if there are public interest issues – as was the unions proposed case with Wal-Mart. According to Bonakele (interview 07/10/2011), there were not a lot of competition issues involved in the Wal-Mart/Massmart acquisition, and it was purely issues around public interest that featured here. According to Lewis's position, as the economic conditions in South Africa have worsened, the Competition Commission's role has increasingly been focussed on employment issues, and therefore the 'public interest' clause has increasingly come into play (interview 30/08/2011). The Commission has often imposed conditions on a deal, but it has never prohibited or allowed a decision based on public interest alone – i.e. based on employment issues alone (Lewis, interview 30/08/2011).

Both the local and international trade unions opposed the merger of the two companies, claiming that it is against the public interest, and so should be denied. According to the COSATU year-end message, the federation is vehemently opposed to the "invasion into Africa of the world's biggest company" and are concerned that there will be far-reaching negative effects on employment in stores, and for manufacturers and associated sectors (COSATU, 2011-D).

4.1.2 INTERNATIONAL INVESTOR CONFIDENCE

For Lewis the case is simple and if one focuses on the consumer it is clear that the Wal-Mart deal will not be anti-competitive, as consumers will get lower prices and other retailers are able to compete (interview, 30/08/2011). The time that has lapsed in the decision making process,

regarding whether or not to allow Wal-Mart to enter South Africa, translates directly into money that the merging company is essentially losing (ibid.). The amount of time taken in the Wal-Mart/Massmart deal will have a seriously negative impact on future decisions to invest in South Africa (ibid.). However this is not a reflection on the Competition Commission as much as it is a reflection on the other parties involved in the negotiations.

Although there has been debate regarding whether or not the Competition Tribunal and Appeal Court was the correct forum for some of the issues to be raised, Appeal Court Judge Dennis Davis stated that this is a "very important case, the implications of which go far beyond this specific merger. It's vital that we get this right as it will set a precedent for competition jurisprudence" (In Xulu, *Financial Mail*, 27 October 2011). As highlighted in *Business Report* (Pressly, *Business Report*, 8 January 2012) the Wal-Mart deal is about more than just retail, but is an important test case that will expose how open to FDI the country is, and will provide a clear indication of the economic path that the country will pursue – protectionist or otherwise. This may seem to be irrelevant; however Moorad (*Bizcommunity*, 6 January 2012) highlights a fascinating event, whereby the Rand strengthened as a consequence of the announcement that the deal was approved with the conditions attached. Clearly therefore the attention of the world's investors is on this deal.

For the International Monetary Fund (IMF) it is not the case that investors have been deterred by the process (*Business Report*: 16 November 2011). Due to the fact that the process has been transparent and independent with all "regulatory bodies playing their parts properly", the IMF does not feel that the protracted process has damaged the image of the country as an investment destination (*Business Report*: 16 November 2011). However the deal is of great importance for future foreign investors in South Africa as "when the appeal court's ruling is handed down, foreign investors will, at the very least, gain an understanding of the hurdles they stand to face when considering investing in South Africa" (Xulu, *Financial Mail*, 27 October 2011). These two issues are very important, particularly as South Africa is attempting to market itself as the 'Gateway to Africa' and with the present hype surrounding the continent, there is great potential to attract increased levels of FDI to the country (Bleby, *Business Day*. 1 June 2011-C).

Deputy President Motlanthe stated, both in Parliament, and in a presentation at GIBS (2011), that Wal-Mart is welcome in South Africa. This statement is seen to go against the actions of the government departments which are opposing the deal. COSATU`s response to Deputy President Motlanthe reads, "so while his government comrades are *courageously battling* to represent the best interests of the majority of South Africans on the Wal-Mart matter, the Deputy President assures DA Parliamentary leader, ... that Wal-Mart is welcome!" (COSATU, 2011-E,emphasis mine). This again highlights the importance of the global context and the way in which neo-liberal globalisation has created a very delicate balance of international relations. This is due to the fact that capital could very easily decide to bypass South Africa, and it is, for many, thus important to ensure that a fitting image is presented globally. However SACCAWU states that its' opposition to the arrival of Wal-Mart is not because it is against FDI, rather that it "welcomes *responsible* foreign investment in South Africa and supports economic development that could follow" (Mbongwe, 2011: 4). SACCAWU does not support the arrival of Wal-Mart in South Africa due to its business model and the practices of the corporation (Mbongwe, 2011). As highlighted by Abrahams:

> there is FDI which basically just extracts surplus and goes away, there is FDI which comes here and drives down wages, there is FDI which comes here and increases unemployment, there is FDI that has a record of certain practices around the world (interview 30/01/2012).

SACCAWU's concern is that it this aggressive type of FDI that Wal-Mart brings to South Africa.

4.1.3 CONDITIONS ON THE DEAL

International investors can now expect that they will need to ensure that there is a beneficial element in terms of the public interest, and a certain amount of negotiation with trade unions. Manana, Marketing Executive – Massbuild, (interview 19/10/2011) explains that Massmart and the trade unions met early in 2011 to attempt to resolve certain issues, before going to the Competition Commission. Apparently a number of demands were raised by unions and an attempt was made to get binding agreements signed – however talks disintegrated (Bonakele, interview, 07/10/2011). These demands, as well as the conditions which Massmart has volunteered to adhere to, subsequently came up in the Competition Tribunal, as the parties were unable to reach consensus in these early meetings.

For Manana (interview 19/10/2011), the conditions which were imposed by the Tribunal on the Wal-Mart/ Massmart deal all made sense. In terms of the conditions which were imposed, the continued recognition of the union is something that Massmart was going to do regardless of the Wal-Mart acquisition. Furthermore, Massmart were – according to Manana (ibid.) – not planning on retrenching any workers in the foreseeable future and so the moratorium on retrenchments for two years was not a major concern. Planting highlights how UNI Global Union's efforts to promote and utilise the public interest clause have been effective in that the initial Tribunal hearing was revoked and conditions were imposed that took public interest into account (*Moneyweb,* 28 July 2011). However it could be argued that this is something of a shallow victory, as all of the conditions which the tribunal imposed were in fact suggested by Massmart in the initial conversations with the trade unions (Lamberti, interview, 18/01/2012). Indeed, as Abrahams stated, SACCAWU were hoping that the Competition Appeals Court would reject Wal-Mart's arrival – that was still their goal (interview 30/01/2012).

Manana highlights the way in which the trade unions reportedly attempted to convince the public that the retrenchment of 503 workers in 2010 was the result of preparation of Wal-Mart's arrival (interview 19/10/2011). However Massmart started building distribution centres, in line with the actions of their competitors, and with that some jobs in store were not needed. Another reason for the retrenchments was that two stores in Nelspruit merged into one (Manana interview, 19/10/2011; Lamberti, interview 18/01/2012). Manana states that some or all of the retrenched workers were given options to relocate, however not all of them accepted this. Therefore the third condition that was imposed by the tribunal was that when new jobs become available, those workers who were retrenched should get the first option to apply for the jobs, and so be re-employed.

Bonakele highlights that although they had initially thought that the retrenchments which had been made by Massmart were not related to the deal, they later realised this was incorrect (interview, 07/10/2011). This is due to the realisation that there was "this long courtship between Massmart and Wal-Mart. Over a very long time and in fact it was particularly strong I would say ... for about a period of three or two years before the merger" (ibid.). As a result of

very high level interactions between the two companies, the Tribunal felt that it was very plausible that Massmart was preparing itself for the merger and therefore that the retrenchments were a part of that. However Lamberti claims that Massmart was simply learning from the best and that Wal-Mart was also interested in – and approached - Pick ‘n Pay and Shoprite (interview 18/01/2012). Due to the fact that there was this interaction, however there was also a lack of concrete evidence, the Commission didn’t commit and agree with the unions and say that Massmart had to reinstate the workers, but rather gave the workers first preference when it came to newly available positions (Bonakele, interview 07/10/2011). Bonakele concludes on that issue by saying that:

> but I can tell you that our [The Competition Commission] feeling also was that you know..., if it’s true that they [Wal-Mart/Massmart] are going to grow - because they are saying they are going to grow - then they can be able to absorb those 500 workers. So yes, we thought that retrenchments were related to the merger, but we also thought it would do no harm, even if we were wrong, it would do no harm to take those workers back because you simply take them to the other operations and if they refuse to go then you ... they are the ones who don’t want to work (interview 07/10/2012).

The only downfall is that these workers may not be offered a position in their original location, as the newly available positions could be anywhere in the country. Massmart initially disagreed with this condition, but obviously accepted it in the interest of the deal going through.

Massmart/Wal-Mart were also instructed by the Competition Commission to set up a R100 Million Rand Supplier Development Fund, for suppliers (Manana, interview 19/10/2011). However Manana states that this is also something that Massmart had initially offered in the talks at the beginning of the year with the unions (ibid). This was in response to the concerns about small suppliers being under increased pressure as a result of Wal-Mart’s arrival in South Africa. The trade unions attempted to get this fund increased to R500 million, but were forced to concede that “the figure wasn’t based on anything substantial” (Vallie, *Business Day*, 24 October 2011-B). Massmart has since employed an in-house individual to oversee this project and to work with existing and new suppliers in order to assist their development (Manana, interview 19/10/2011). Mncane Mtunsi, the former head of the Consumer Goods Council South Africa, who is leading this project, visited Cape Town in October 2011 where a troubled small supplier to one of the Massmart divisions was located, in order to help to keep them alive

(ibid.). Therefore this initiative was conceived by Massmart, and will be driven and managed in-house (ibid).

4.1.4 PROTECTIONIST PROCUREMENT TARGETS

Finally, the condition that the unions were not able to get implemented – despite attempts to link this to broad public interest issues – was procurement targets. These targets would regulate the amount or percentage of goods that could be imported by the retailer, in order to prevent the undermining of the local economy. According to Bleby, Shoprite's food buyer warned of a 'flood of imports' if procurement targets were not set, and recommended that "current procurement levels should be maintained for a set period" (Bleby, *Business Day*, 1 June 2011-A). It seems that one of the key errors in this department is that the unions attempted to get this condition imposed on Massmart/Wal-Mart alone. Lamberti highlights that Massmart would never accept procurement conditions unless they were implemented for all retailers in order to ensure that the playing fields were equal for all (interview 18/01/2012).

It was unlikely that these targets would be instituted, particularly as SACCAWU were hoping for the Competition Commission to do this, which would be against the Commission's mandate as such a condition would be anti-competitive. This is due to the fact that it would allow for the local retailers to continue sourcing goods internationally and even increase this percentage, whilst Massmart would be constrained (Lewis, interview 30/08/2012). If the three largest of the country's retailers continue to source goods internationally, Massmart's local procurement will not rescue the manufacturing industry from obscurity. The argument regarding the ability to compete is substantiated by Basson, Shoprite CEO, who stated that if the Wal-Mart acquisition of Massmart went through, he would begin to investigate importing more seriously (Moorad, *The Times*, 13 May 2011-C). "Shoprite would have no choice but to rely on cheap imports to compete" as Wal-Mart would not take much time before it was able to make inroads into the South African market (ibid.).

Vallie (*Business Day*, 24 October 2011-B) highlights how, on the final day in the Competition Appeal Court, legal teams representing SACCAWU highlighted the importance of procurement, whilst Judge Davis reportedly stated that "we [the Competition Appeal Court] cannot protect

you [Labour and Unions] from the gale-force blast of globalisation... The real issue is ... how do we get South Africa's manufacturing set to deliver more efficiently? Protectionism doesn't work". This is a central issue in the case of Wal-Mart's arrival, and one of the questions that is *most* difficult to answer. With highly mobile global capital, and sectors of highly productive (and often poorly treated) labour across the globe, it is very difficult to effectively compete, unless there is a well developed base in industry. In South Africa this is not the case. For Bride, however, these targets are a necessity and, "if one accepts that the local manufacturing sector is inefficient – and I do not – then not only is it fair to attempt to get Wal-Mart to procure locally, but it is absolutely essential" (interview 02/02/2012). This is due to the way in which Wal-Mart has worked with companies in places like China and Bangladesh in order to assist them to become increasingly productive, and thus – for Bride - this should be implemented in South Africa, and will provide the benefit for Wal-Mart of cheaper goods available locally (ibid).

In terms of the procurement targets that COSATU wants to impose, Manana believes that these are unrealistic, as unions want a commitment that Massmart will procure 70 percent of all goods locally (interview, 19/10/2011). In terms of food, it makes sense that most items are procured from within South Africa, and therefore Massmart would most likely exceed that target in the food category. However, SACCAWU's Abrahams indicates that when one thinks of the relative size of the fresh produce sector in a supermarket compared to the rest of the store – it is a small percentage (Abrahams, interview 30/01/2012). As a result the majority of the goods in store can be easily imported. For Manana, targets cannot be imposed on general merchandise as they are unable to be met as most of these goods are not produced in South Africa – such as electronics (Interview, 19/10/2011). Manana states that "we would love to buy here, but the reality is that it's not available here for most categories" (interview, 19/10/2011). Lamberti also highlights that the industry is already importing a large percentage of goods and that this is not driven by Wal-Mart's arrival, but was a pre-existing factor in the industry (interview, 18/01/2012).

Furthermore, Massmart has always stated that if procurement targets are imposed on Massmart alone, then this will be anti-competitive – "you [trade unions] will be tying our hands and we [Massmart] won't be able to compete" (Manana, interview 19/10/2011). Therefore with Wal-Mart's arrival and the heightened focus on Massmart, the idea of procurement targets is something that is only being spoken about in relation to Massmart, and so if implemented,

would not address the bigger issue as the country's three biggest retailers would still be able to procure from outside the country at will.

Massmart's main issue was that, although they accept that there are certain areas in which there is reason to be concerned – particularly with regard to local suppliers – any initiative aiming to deal with this, should be industry wide (Bonakele, interview 07/10/2011).

> So in other words they are saying don't target us [Massmart] by saying we must procure locally - if you are really concerned about local suppliers, then you must call all supermarkets and let's get some initiative going to get people to buy locally and strengthen local suppliers (Bonakele, interview 07/10/2012).

Therefore, Massmart are not against the idea of procurement targets, but they are just – as Manana mentioned – unwilling to have their hands tied in comparison to their competitors. And for the unions and government to expect this to be passed by the Competition authorities is a naive perspective to have.

However it is interesting to note that contrary to Manana's claims above, it was reported that there was a failure to establish a national sectoral bargaining forum for the retail sector (Fin24, 1 September 2010). The issue was taken to the CCMA (Commission for Conciliation, Mediation and Arbitration), as SACCAWU wanted to address 'developmental problems in the sector' which included numerous companies in the Massmart stable – such as Makro and Builders Warehouse - as well as its competitors such as Shoprite and Pick 'n Pay (ibid). Had this forum been established as the unions wanted, and had something concrete resulted from the conversations which SACCAWU say have been occurring since as far back as October 2009, this issue of procurement may not seem misplaced today (ibid). This is due to the fact that discussions around the issue of procurement would be occurring within a forum which included all of the major retailers – which is ironically what the retailers now claim to want. This claim by retailers is in contrast to SACCAWU's view that "employers have not only rejected the proposal but have been trying to frustrate the process" (ibid).

Many of the goods which are classified as 'local' are not fully manufactured in South Africa, and a large percentage of the value lies outside of South Africa. Abrahams states that Massmart claimed not to know what percentage of goods that they procure is and is not produced in South Africa (interview, 30/01/2012). However he also highlights that this is simply the corporation being obstreperous, as there are applications which can be installed onto cell phones which reveal a product's history, and therefore Massmart more than likely has the information (Abrahams, interview 30/01/2012). However, as Bonakele (interview, 07/10/2011) highlights, South Africa's manufacturing sector *is* weak, and there is much that is not being produced in the country.

For Ackerman, the negative impact of increased global sourcing will be felt on numerous levels, and the effect of Wal-Mart's ability to source globally at lower prices, will be felt by both small South African suppliers, and large retailers like Pick 'n Pay (interview 06/10/2011). Therefore local agents will be affected and this will have a negative impact on employment (ibid.). Bride provides an illuminating example, highlighting that Wal-Mart is in the region of sixty times bigger than Shoprite - clearly this puts the magnitude of the corporation, and its effects on South Africa into perspective (interview 02/02/2012).. For Bride:

> the real impact of Wal-Mart was displayed during the testimony of the witness from ShopRite Checkers who outlined the problem that his company has in bypass[ing] local suppliers who work for global firms. Having tried to cut out the middlemen, so to speak, in order to reduce costs, these large companies rebuffed the efforts of one of South Africa's largest grocery firms and did not allow them to do that. As an indication of Wal-Mart's superior power, it can boast that these same companies actually set up offices in Bentonville, Arkansas, so that they can be close to the retailer's global headquarters. This demonstrates that it will not simply be the small producers that will be impacted, but the large, modern retailers too (interview 02/02/2012).

It would, however, be a foolish strategy for Massmart to pursue to have particularly high procurement levels from international sources as it is necessary to have a complimentary and strong local supplier base (Naidoo, *Engineering News*, 10 May 2011-B). If this local supplier base is missing, the cost of operation would surely escalate and the corporation would lack the

ability to respond quickly to sudden increases in demand. For Wal-Mart to retain procurement levels at certain percentages from South Africa at the level they were at with Massmart is not easy (Lewis, interview 30/08/2011). When one considers fridges, hockey sticks and the many other items that are sold, it becomes almost impossible to say what is and isn't locally procured (ibid.). This is because a fridge may be bought or assembled here in South Africa, however ninety percent of the value may be the result of foreign inputs (Ibid.). Similarly, one could import an item, and yet most of the value is attained when it is in the country i.e. the value is added here (ibid.). It is an incredibly complicated exercise and requires large regulation, and – as highlighted - these types of targets cannot be imposed unless on the entire sector – particularly by the Competition Commission – as this would be contradictory to its very purpose (ibid). The implementation of procurement targets needs to be a sector wide initiative and one also needs to consider the consumers and what is best for them.

Wal-Mart aims to expand substantially, not only in terms of geographical footprint, but also in terms of its product offering, and it has been argued that groceries, which inevitably will be locally procured and will lead to a positive net effect for South Africa (Lewis, interview 30/08/2011). Although there are certain sectors, such as clothing or white goods which may be negatively affected, Lewis states that it is important to question the narrow focus on manufacturing, instead of seeing the benefits for agricultural workers – who are a particularly marginalised sector in South Africa (Ibid.). It is thus surprising that the Department of Agriculture objected to the deal. With Wal-Mart rolling out more stores and introducing a grocery chain in the form of FoodCo at Game, this will most likely mean an increase in demand for fresh produce, of which the majority will be procured locally. This will result in increased agricultural activities and thus the potential for job creation in this sector. This is very important in a country where the rural economies are lacking in vibrancy and are in dire need of an injection of capital and interest in order to develop.

Zourides confirms this and states that those involved in the supply of fresh produce, even if they are medium sized, will increase and be able to grow through the supply of increased meat, eggs and chicken – where these are sold fresh (interview 12/09/2011). However he also indicates that the suppliers of frozen meats will suffer as they are unable to compete with international suppliers of the same goods (Ibid.). Bonakele questions this, highlighting that it is

necessary "to think about why we can't put tomatoes in a can and be able to sell them cheaper locally, than importing them from Spain, or Brazil. You know, that they would land their tomatoes here at a cheaper price than us, why?" (interview 07/10/2011). Finally, the group that will be most adversely affected by the arrival of Wal-Mart are those who supply general merchandise. Their "economies of scale do not match those of the original Wal-Mart suppliers in the East and elsewhere" (Zourides, interview 12/09/2011). However as Bonakele (interview 07/10/ 2011) highlights, this is a general area of weakness in South Africa.

4.2 LOCAL ECONOMY

4.2.1 GRASSROOTS DEVELOPMENT?

Wal-Mart's arrival will be positive in that it is assisting small scale suppliers to develop, and this is an area in which South Africa needs to focus. This is through its partnership with Raizcorp as well as the R100 Million Supplier Development Fund[5] that has been established. Therefore Wal-Mart's arrival has highlighted the failures of the South African local economy and the areas in which it is weak. Wal-Mart will assist these weak or small suppliers to develop further, to become increasingly productive, efficient and give them access to the market. This is a positive move and will hopefully result in job creation and the transfer of skills and expertise to a growing number of people (Manana interview 19/10/2011 and Lamberti interview 18/01/2012).

The unions initially attempted to get Wal-Mart to increase this sum, and Lewis indicated that he was surprised when Massmart didn't attempt to find middle ground with the unions, when asked to increase that figure to five hundred million Rand (interview 30/08/2011). But, according to Lewis, Massmart/Wal-Mart refused to negotiate and said that it is not a good thing if every company needs to negotiate with the government before it enters South Africa (Ibid.). This contradicts Bride's view that Wal-Mart could have been pushed to accept more stringent conditions (Interview, 02/02/2012). If trade unions and Ministers want to treat foreign investment in a special way, then there is a need to set up a separate forum, to prevent uncertainty around these deals and the questioning of the authority of the Competition

[5] This one hundred Million Rand supplier development fund is now a condition of the deal, but was offered by Massmart/Wal-Mart in the initial meetings that preceded the hearings in the Competition Tribunal. As Manana states this is something that will be run in-house by Massmart and will report its activities both publicly and to the Competition Commission (Interview, 19/10/2011).

Commission (Lewis, interview 30/08/2011). The Competition Commission has developed a reputation of independence – even with business –and is seen as professional and fair.

However, Abrahams warns that there will merely be lip service paid to the development of small- scale suppliers (Interview, 30/01/2012). This is due to the fact that – by definition- Wal-Mart/Massmart requires a very large amount of goods to be supplied to them. The current 'big box' store format, coupled with the company's expansion plans, means that they will need large suppliers for the majority of their goods. Abrahams cautions that Wal-Mart's arrival does not only reinforce the trend towards centralisation in the ownership of large retail stores, but also in the supply chain (interview, 30/01/2012). As the retailers become larger and more centralised, there is a mirroring of this in the associated industries. According to SACCAWU, there *is* competition in the retail sector "but there is a tendency towards concentration and consolidation of market power by big **white-owned** business establishments ... [which] makes it difficult for small, informal businesses and co-operatives to compete" (2004:8 emphasis in original). This centralisation is negative, particularly in South Africa where the apartheid legacy is one of skewed ownership patterns which are highly concentrated and controlled by a few individuals. What the country needs is an increase in smaller operations that will result in benefits accruing to a greater number of people, and make the sector more accessible to entrepreneurs. Perhaps, as mentioned above, Wal-Mart/Massmart's partnership with Raizcorp and its supplier development fund will counter this trend and lead to an increase in smaller business in South Africa. Although, invariably these small companies will have to increase in size in order to supply Massmart country-wide, which may just repeat the trend towards centralisation.

4.2.2 A GOOD START: SELF-IMPOSED CONDITIONS

For Renou (interview 29/09/2011), a huge challenge for SMEs in South Africa is that there are opportunities to connect with big business but there is no filter, or assistance in moving from existing as a small company and shifting to be able to deal with big companies. Massmart realised that Raizcorp has a particularly good track record and a high success rate in the sustained development and growth of entrepreneurs and this factor would have influenced the retailers decision in partnering with them (Renou, interview 29/09/2011). What this means for suppliers is that they will now have access to Massmart, as Renou (ibid) states,

> if you are selling green beans or make towels, or ... chilli puree ... you can essentially take it to Massmart and say I'm part of the Raizcorp programme, which is an almost guaranteed stamp of success. [Suppliers can state that] I have a company that supports me, so I'm not going to supply the one month and then fall off the wagon the next month.

This is important as it is difficult for suppliers to make the shift from making 10 items a month, to 100 – and then maintaining this increase (ibid). Raizcorp assists in the process of releasing products selectively, building up popularity and critical mass, and then as sales increase and the company has increased cash flow, it begins to supply an increasing number of stores (ibid). Therefore Raizcorp smoothes the way and manages the process of growth to ensure success for smaller suppliers. This is the type of intervention that the South African economy needs, building skills, productivity and creating jobs. It is this type of endeavour that the trade unions and government should pursue in order to build capacity in the economy and work with Wal-Mart to develop suppliers, and attempt to leverage the greatest amount of benefit from Wal-Mart's arrival for the country.

In terms of Wal-Mart's arrival, although there may be a short term drop in employment, through partnership with Raizcorp – and other similar initiatives – there is the potential for growth in employment. According to Renou (ibid.), with Wal-Mart's arrival and the perception that this would lead to a large number of local job losses, Massmart thought that it was important to develop SMEs in the country. Although Massmart has multiple projects in which it is investing in development, the partnership with Raizcorp is the only one with an incubator (Ibid.). Contrary to the job creation which may occur through Wal-Mart/Massmart's store expansion, the type of job creation that is possible through Raizcorp is positive, as the jobs that will be created are productive and skilled, therefore able to result in a meaningful contribution to the economy.

Mbongwe highlights how important SMMEs are in terms of their ability to lead to job creation – particularly in developing countries (2011). Renou (interview 29/09/2011), states that the difference will not be immediate and felt in the first five years, however it will be "notable between ten and twenty years, you are going to start seeing a big difference". Renou continues

that “for every entrepreneur that succeeds, that continues past the five year mark there’s an expectation that ... you will probably create about twenty jobs, and those jobs will start creating jobs - depending on what industry you [are] in” (Ibid.). This is positive as it means that the small company grows and therefore more and more people gain productive skills. Furthermore Raizcorp will assist entrepreneurs who are able to supply to Massmart and there is the chance this could lead to the supply of local South African products globally. This is similar to the ‘Adopt-an-SME’ programme mentioned above in Mexico (*Trade Intelligence*, 2010).

For Mbongwe, the “contribution of the SMMEs to job creation is of particular importance to the South African developing economy, given our high un- and under-employment rate” (2011: 12). This partnership between Wal-Mart/Massmart and Raizcorp is very encouraging, and is something that Wal-Mart/Massmart has done that is superfluous to the conditions imposed by the Competition Tribunal.

One example of a successful entrepreneur who has been assisted by Raizcorp – and who could benefit from the partnership with Massmart, is a Rustenburg based initiative that initially sold 100 chickens a month and has now – with Raizcorp’s assistance - grown the business to supply in excess of ten thousand chickens every six to eight weeks (Renou, interview, 29/09/2011). This is interesting, particularly as Game will be pushing its new food line, and opening the FoodCo stores – therefore looking to grow the area of fresh produce. It is in this field that a small number of South African suppliers will be able to benefit from Wal-Mart’s arrival if they are able to leverage the opportunities they are given. If this is successfully done, it will be a really positive thing for the South African economy and labour.

Renou believes that the partnership between Massmart and Raizcorp is not simply a public relations move, to gain favour with the public, as Massmart has actually committed the time and energy to finding a partner who has the ability to really assist SMEs as opposed to simply inviting SMEs to work with the retailer (interview 29/09/2011). Furthermore, the ‘listing fees’ which suppliers to Massmart have to pay, will be waived as “many SMEs simply cannot afford to pay the often exorbitant listing fees required by retail groups” (Verduyn, 2011: 23).

4.2.3 A CHANCE TO LEARN?

It is evident that Wal-Mart's arrival will result in shifts in the retail industry and associated sectors. These industries are likely to become more efficient and operate more effectively as a result of Wal-Mart's arrival. This is due to the fact that, as Abrahams states, Wal-Mart is often referred to as a logistics company, as it runs – for example – its trucking department so efficiently (interview 30/01/2012). Although initially this will likely result in some job losses, or restructuring of the way in which work is done, in the long term, for Lewis this appears to be a positive thing (interview 30/08/2011). This is due to the fact that if the structure of our retail industry becomes more streamlined and we are able to learn from Wal-Mart's systems, then this equates to a positive value added to the local economy, and will allow South Africa to become more competitive. These systems collate highly dense information regarding in-store activity, and allow this information to be passed onto suppliers (*Trade Intelligence*, 2011). Although jobs may be lost in this process, the economy will be better equipped to operate more efficiently (Lewis, 2012). One example of how extremely efficient Wal-Mart are, is that it has a thirty-second delivery window for receiving goods (*Trade Intelligence*, 2011). As highlighted above, O'Carroll revealed that Wal-Mart's arrival may be just the catalyst which the industry admits is necessary to lead to them rethinking their operations (Marrs, *Business Day*, 6 May 2011).

Manana (interview 19/10/2011) highlights that Wal-Mart implements systems that speak to the suppliers and allow for large-scale, real time sharing of information between stores and suppliers. This allows for greater control over stock and dense information regarding what is sold when. This type of technology, thinking and the skills behind it are all important for South Africans to learn, and can positively contribute to our economy. It also highlights the incredible amount of power that Wal-Mart has and the way in which it attempts to increase control over each area. Abrahams spoke of the possibility of Wal-Mart including technology which would allow them to know what happens to products once sold and with the consumer (interview, 30/01/2012). This would allow Wal-Mart to know how to improve on, or alter goods in order to draw more consumers to its stores, or what products are used for in order to improve the design. Although this is far from being implemented and unlikely to occur – the fact that Wal-Mart has considered this highlights its desire to increase control and knowledge over all areas in their business. Furthermore, as Lewis (interview, 30/08/2011) states, if there is job loss in South

Africa as a result of Wal-Mart's streamlining influence on the supply chain, it will simply mean that there were inefficiencies in that sector of the economy which have since been removed.

Therefore South African retailers and suppliers will learn the efficient and cost-saving practices and technologies which Wal-Mart has in place. This will be a positive for the local economy in general, as other sectors of the economy can leverage off this information capital and implement and benefit from similar practices or technology.

4.2.4 NUMEROUS CHALLENGES

For Ackerman (interview 06/10/2011) the issues which have been debated around inefficiency in the South African economy, should not be South Africa's biggest concern. Nor are the questions around benefits to consumers and a limited focus on the retail sector, this is because the most pertinent issues to consider when it comes to Wal-Mart in South Africa are around food security (interview 06/10/2011). Ackerman stated that the most important areas of concern are "going down into the whole job creation [issue], the area around food security and safety, procurement of products. That's really where the issue is and how one can build and develop food supply chains in the country" (Ackerman, interview 06/10/2012). This is an area in which Ackerman and Minister Joemat-Pettersson agree - as she has also warned of possible negative implications and a threat to South Africa's food security as a result of Wal-Mart's impact on agricultural sectors and agro-processing (*Mail & Guardian*, 2 August 2011). As Bhana states, the issue of food security is one of great importance for South Africa (2011). Levin (2011) in his submission to the Competition Tribunal stated that:

> the question of food security is another matter of great public importance. If the value chains disintegrate, and agriculture, agro-processing and food production becomes unviable, then the South African economy will become more vulnerable to international price and currency fluctuations and more affected by international food shortages (2011: 9).

The issues around food security are of great importance, once again, particularly due to the high levels of unemployment in the country. If food prices dramatically increase, or fluctuate excessively, then this will have dire consequences for this already insecure sector of the population. There should be a concerted effort made to link Wal-Mart/Massmart's store growth and proposed expansion in fresh produce, with a drive to improve and expand the agricultural sector of the economy.

4.3 TOYI-TOYI IN AISLE NINE – WAL-MART'S STRUGGLE WITH UNIONS

4.3.1 THE UNION'S RESPONSE TO WAL-MART

The trade union movement in South Africa is very strong, vocal and has a very close relationship to the ANC (African National Congress). This is in the form of a tri-partite alliance between the ruling party – the ANC, the SACP (South African Communist Party) and COSATU (Congress of South African Trade Unions). This relationship affords labour a uniquely powerful role in South African civil society today, and this is perhaps something to which Wal-Mart is not accustomed. Despite Wal-Mart's reputation and evident ability to undercut labour standards, the unions in South Africa will no doubt do their utmost to ensure that the practices which Wal-Mart implements in the USA do not become entrenched features of South African labour relations.

Karamichael, owner and manager of a Spar store and retail centre believes that Wal-Mart will have to alter its attitude regarding labour and trade unions when coming to South Africa. The South African workplace is well protected by entrenched labour laws and a "welfare staff environment", and Karamichael believes that if you do not work together with your staff in resolving issues, then you will struggle (interview,05/04/2011). This is similar to the view expressed by Lamberti (interview 18/01/2012) who speaks of stakeholder capitalism and the need to ensure that all stakeholders – including labour – benefit from the company's growth. Therefore Wal-Mart will not be able to come in to the country and simply ignore unions, and if Wal-Mart endeavours to do this, then it will face a large amount of resistance from unions and workers (Karamichael, interview 05/04/2011). This has certainly been the case thus far, and -

particularly due to Wal-Mart's reputation regarding labour – South African trade unions are on high alert and ready to take action should there be any contravention of the law.

In a statement released in September 2010, the day after the announcement that Wal-Mart was to acquire Massmart was made, SACCAWU stated that for a period of time preceding the announcement they had "not only anticipated this intention of Wal-Mart but we [SACCAWU] have also actively participated in international campaigns against Wal-Mart as one of the worst and stubbornly anti-union companies in the world" (Abrahams, 2010-A.). The trade unions have been very vocal in their campaigning against Wal-Mart - something of their arch-nemesis - and unions therefore see the issue as a major blight on the labour relations landscape in South Africa.

SACCAWU opposes Wal-Mart's arrival based on a number of issues. SACCAWU states that Massmart had been preparing itself for acquisition by Wal-Mart and had been in conversation with the retail demagogue for a number of years, and yet had, allegedly, denied this when questioned by SACCAWU (Mbongwe, 2011). This preparation is confirmed by Lamberti (interview 18/01/2012) who states that Massmart were ready for Wal-Mart's arrival and had a strategy in place should Wal-Mart acquire one of their competitors, and if they were to acquire Massmart. Furthermore, Lamberti and Pattison have both claimed the Massmart workers benefitted from Wal-Mart's arrival as they own share options and thus have benefitted from the deal (interview, 18/01/2012 and 2011-A). However Mbongwe states that the staff members who were part of the "Thutukani Empowerment Trust" and benefit from these shares, are only fulltime employees – which is a minority section of the workforce (2011). This is not to discredit what is a positive attempt to engage in responsible 'stakeholder capitalism', however it is unfortunate that it is only a limited group of employees who are able to access this benefit (Lamberti, interview 18/01/2012).

The increased imports competition in the market, high barriers to entry, heightened concentration and centralisation of power in the industry, the homogenisation of the sector and decline in competitors are all reasons that SACCAWU put forward in terms of their opposition

to Wal-Mart's arrival (Mbongwe, 2011). SACCAWU also questions the claim that the merger will result in opportunities for local South African suppliers to benefit from selling internationally, as it says that this will be limited to large corporations and therefore not have as profound an impact on jobs and development as predicted (Ibid.). Mbongwe states that SACCAWU believes that Wal-Mart will result in an "inevitable and foreseeable failure of both suppliers and competitors" (2011:32).

For SACCAWU the 'Walmartisation' of the sector will lead to - longer trading hours, but reduced hours of work per individual, decreased wages and benefits, a rise in flexible labour, the use of labour brokers and a general increase in the precarious nature of work for this sector (Abrahams, 2010-B). Furthermore, Craven stated that the Tribunal did not pay enough attention to their biggest area of concern – namely the "the knock-on effect on jobs in other retailers and the manufacturing industry" (The Witness, 1 June 2011). This was a concern where there was much contestation, as it was very difficult to quantify these changes and those in favour of the deal, and against it, had facts that refuted each other making it difficult to determine what the actual effect would be. As highlighted by Planting (*Moneyweb*, 28 July 2011), "for every statistic that suggests that Wal-Mart brings more benefits to a society than costs, Jennings [UNI Global] has one to counter it". Whether positive or not, Wal-Mart's effects on jobs remains to be seen.

Trade unions and workers find themselves in a difficult situation as they are caught between wanting to protect their labour force and rights, but have to contend with capital on a global scale. There are calls for labour to "get used to the idea of globalization. More and more retailers from elsewhere will come into SA" (Zourides, interview 12/09/2011). These retailers will arrive without the negative track record that Wal-Mart has and they will attempt to alter the labour arrangements to best suit them. These foreign retailers will, according to Zourides (2011:A), adhere to our South African laws but will not accept compromises and pander to labour in the same way as other local retailers have. This is in contrast to the view that Karamichael (interview 05/04/2012) has regarding working in conjunction with labour, in order to succeed. It is difficult for unions to organise and maintain labour standards in the face of globalisation, but it is an important thing for them to work around and manage. Bride states that

he has “seen no evidence that other retailers pander to labour in South Africa”, and suggests that with Wal-Mart and other retailers, it will be necessary for the unions to closely monitor these companies’ labour practices (interview 02/02/2012).

4.3.2 DECISIVE ACTION

Bonakele (interview, 07/10/2011) echoes the above, stating that the unions were “very clear from the beginning that they didn’t want this [the deal to go through]” largely due to Wal-Mart’s reputation of harsh practices towards labour in the USA. Abrahams highlights that, as much as the unions were acting in the best interest of its members, they were also raising questions regarding the type of society that people hope to live in – and Wal-Mart’s ability to alter that (interview, 30/01/2012). The unions also objected to Wal-Mart’s arrival on the basis of the potential impact that Wal-Mart’s arrival would have on the supply chain in South Africa. The unions that were involved in lodging these objections were SACCAWU who currently unionise the Massmart workers, as well as SACTU which organises in the clothing and textiles industry (Bonakele, 2011). SACTU’s objection was that an increase in imports by Wal-Mart in South Africa would lead to local factories shutting down. Furthermore, FAWU (Food and Agricultural Workers Union) was also involved, as it represents the food industry and the “entire agro processing ... [chain] – they were saying ‘we too will be affected’. So there was a whole ... alliance of unions who were organizing on different levels of the value chain” (Bonakele, interview 07/10/2011). Therefore the trade unions collectively represented a large group of workers, from various – related – sectors, and they were the first to react to the news of Wal-Mart’s arrival.

It is also interesting to note that, apart from the two sections of the objection mentioned by Bonakele (the treatment of labour and supply chain issues), Manana states that a number of the unions’ demands were not strictly about the South African context (interview, 07/10/2011). Rather there was an attempt to use Massmart’s dealings with Wal-Mart to influence Wal-Mart’s international dealings and relationships with their workers across the globe (Manana, interview 07/10/2011). This is very interesting in terms of an alliance of workers globally and the potential to build solidarity across borders, particularly when facing one multinational employer. The coalition between UNI Global union, UFCW and SACCAWU is an interesting

case of transnational organising in the face of a multinational, globalised employer. Jennings states that it is not about pushing the agenda of the UNI Global – who attempted to make Wal-Mart's recognition of unions in the USA a condition for acceptance of the South African deal – but rather about the fact that workers are interconnected (Planting, *Moneyweb*, 28 July 2011). "Everywhere around the world workers are fighting similar battles: there is a real fight in the world about the end of decent work; the prevalence of labour brokers; the unfair distribution of wealth" (Planting, *Moneyweb*, 28 July 2011). Therefore the Anti-Wal-Mart coalition was established as part of this drive to improve working conditions in numerous countries.

SACCAWU, as the union which represented the Massmart workers, was primary in the interactions, and – as indicated by Lamberti (interview, 18/01/2012) – there were initial conversations with Massmart, the unions and government. Bonakele highlights that in this 'social dialogue' which was primarily between the unions and Massmart, nothing was agreed to – Massmart "couldn't agree on anything, not with government, not with trade unions, so in a sense the discussions just collapsed" (Interview 2011). It is interesting to note that Bonakele revealed that there was evidently some sort of confusion regarding what the purpose of those meetings was supposed to be. Wal-Mart and Massmart were willing to sign a statement of intent, which would not be binding and which would not form part of the Competition Commission processes. However the government and unions expected a binding agreement to be signed, which would then form part of the conditions of the merger. This lack of clarity and resultant lack of conclusion to the talks, would no doubt have frustrated all parties involved and – had the objectives been clear – indicates a missed opportunity for cohesion.

Furthermore this lack of consensus in these meetings led to the late entry of the state into the Competition Tribunal hearings (Levin, 2011). According to the statement issued in the Competition Tribunal, Levin highlights that it "become apparent that the merging parties are delaying making binding commitments" (Levin, 2011:3). Therefore the state appeared to act in a perplexing way when it intervened in the process; however this was due to the fact that it had already made a recommendation to the Competition Tribunal based on the expectation of a binding agreement, which then had to be altered when the unions and merging parties failed to reach such an accord (Bhana, 2011).

4.3.3 A MILITANT AND ORGANISED LABOUR FORCE

Lewis believes that the trade unions did not need to engage with the Competition Commission in order to regulate Wal-Mart (interview, 30/08/2011). This is due to the fact that the Labour Relations Act (LRA) and the Basic Conditions of Employment Act (BCEA) are very strict laws that regulate the labour environment. Therefore Wal-Mart's operations in this country must necessarily conform to all South African legislation and occur within this broad framework. However this legislation is imperfect – and has resulted in the large-scale use of labour brokers in South Africa and is thus currently being reworked and debated in NEDLAC – with the amendments to the bill to be sent to Cabinet at the end of January 2012 (Paton & Mjikeliso, *Business Day*, 26 January 2012). Furthermore, as highlighted by Abrahams (interview 30/01/2012), the unions did not simply want to regulate and place conditions upon Wal-Mart's entry, but rather hoped to bar their entry entirely.

This is due to the fact that for SACCAWU the issue goes beyond their membership and the issue of labour (Abrahams, interview 30/01/2012). Therefore SACCAWU feels that it is important for the public to understand that the contestation with Wal-Mart is around "our lives and the world we want to live in" (Abrahams, interview 30/01/2012). Wal-Mart has the power to shape the world we live in, through consumerism, the products that we consume, how we consume, where we consume (Abrahams, interview 30/01/2012). This is evident in terms of the type of goods that are, and will be, available in stores, as well as the way in which Wal-Mart shapes the cultural production of goods – such as the edited songs and altered artwork mentioned above (Abrahams, interview 30/01/2012). This is the reason that Wal-Mart should be banned from having access to South Africa, according to SACCAWU, and it is a valid point that few have stopped to consider. The cultural influence that Wal-Mart has is immense and should be the subject of further research, in order to comprehensively capture the effect that it has on society. Furthermore this indicates that the union's activities and appeal to the Competition Appeals court was justified, as it is not simply issues regarding labour laws and workers rights – which could be managed through legislation - that are being raised.

Despite this, if the issues raised by unions had purely considered issues relating to labour rights, the campaign against Wal-Mart is justified. Wal-Mart is known to misrepresent information regarding union activities and workers' rights. Wal-Mart Mexico claimed to have high levels of union representation, however, when this claim was tested, it emerged that the workers were often unaware of the fact that they were unionised (Tilly & Galvan, 2006). Furthermore, these Mexican unions did not actively campaign for improved conditions for workers. This is where South African labour is fortunate as it has a strong and active voice through the trade unions.

Wal-Mart's claimed stance on trade unions in South Africa is worth quoting in full as it is an integral part of the debate around their acquisition of Massmart.

> Wal-Mart completely respects and honours **pre-existing union relationships** and contracts and it remains committed to working constructively with the local unions in South Africa. In every country, regardless of union representation, Wal-Mart actively implements work environments based upon its founding principle, 'Respect For The Individual'...and South Africa will be no different. Wal-Mart also fully respects and abides by the laws of each country in which it operates and, in fact, Wal-Mart's acquisition history shows that it has always fully **respected and honoured pre-existing union relationships and contracts**. Generally speaking, when Wal-Mart enters a market and grows the business, it results in the creation of new jobs and more opportunities for career growth for existing associates. We therefore firmly believe the acquisition would result in better opportunities for employees, and we also intend to invest in skills development and technical training for current employees, as well as those seeking work in the retail sector. (Wal-Mart info. 2011, emphasis mine.)

Wal-Mart is very careful in its wording of statements to the public regarding union activities and labour. As highlighted above Wal-Mart states that the company "completely respects and honours **pre-existing** union relationships and contracts and it remains committed to working constructively with the local unions in South Africa" (Wal-Mart info. 2011. emphasis mine). This is a very flexible statement and may indicate a lack of willingness to cooperate with unions and that it is unlikely that they would voluntarily enter into further agreements with unions once the validity of the Competition Tribunal's conditions has expired. Therefore it is necessary for unions to be involved in the process and ensure that once existing agreements end, there is room for further negotiation. It is also possible that Wal-Mart may turn entirely to the use of labour

brokers once the current union relationship ends, and thus exert greater control over its workforce, through an increased percentage of non-unionised labour. Furthermore as new workers are hired, Wal-Mart may do so through labour brokers thus undercutting the union's level of representation on the shop floor.

It is interesting to note that Abrahams and Lamberti concur as they highlight that the relationship between SACCAWU and Massmart was cordial and cooperative, particularly from the 1990s (interview 30/01/2012 and interview 18/01/2012). This was a time of relative industrial peace in the retail sector, where compromise was easily reached and when the union was able to get the company to make concessions (Abrahams, interview 30/01/2012). However this has since altered (Ibid.).The situation we have seen recently where workers at Clicks were forced to go on strike in an attempt to gain R7, would not have occurred in the past, says Abrahams (Ibid.). The mid-1990s onwards was a period where, due to the positive nature of labour relations, the militancy of shop stewards and labour died down (Ibid.). Therefore when, in approximately 2009, Massmart and other retailers became increasingly hostile to labour, it came as a surprise and labour representatives were not well equipped to deal with the challenge of an aggressive and defensive employer (Ibid.). Abrahams (Ibid.) highlights the way in which the recent settlement of the labour issues at Pick 'n Pay – with a unique arrangement allowing for increased use of flexible staff – would not have been reached in the past with a more militant labour force.

In COSATU's year end message of 2011, it stated that "most casual workers, and those employed by labour brokers are deprived of security and access to trade union membership. That is why the battle against casualisation and labour brokers has been such a dominant feature of the year" (COSATU: 2011-D). This is in contradiction to Manana's statement that decent work is not such a concern for trade unions and that it has somewhat dropped off the radar (interview 19/10/2011). COSATU stated that "it is our view that labour brokers are nothing else but elements that suck the maximum of blood from the working people" (Paton & Mjikeliso, *Business Day*, 26 January 2012).

4.3.4 THE DEBATE AROUND DECENT WORK

According to Abrahams (2010-B) "Workers employed in the retail and wholesale sector are amongst the lowest earning workers in the economy, after domestic, farm and security workers". The sector is amongst those with the highest levels of atypical employment, including; casual, part-time, variable-time employees and a large percentage of labour supplied by labour brokers.

In terms of investigation around the effect that Wal-Mart will have on labour, Manana states – regarding Massmart's position - that:

> we will create more jobs. The concern from the unions is at what cost? Is this going to be at the expense of other retailers closing down? I don't know. You see, because the unions say ... that other retailers can't compete [with Wal-Mart] and they will close down. I doubt it, I think South Africa retailers are very very strong, I mean you look at Shoprite, Shoprite are the masters - they are very good at what they do. I can't see Shoprite closing down, no. The retailers that we have in this country are very good retailers (Interview 19/10/2011).

Although it is likely that the small, independent retailers are likely to be affected, overall more jobs will be gained than will be lost, and so Wal-Mart is likely to have a positive effect on job creation. However this is purely in terms of the absolute number of jobs created. Bride speaks of a study by Neumark, Zhang and Ciccarella on the effect of Wal-Mart on jobs, and highlights that a simple "way of stating some of the findings is that for every two jobs Wal-Mart creates it destroys three others" (interview 02/02/2012). When asked about the types of jobs that will be created, and the use of labour brokers, Manana states that trade unions are fighting for 'decent work' generally (interview, 19/10/2011). He also states that trade unions have been against the practice of labour brokers, but that the debate had since gone quiet and had not been resolved (Manana, interview 19/10/2011). However an examination of the NGP reveals that one of the key indicators of the success of the policy will be its ability to "address the income inequalities in our society. [the NGP will] place decent work (more and better jobs) at the centre of the fight against inequality" (New Growth Path, 2010: 9).

In addition to this, unions are not happy and have not let go of the issue. Trade unions contested Wal-Mart's arrival as they believe that Wal-Mart will undermine unions and weaken labour by way of paying low wages (Dlamini, *Sowetan*, 1 June 2011). Bride, of UFCW states that Wal-Mart's approach to labour relations has been well documented in the USA and that they therefore hope that the process in the Competition Tribunal has revealed to the retail giant that it cannot ignore labour in South Africa and that the corporation's reputation has now caught up with it (Global Union Coalition, 2011).

According to Muneku (2011:4) the notion of decent work arose from ILO (International Labour Organisation) deliberations, and "since 1999 [has been] a framework for labour and employment". The idea of decent work is based on four main principles; full employment, respect for workers' rights, social protection and social dialogue (ILO: 1999). For SATUCC (Southern Africa Trade Union Coordination Council) "the Decent Work agenda is a top priority", however there are deliberations around whether or not SADC (Southern African Development Community) "can afford decent work given the high unemployment and accompanying poverty in most countries in the region" (Muneku, 2011:4). This is a very real concern in South Africa. Muneku highlights how in South Africa a number of very high level individuals have been placing an emphasis on first creating jobs, and later examining and improving the quality of these jobs - but that this will simply result in poverty remaining, and the shift to decent work will still have to take place at a later stage and a greater cost (2011). It is this type of thinking that has resulted in the expansion of the 'working poor' which is the result of "runaway growth of casualisation of labour and the burgeoning of labour brokers" (Vavi, 2012: N.P.).

According to Brand (*Business Day*, 9 May 2011), although the South African regulatory environment is very sound in terms of labour legislation, the 2010 Decent Work Country Programme for South Africa -conducted by NEDLAC and the ILO, revealed certain weaknesses. Notably, the "inadequate regulation of abuse in atypical employment in accordance with ILO conventions" was an area of concern; however Brand states that it was agreed by all social partners – including COSATU – that "labour brokers can enhance employment in certain

circumstances but they can also be used to undermine decent work among vulnerable employees" (*Business Day*, 9 May 2011). This simply reveals that the above argument is true, that labour brokers may create jobs – which is good in terms of overall employment levels – however it is the type of jobs that is created that must be examined.

When asked about the above debate, and whether 'half a loaf is better than none', Bride stated that:

> in terms of the Wal-Mart takeover of Massmart, this argument was aired in the press – that even if the jobs created were not necessarily "good" jobs, at least they were jobs, and that – to quote the question – 'half a loaf is better than none'. I do think, however, that this analogy, tasty as it may be, misses the point. In my opinion, the choice which faced South Africa in the context of Wal-Mart's entry was not the choice between some kind of employment or unemployment, but rather between 'bad' jobs and 'better' jobs. I hold this view for a number of reasons (interview 02/02/2012).

The first of these reasons is that Wal-Mart needed South Africa more than South Africa needed Wal-Mart as the retailer's growth now depends on dynamic markets and therefore the corporation was 'desperate' to get access to the continent (Bride, interview 02/02/2012). As a result Bride believes that there could have been more stringent conditions imposed on the deal without fear that Wal-Mart attempts to enter another African country (interview 02/02/2012). Another reason is that:

> retail jobs may make up a large part of the composition of South African jobs into the future ... [thus] the type of jobs that the retail sector provides becomes all the more important. In the interests of the country as a whole, and not just the workers, these jobs have to be sustainable and capable of supporting a family, rather than entry-level, transient employments (Bride, interview 02/02/2012).

This choice between bad and worse jobs is the conundrum facing labour today. This poor choice, coupled with the fact that – with unemployment in South Africa as rife as it is – if one person refuses precarious work, there are others who will gladly accept simply illustrates a hostile situation. As one textile worker stated, regarding getting paid less than the minimum

wage, "who else is going to give me R320 a week? I need this job" (Mkhize, in Karrim, *Mail & Guardian*, 14 October 2011).

In terms of Massmart's practices, it does use labour brokers, and Mbongwe (2011) highlights how approximately one-third of the Massmart workforce is made up of flexible staff. This use of casual labour is reportedly due to the fact that retail works in cycles (Manana, interview 19/10/2011). Therefore during the Christmas period, stores are busier, open for longer and so more people are needed to help out at these times. However in January, the stores are then quieter, so if a large permanent workforce was employed, then there would be a large number of unproductive workers during the year when things are quieter (Manana, interview 19/10/2011). Manana states that there is a core of workers who are employed and then this is supplemented during busier times. As much as this may seem logical, when this claim is investigated, it turns out to be very weak. At Massdiscounters, approximately six thousand workers (of a total workforce of about ten thousand) are flexitime workers (Mbongwe, 2011) – clearly then this is not simply supplementing a core fulltime workforce during peak buying seasons.

This precarious nature of work – although good for business - does not assist a worker in attempting to climb out of a life of poverty, and is not simply in use due to retail cycles. Furthermore, the strategy of using labour brokers is implemented purely in order to cut costs and increase profits – it is not due to necessity to ensure that the company remains operational. Wilson highlights that Pattison revealed that Massmart would spend one billion rand on their Africa expansion – and had the "firepower to go higher" if this was required (*Business Day*, 1 June 2011). As well as this, when one examines the remuneration of the senior executives in the retail sector, it is clear that there is no shortage of funds, and that workers in the sector could be afforded decent wages and benefits. The most powerful of these examples is Shoprite's CEO Whitey Basson, who –it is reported- earned a salary of over twenty-five million rand in 2010, benefits of over seven million rand and –when share options are included – earned a total of more than six hundred and twenty-seven million rand in 2010. This wealth gap is also evident in the different social contexts in which all of these stakeholders exist and operate. COSATU object to the "massive gulf in incomes" between workers and executives (2011-D). The union federation claims that it will not "take lectures about 'excessive' wage settlements from the bosses" (COSATU, 2011-D).

Unions and business should attempt to negotiate that the largest possible proportion of workers that are employed are permanent, and that this labour force can be supplemented with a minority of contract workers over festive and busy periods. In this way, they would ensure that the retailer's needs are met, whilst simultaneously attempting to ensure that the greatest number of workers possible are permanently employed and receive the benefits associated with this. This would constitute a major victory for labour. Again, this is not something that companies cannot afford to do and I will return to the example of Basson whose total remuneration increased by over two thousand five hundred percent between 2009 and 2010 (Peacock, *The Sunday Times*, 4 September 2011).

For Muneku (2011: 5) the "precariousness of jobs reveals the serious decent work deficits ... and justifies why something has to be done". This is particularly the case in retail as casualisation is endemic to the sector and workers are expected to sustain themselves in an erratic way. Whereas President Zuma, ANC Secretary General, Gwede Mantashe; and Minister of Labour, Nelisiwe Mildred Oliphant, think that labour brokers and precarious serve the purpose of getting people into jobs, for Muneku the idea of "labour brokerage is a parasitic arrangement in the labour market", it does not lead to job creation, and does not assist in removing people from the grip of poverty (2011:5).

4.3.5 A BAD ATTITUDE? CONTESTATION AROUND LABOUR

For Lewis (interview 30/08/2011), all evidence points to increased employment numbers as a result of Wal-Mart's arrival, particularly in South Africa. In terms of Africa, Wal-Mart intends on using South Africa as a springboard to the continent, which means that there will be increased employment there too (Lewis, interview 30/08/2011). In a short time Wal-Mart will employ more people than are currently employed by Massmart, due to its plans for expansion. As a result, for Lewis, the unions' arguments on employment numbers are weak (interview 30/08/2012). If other retailers are forced to close due to competition, then it is not the fault of Wal-Mart that those individuals become unemployed. This would just highlight inefficiency in the economy. Furthermore, if the retail industry is as competitive as everyone (Ackerman,

interview 06/10/2011; Lamberti, Interview 18/01/2012; Karamichael, interview 05/04/2011; Zourides, Interview 12/09/2011) claims it is, then this type of job loss is unlikely.

This is a very important issue, and yet it is tricky to establish what the nature of the jobs that will be created by Wal-Mart's arrival is. Although it is likely that there may be a net increase in jobs created, there may be a decrease in the quality of the type of job. Clearly, as highlighted above, the precarious nature of these jobs means that they do little for long term job growth and poverty eradication. And if these new jobs are at the expense of full time positions which are stable and provide workers with certain benefits; then this cannot be seen as a victory for employment. This is confirmed by Mbongwe (2011: 31) who questions the "number, nature and quality of jobs that will follow the ... merger".

In terms of Wal-Mart's reputation from the USA and its poor labour practices there, Manana believes that Wal-Mart will not continue in this vain, but will abide by the South African labour laws (interview 19/10/2011). In fact Wal-Mart will be forced to uphold the laws of this country in every area, the strength of our labour unions, coupled with Wal-Mart's reputation and thus the increased attention on the retailer, means that it is highly unlikely that Wal-Mart will be able to contravene the labour legislation. This reputation includes issues and investigations around transgressions relating to "child labour, wages and hours, discrimination against the disabled and numerous other issues" (Jansen, 2011: 8). It is for these reasons that the unions have contested the deal so vehemently. Manana states that "by their own admission, [Wal-Mart] said they will abide by the rules we have here" and that this is generally the case in the other countries in which they operate (interview, 19/10/2011). However, as highlighted above, although Wal-Mart states that it will honour existing union contracts, it remains to be seen whether or not there is a large increase in the use of labour brokers and if the number of contract and casual workers increases.

Lewis asserts that in terms of their arguments on industrial relations policies, the trade unions are correct in stating that Wal-Mart is anti-union and anti-women. Wal-Mart USA has always had a bad reputation, the onus was always on the giant retailer to prove that it won't do the same in South Africa (Lewis, interview 30/08/2011). However South Africa has very strong unions

and labour relations; so the firm would be sensitised on how to present a positive front to the public (Ibid.). Wal-Mart would not want to have any confrontation or negative sentiment from the public and would not want to be constantly engaged in disputes. However it is a weak position to take, to simply *hope* that Wal-Mart will be pressurised by consumer opinion into accepting and abiding by the letter of the law. Wal-Mart's history of labour transgression has been well documented by SACCAWU and the issues they raise are not confined to labour (Mbongwe, 2011). The issues of gender are also pertinent, as indicated by Abrahams, as most of the workers in the retail sector are an already disempowered and oppressed female group (interview, 30/01/2012).

SACCAWU was a minority union in Massmart and has now managed to gain representative status for the next three years, which means that the union will hopefully be able to use this position to protect labour and ensure that the law is not contravened (Lewis, interview 30/08/2011). According to Lewis (interview 30/08/2011) this is the first time the Competition Commission has imposed labour relations conditions on a deal. SACCAWU claims that even before the arrival of Wal-Mart in South Africa - indeed since Wal-Mart and Massmart began consulting in earnest in approximately 2007 - there was a souring and decline of relations between themselves and Massmart (Mbongwe, 2011). Prior to this, Massmart and SACCAWU had a 'cordial' relationship where agreements were reached between the two parties, and adhered to (Mbongwe, 2011: 24).

4.4 AN INVITING DESTINATION? THE EFFECT ON LABOUR

4.4.1 ATTRACTING INVESTMENT

The contradiction between organised labour and mobile capital plays out in numerous areas. If the perception is created that South Africa is a difficult place to do business due to its highly vocal and militant labour force, this will be detrimental to the country's global image and result in capital seeking alternate locations in which to operate. This is particularly in light of the increased global focus on Africa and the fact that, as Lewis states, capital would be likely to invest in South Africa due to our levels of infrastructure and sophistication of the economy (interview 30/08/2011). However if labour is seen as too powerful and if the time taken to invest

here is increased so dramatically by the intervention by unions and contestation in the Competition Tribunal, the relative attractiveness of South Africa decreases (Lewis, interview 30/08/2011). This results in a missed opportunity for the country to gain skills and job creating opportunities; however one cannot ignore labour issues either and it is necessary to strike a balance in this regard.

This issue has been raised countless times over the duration of the debate surrounding Wal-Mart's entry. Vianello, a well respected retail analyst, stated that "all reports on this deal have been negative. What South Africa is saying is foreign investment is not welcome here" (Vallie, *Business Day*, 29 March 2011-C). Further, Vianello expressed concern in March 2011, that Wal-Mart would walk away from the deal – clearly he was mistaken, as months later, Wal-Mart are still engaging with the Competition courts and other stakeholders (Vallie, *Business Day*, 29 March 2011-C). This reinforces Bride's position that Wal-Mart needed South Africa and so would be willing to accept a lengthy process and stringent conditions (interview, 02/02/2012). Newspaper headlines such as "Wal-Mart probe spooks foreign investors" (*Sunday Times* 15 May 2011) have not been uncommon and a leading Econometrix economist, Azar Jammine, stated that South Africa could not afford to have the negative perceptions which prevail about investment in the country as a result of the Wal-Mart hearing (Vollgraaff & Shevel, *The Sunday Times*, 15 May 2011). However the importance of the case is that as Bride (interview 02/02/2012) indicates, Wal-Mart's arrival may lead to other multinational retailers entering the country, thus the importance of Wal-Mart is that it will set a precedent for other multinational retailers (Xulu, *Financial Mail*, 27 October 2011).

Therefore it is important that the procedure was seen to be conducted properly, however there are concerns regarding the duration of the process. Abrahams indicates that it is not only international investors who are concerned about the length of the process, but also the unions themselves (interview 30/01/2012). This is due to the fact that Wal-Mart, with the millions of dollars at its disposal, has the ability to draw out legal processes, while the unions are financially constrained (Ibid.). As Abrahams states:

> of course we've got like [lists] senior counsel, senior counsel and an attorney and they've got three senior counsel, like four junior counsel and two attorneys... that

> moment is almost a metaphor for what we are up against, the big and the [small] (interview 30/01/2012).

4.4.2 A COMPLACENT LABOUR FORCE?

We have seen the figures regarding Africa's growth rates and potential, such as consumer spending expected to increase from, $860 billion (2009) to $1.4 trillion (2020) (*Trade Intelligence*, 2011), and although the rate at which the disposable income of the middle class is growing may be overstated, growth opportunities on the continent do exist. Apart from Wal-Mart being able to increase profits on the continent, the expansion of this global retailer into Africa provides Wal-Mart with a large mass of labour. According to Abrahams (interview 30/01/2012) west Africa has the potential to be the next industrial hub of the world, particularly as there is a "mounting disquiet" in China – which may result in China's labour force becoming increasingly expensive. This predicted growth provides South Africans with a unique opportunity to learn and gain skills, through learning from, and partnering with Wal-Mart as it expands on the continent.

However this expansion is also a further threat to South Africa's labour force and manufacturing sector. Products will become even more competitive if they no longer have such great distances to travel. However if South Africa is able to improve on its manufacturing capacity and produce quality goods competitively, the country's manufacturers will be able to begin to supply to numerous African countries through Wal-Mart. This is the area in which there is the need for a stronger link between labour and productivity in South Africa. As Ackerman (interview 06/10/2011) suggests, a shift to wages linked to productivity is necessary and overdue in South Africa. This would mean that there would most likely be an increased opportunity for workers to earn more, but still be guaranteed a basic wage and thus also benefit the employer and broader economy.

It is therefore vital that –in order to leverage off Wal-Mart's arrival in South Africa – the manufacturing sector improves dramatically and is able to compete. This is particularly in terms of the productivity of our labour force. This will require intervention on the part of unions and

employers in order to change the mindset and attitude of the workers, to assist the transition from a set wage, to a variable wage which will be dependent on the output of each worker. Depending on how this process is managed, it will either lead to workers being able to take home a higher wage, or to the workforce being more intensely exploited by capital.

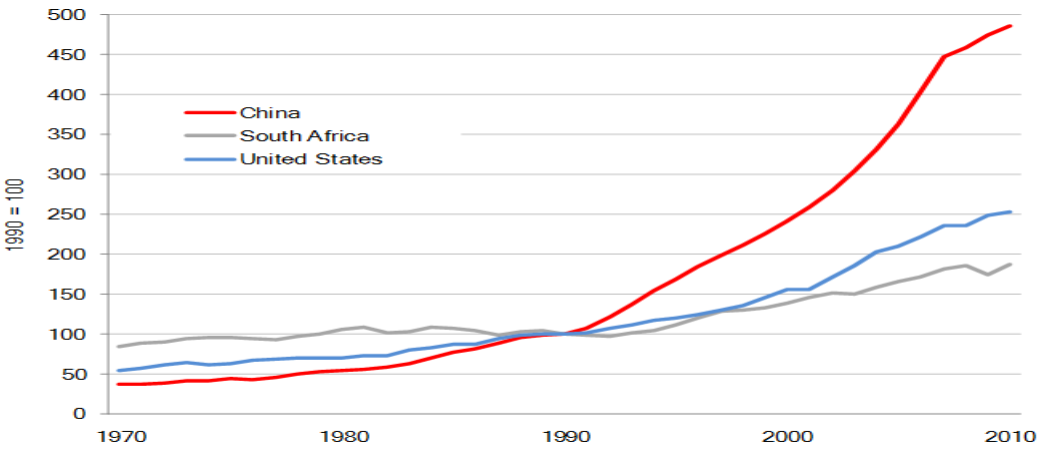


Figure 3: Labour Productivity in Manufacturing: 1970 – 2010 (Source: Saville, A. Cannon Asset Management, 2011)

It is clear from the above graph that the South African labour force is completely uncompetitive in global terms and that in order for our manufacturing sector to become competitive globally, or even become the most competitive option in the region, productivity needs to increase dramatically. South Africa's labour productivity, which was the highest of the countries compared in 1970 has only just managed to double in thirty years, while the USA and China, from a starting point below South Africa have increased five- and tenfold respectively.

4.4.3 THE TIPPING POINT - THE EFFECT ON LABOUR

In terms of the effect that Wal-Mart's arrival will have on labour – this is a highly contested area of debate. There are numerous arguments that can be made, however each one can be refuted and the antithesis claimed. There are certain areas in which labour will benefit, certain

ways in which it will be negatively affected, and areas in which the Wal-Mart effect remains unclear.

Labour in South Africa has been challenged and their rights have been eroded, almost since these rights were granted. After fighting against the apartheid government, and upon the realisation of democracy and rights, the shift in the macro-economic alignment globally led, almost instantly, to the demise of these newfound rights. The labour reforms which GEAR supports are attempts to deregulate the labour market and prevent wages from increasing beyond a certain point, and to promote the movement of capital within the free market (GEAR, 1996). The casualisation of labour and resultant increase in the prevalence of "sub-contracted, out-sourced [and] part-time employment" has led to the erosion of rights, wages and other related benefits for employees (GEAR, 1996: 17). As a result, GEAR aimed to implement the notion of 'regulated flexibility' in the labour market, which would preserve certain standards of employment (GEAR, 1996), but may simply have been an attempt to pay lip service to the unions' concerns while continuing with the pro-business policy. Although, according to Paton & Mjikeliso (*Business Day*, 26 January 2012), there may have been some job creation, it has not been substantial and Abrahams indicates that this may be due to the fact that one individual may accept employment, but realise that their wages do not justify the costs of – for example – transport, and thus quit the job (interview, 30/01/2012). Later, that same person may find that even the small amount of money gained by working is preferable to none and so return to their place of work – thus the number of jobs created may be escalated (interview, 30/01/2012). Abrahams refers to this as a 'revolving door' scenario of employment (interview 30/01/2012).

The unions claim that labour will suffer due to Wal-Mart's arrival and that there will be job losses as a result of the increased efficiency and streamlining of the supply chain (Vlok, 2011). This is due to the fact that Wal-Mart is able to bypass certain companies and refine activities in the supply chain, resulting in job loss. For Lewis, the resultant inefficiency is positive, as if the supply chain is not operating in a manner which means that it will be able to survive the increased competition then consumers should not have to suffer and pay higher prices for goods (interview 30/08/2011). However a Keynesian argument would contest this, highlighting the importance of labour intensive industries in creating employment and leading to growth. The main feature of Keynes's theory was the role of the state in guiding the economy (Stewart,

1986). It was important for the state, according to Keynes, to monitor the level of demand in the economy, and where necessary, to stimulate this demand (Ibid.). The large portion of unemployed, when provided with jobs, is able to promote "employment-intensive growth", which is particularly important in developing countries (South Africa's Expanded Public Works Programme, 2007: 8). Therefore this would indicate that – at times – a lower level of efficiency may be more beneficial for an economy, particularly where this economy is developing.

The question that unions are asking, and the issue that is being raised in terms of public awareness, is whether the labour that will be used in the Massmart/Wal-Mart stores will be permanent, contract or casual. This is an important issue, as contract and – particularly casual– labourers are generally very poorly treated and have no benefits or job security, as highlighted above, which is the result of policies that allow for regulated flexibility in the work place. This precarious work has increased in the retail sector, and although not be unique to Wal-Mart, should be prevented at all costs. This is particularly in South Africa where, as it is now evident, our large unemployed population means that the labour market is very flexible. However, as with procurement targets, the unions cannot attempt to simply regulate Wal-Mart, while the rest of the retailers continue with the practice of using labour brokers and highly flexible forms of employment, as this is systemic to the industry. However talks regarding precarious work have stalled in NEDLAC as the parties – government, business and labour - have been unable to reach an agreement on 'atypical' employment (Paton & Mjikeliso, *Business Day*, 26 January 2012). It will be interesting to see if these corporatist forums will be able to regulate Wal-Mart and reach consensus regarding what is and isn't permissible for the corporation.

Notwithstanding the above, the trend in the retail industry towards increased flexibilisation is such a pervasive issue that it has even resulted in unions accepting lower standards. This, coupled with corporatist bargaining structures can radically reduce workers' ability to mobilise. Webster et al. echo this, stating that "institutions of collective bargaining are now used to concession bargain, where workers agree to the re-commoditization of their labour under the threat of factory closures or lay-offs" (2008: 53). This is evident in the agreement that Pick 'n Pay has reached recently with SACCAWU, whereby it managed to save a number of jobs – up to 10 percent of its workforce – through the use of full- and variable-time employees (Gernetzky, *Business Day*, 2 December 2011). Quirk, the Director of Operations at Pick 'n Pay

stated that "we are satisfied that the benefits of the agreement will help all the stakeholders. With work-hour reductions the labour costs will come down, which will enable us to have the right people in the stores at the right time" (Gernetzky, *Business Day*, 2 December 2011). SACCAWU also stated that it was happy with the result as the most important issue for their members was 'job security' (Gernetzky, *Business Day*, 2 December 2011). This indicates that in a context of such high unemployment, even for the union, having a job is the first priority, and the quality of the job is secondary.

4.5 THE WINNERS – WAL-MART'S GOOD NEWS FOR CONSUMERS

Manana highlights that Wal-Mart's vision arose from Sam Walton's ideology of saving people money so that they could lead better lives, and Manana believes that Wal-Mart is the size that it is today as it was true to that ideology (interview, 19/10/2011). Therefore in terms of the South African consumer, Manana believes that they will benefit as a result of this ideology. "The Wal-Mart guys are very customer centric, they are always saying, how can we help the customer?" (Manana, interview 19/10/2011). This is supported in the print advertising that is distributed by Wal-Mart, but has not emerged as a general outcome of the contestation around the deal. The way in which Wal-Mart is able to do this is through its heightened efficiencies. It attempts to keep costs down in every area – from buying trips, the supply chain, to advertising, the distribution of goods and bypassing agents (Manana, interview 19/10/2011).

Bonakele raises a very interesting point regarding consumers. He highlights the way in which consumers –as a stakeholder – have not raised their opinion on the deal (interview 07/10/2011). He states that because Wal-Mart will result in lower prices for consumers, it would be expected that they would come forward and be positive about the deal and argue in its favour (Bonakele, 07/10/2011). However the silence of this group is perhaps due to a lack of organisation, or alternatively, a weak form of organisation. Perhaps because the deal is positive for consumers they are not inclined to act. However, although the unions accept that lower prices is a likely benefit of the Wal-Mart effect for consumers, COSATU does feel that "the extent of this benefit is by no means clear –Wal-Mart itself has not been able to put a number to this claim, only stating that it is likely (Dlamini, *Sowetan* 1 June 2011).

Furthermore, it is important to question the quality of the goods that Wal-Mart will bring in. As Lewis states, if goods are procured overseas, there are still importation and transport costs, which reduce the overall savings and therefore affect the shelf price of the item (interview 30/08/2011). One way in which these costs may be combated is through downgrading the quality of goods that are brought into the country. This will therefore adversely affect the consumer and will need to be monitored. The issue of quality is an issue which SACCAWU highlights in its summary of evidence presented to the Competition Tribunal (Mbongwe: 2011). Mbongwe highlights that one of SACCAWU's concerns is over whether or not Wal-Mart will result in consumers having access to the quality of goods that they require and need (2011). This is due to the fact that, according to SACCAWU, "lower quality products inevitably flood stores when price, rather than quality, becomes the only determining factor for retail selection" (2011:40). SACCAWU is against the lowering of the quality of goods sold as is evident in its publication "Quality Jobs and Quality Goods for the working class" (2004). Furthermore, according to SACCAWU (2004), the deregulation in the economy has led to a lowering of the standard of goods which are brought into the country, and these low quality goods are often dumped onto the poor communities.

As Bonakele (interview 07/10/2011) states, consumers are an important stakeholder and have the ability to exercise power. In Manhattan, Lewis (30/08/2011) highlights that citizens kept Wal-Mart out by popular pressure, but there is very little of that popular pressure in South Africa - because people are ill informed or because they welcome Wal-Mart's arrival. The South African communities who don't want Wal-Mart can fight it in each location as they did in the USA.

Manana states that it is the efficiencies; such as in the distribution of goods, inventories, and advertising; which Wal-Mart will bring that translates into lower prices for customers, but that will also have a positive effect on the local economy as it will force competitors to raise their standards (interview 19/10/2011). If there are certain areas within the local economy that are forced to become more competitive and efficient as a result of the 'Wal-Mart effect', then that is likely to spill over into other sectors, with positive effects. Wal-Mart also aims to open a large

number of new stores, which will result in job creation, and will be focusing on the Cambridge[6] stores (Manana, interview 19/10/2011). If local retailers are forced to become more competitive and raise their standards as indicated by Manana, this may assist in bringing better quality goods to the working class as SACCAWU would like.

Therefore in terms of the retail sector generally, its competitiveness, it seems that local retailers will be forced to further improve and take measures to become more competitive, and that Wal-Mart's arrival will accelerate any improvements in efficiency that were occurring. For consumers, the heightened competitiveness in the retail sector will be positive as it will result in lower cost goods being available. However Ackerman believes that this will be short-lived, and that the long term structural changes in the economy will be detrimental for consumers (interview, 06/10/2011). As briefly highlighted above, the shifts in procurement and changes in the supply chain, will mean that the way in which certain areas of our economy are structured will be altered. This is due to the fact that certain suppliers will be cut out of the supply chain, and replaced with direct imports (*Mail & Guardian*, 2 August 2011). Therefore, although this results in cheaper prices, it may also result in lower productivity and employment which are both negative for the economy and this will have a knock-on effect on consumers (COSATU, 2011-C).

Lewis, in speaking on the issue of consumers, states that the core of consumer protection would be to allow consumers to purchase goods at the lowest possible price, particularly for poor consumers (interview, 30/08/2011). Therefore any argument made against that would be detrimental for consumers, and therefore contrary to the Competition Commission's mandate. Lewis (interview 30/08/2011) is very clear in stating that the deal will benefit consumers. Rob Davies, Minister of Trade and Industry, recently stated that his view is in favour of the production sector and not the consumption sector (Lewis, interview 30/08/2011). But Lewis states that everyone is a consumer, even those who produce consume, so it is bizarre and irresponsible to ignore the consumers (interview, 2011). This is a view that is shared by

[6] Cambridge stores serve the lower LSM groups in South Africa. Selling largely bulk goods, but also an interesting range of products – such as single servings of tea. These are typical 'big box' stores that are located out of town and cater for small store owners. According to Wilson, Massmart states that they intend on opening up to fifteen new Cambridge Food stores "that are the company's main focus of retail growth as it takes on Shoprite in selling food to customers in the informal market" (2011: N.P.).

Barchiesi, who speaks of 'prosumers' – a concept that indicates that people fall between the two categories and neither simply produce, nor consume (2011).

The area in which Wal-Mart competes is not the wealthier consumer, or the top end of the wealth pyramid, but rather will be most active at the bottom end of the market (Ackerman, interview 06/10/2011). Therefore in terms of competition with the Pick 'n Pay group, the effect of Wal-Mart's arrival will immediately be felt in their Boxer[7] line of stores. However this is positive, particularly for the poorer consumers, who – it seems – will benefit almost immediately from lower prices.

In terms of the South African consumer, Karamichael (2011) believes that Wal-Mart will have a difficult time entering the market and gaining favour with customers. He believes that Wal-Mart's arrival will definitely 'shake up the industry' (Karamichael, interview 05/04/2011). However Karamichael is sceptical about Wal-Mart's ability to win consumers over, particularly if they begin to import a large number of goods that South African consumers are not familiar with (interview 05/04/2011). Therefore even if they are able to win on price and stock products that are more competitive than the 'traditional' South African retailers, the 'brand loyal' nature of the South African consumer means that the global retailer may still struggle. However this comment was made before Wal-Mart began its large sales that occurred over a number of months – and the goods that are advertised for these promotions are the same brands as prior to the merger.

Karamichael states that:

> it is very difficult for [Wal-Mart] to change the market, if you take Coca-Cola, its 90 percent of the market, ... If you [are going to] sell washing powder you can have anything you want at any price, they'll buy Skip. So there are very strong, entrenched [brands] in South Africa (interview 05/04/2011).

[7] This is a competitor to Massmart's Cambridge stores. It is also aimed at the lower LSM groupings in South Africa and is a wholesaler, thus specialising in bulk goods.

However what this perhaps fails to consider is that Wal-Mart may be able to get the same brands that the South Africa consumer wants, but at a lower price due to their efficiencies in the supply chain, and the way in which they are able to cut costs in that area. Furthermore, Lamberti stated that Tide washing powder is the world's most popular brand and that there is a chance that Wal-Mart will be able to introduce this into the South Africa market and offer the consumer more choice (Interview 18/01/2012). Therefore, through correct advertising on specific products, there may be a successful increase in non-traditional brands being sold in South Africa. It will be interesting to monitor this and see if the product range and quality does change as a result of Wal-Mart's arrival.

Karamichael (interview 05/04/2011) believes that local retailers would most likely leverage off their history in South Africa and ensure that they do not let their market share get eroded. It is also held that the lower Living Standard Measure (LSM) consumers tend to buy more expensive goods that last or that they are certain will work, as they are not in a financial position to purchase a less expensive item that is ineffective (Karamichael, interview 05/04/2011). Therefore even in the informal sector, this brand loyalty may be a feature.

Zourides (interview 12/09/2011) shares the view of other interview respondents, such as Lamberti, Lewis, Manana and Bonakele, that consumers will benefit from lower prices that Wal-Mart is bound to bring, and the spill over effects of the increased competition. Interestingly, Zourides states that the South African consumer should be aware of issues around the quality of goods that are sold and should "make use of the Consumer Protection Act to fight for a better 'value for money' policy by certain retailers" (interview 12/09/2011). This is very interesting and indicates that the cost cutting strategies used may not be in the supply chain alone and through increased efficiency, but also through an inferior quality of item which is bought and sold. South Africa consumers are well protected by a high standard of legislation, and this may play a pivotal role in mitigating the less favourable of Wal-Mart's effects.

4.5.1 WILL CONSUMERS BENEFIT FROM CHEAPER GOODS?

This is a very important debate, particularly in a country with such a large proportion of the population living in poverty. In December 2011 it was reported that food prices increased by 10.6 percent in 2011, compared with just 1 percent in 2010 (Payne, *Mail & Guardian*, 9 December 2011 -A). This translates into 36.4 percent of the average monthly income of the poorest 30 percent of South Africans (Food Price Monitor report: National Agricultural Marketing Council 2011: 1). This is an incredibly high percentage, and the effect of these rising food prices is exacerbated by the fact that there is such a high level of unemployment in South Africa currently.

Therefore if Wal-Mart's arrival can kick-start an increase in efficiency and competition then it will force the other retailers to ensure that they are giving consumers the best and lowest possible price for goods. Payne (*Mail & Guardian*, 9 December 2011 -A) highlights that in the Food Price Monitor report there were large price variations, and price increase variations between retailers. For example, 750ml cooking oil increased by 75.9 percent, 22.41 percent 27.81 percent, 26.1 percent, and 38.4 percent at the various retailers - who are not named (Food Price Monitor report 2011). Similarly, the price of the cheapest chicken increased by 13.2 percent, 20.5 percent, 5.59 percent, 17.32 percent, and -0.25 percent (Food Price Monitor report 2011). This seems to indicate that the sector is not as competitive as it claims to be, and that perhaps – due to the major retailers having an oligopolistic hold over the majority of the market – consumers have been paying more than they should have. The variations and disparity in the price increases across the range of products indicates that these are almost whimsical price hikes – unrelated to the market. According to Gunnion and Patterson (*Business Day*, 26 January 2012), rising food prices assisted retailers such as Massmart and Shoprite to raise their profits. Clearly, if one retailer is able to decrease the price of a product, while others are increasing it at an average of 14 percent, the market is not as competitive as it claims to be.

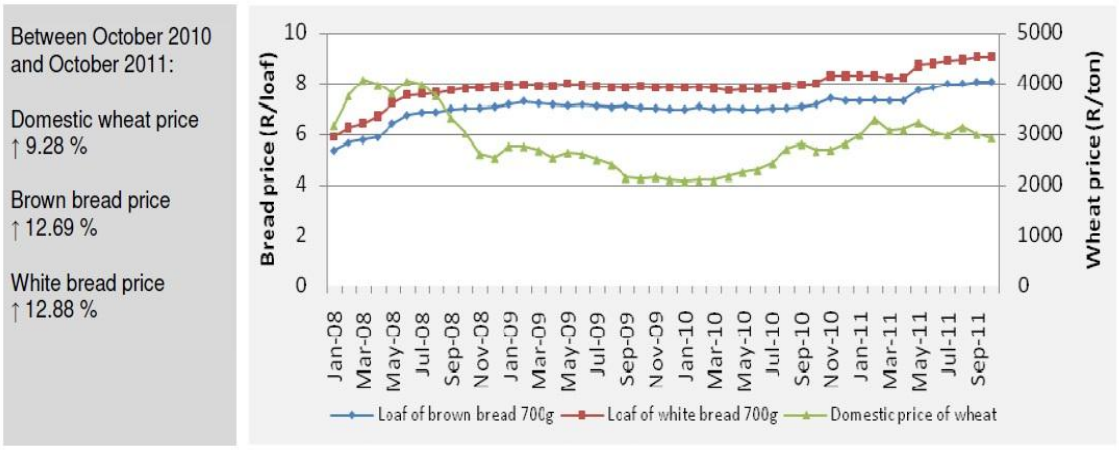


Figure 4: Domestic (SA) market wheat price and bread price trends (Stats SA & SAFEX 2011 in Quarterly Food Price Monitor: National Agricultural Marketing Council. November 2011.

As is evident in the above graph, bread prices continue to increase, despite the price fixing controversy in 2010 and the price of wheat falling since January 2011. If Wal-Mart is able to undercut these prices, which are clearly not based on the real price of wheat, this will be a definite boon for consumers. This is particularly due to the fact that a product such as bread forms part of the staple diet of many South Africans and so exploiting gains in this area is exploitation of the poorest South Africans.

In a consumer perception survey completed by Massmart and Wal-Mart, a reported "76 percent of the respondents said they believed Wal-Mart's presence would be good for prices" (Author unknown: I-Net Bridge in *The Times*). Massmart had two campaigns in 2011, where they had sales that ran for ten weeks, which – as stated by Manana (interview 19/10/2011) – were aimed to test consumer's reaction to EDLP. According to Pattison (in Lefifi, *Business Day*, 15 May 2011), the level of transactions often increased in the second month of the promotion, which indicated that this strategy was something that the consumers liked and reacted to positively. This is in contrast to the 'high-low' pricing strategy which South African consumers are used to, where goods go on sale for a short period of time only. Furthermore, in the first ten week 'price-cut promotion', the "two million food and 230 000 general merchandise items sold during the promotion were all produced in South Africa according to Massmart/Wal-Mart's claims (Naidoo, *Mail & Guardian*, 4 November 2011-A). It is interesting that Massmart can claim this here, as Abrahams stated that when questioned about levels of local procurement in the Competition Tribunal, Massmart claimed to be unable to answer (interview, 30/01/2011).

Furthermore these prices may not be slashed to the extent that Wal-Mart/ Massmart have led the public to believe. In a comparison of prices from Massmart's first ten week price cut promotion, with a Pick 'n Pay store and a Shoprite: House and Home Store – both in Johannes burg – reveals that Massmart may have been charging significantly higher prices prior to the merger (Shevel, *The Sunday Times*, 26 June 2011-B). For seven of the eight products listed, the Massmart pre-sale or standard price was higher than that of its competitors (Shevel, *The Sunday Times*, 26 June 2011-B). Therefore the reduced prices were lower, but generally only slightly, than those of its competitors (Shevel, *The Sunday Times*, 26 June 2011-B).

4.5.2 WATCH OUT WAL-MART.

Contrary to the above, there was a very clear consensus among respondents (Lamberti 2012, Manana 2011, Lewis 2011) that the South African retail sector is very strong and competitive and that the arrival of Wal-Mart will not likely affect these retailers too soon. Wal-Mart will have to fight to gain market share and an increased number of customers. The local retailers will attempt to leverage off their local histories in South Africa and attempt to build consumer loyalty. This is, in my opinion, particularly the case with the FoodCo stores at Game. Game is not a traditional food store, and many shoppers are loyal to the major local retailers, so it may be difficult for this store to gain market share.

According to Naidoo (*Mail & Guardian*, 4 November 2011-A), the South African food retail market is R220 billion in size and Shoprite "owns about 36% of the formal market and is growing". Shoprite is followed by Pick 'n Pay and Spar – each with 28%, Woolworths Food with 8% and Wal-Mart's Cambridge stores with approximately 2% (Naidoo, *Mail & Guardian*, 4 November 2011-A). Shoprite is the largest retail chain, and Pick 'n Pay struggled in 2011, however it is implementing a number of measures to attempt to increase profits and market share. Naidoo also highlights that the "food retail market is highly concentrated, with five main players accounting for about 60 percent" (*Mail & Guardian*, 4 November 2011-A). Whereas Vianello believes that Wal-Mart may take as long as twenty years to penetrate the food retail

space and gain market share, Gilmour states that Wal-Mart will have an almost immediate major impact on the sector (Naidoo, *Mail & Guardian*, 4 November 2011-A).

Shoprite in particular has been preparing for international competition for a number of years, according to Vianello, and therefore is armed to take Wal-Mart on (Naidoo, *Mail & Guardian*, 4 November 2011-A). However Gilmour believes that the effect of Wal-Mart's buying power may be underestimated and their programmes to develop local suppliers will result in cost cutting locally (Naidoo, *Mail & Guardian*, 4 November 2011-A). Marrs reports that for O'Carroll –Managing Director of Nestle South Africa –Wal-Mart's arrival would "help keep suppliers on their toes (*Business Day*, 6 May 2011). This was in an interview where O'Carroll also revealed that FMCG (Fast Moving Consumer Goods) producers are aware that their costs are higher than those of their competitors, and that Wal-Mart would force them to become more efficient, and could be "the catalyst that [is] needed" (Marrs, *Business Day*, 6 May 2011).

Bonakele believes that it is necessary to engage with the large food producers such as Tiger Brands and Pioneer foods and have conversations with them regarding the cost of goods which are produced (interview 07/10/2011). A further example of this is that not even the informal or independent traders source all of their goods locally. In conversation with a Pakistani store owner, who has moved to South Africa and operates in Diepsloot, he revealed that he procures all of his electronic goods from China. This is due to the cost of the goods being cheaper when imported from China, as compared to the electronic goods that are available within South Africa. It is thus necessary to hold a conversation with the government and trade unions, regarding the costs of inputs and of labour. Therefore it is important that these issues have been raised by the arrival of Wal-Mart.

Initially it seems that even Massmart/Wal-Mart itself was claiming that its presence would be immediately felt, and that it would be aggressive in its implementation of the Game FoodCo stores and grocery chain. Massmart claimed that with Wal-Mart's expertise in fresh produce they would be able to make large gains in a short time in this sector. However in November 2011, Pattison stated that "there will be no benefits from Wal-Mart this year and the earliest we may start seeing fruit from the transaction is 2013" (Vallie, *Business Day* 24 November 2011-

A). The increased costs that Massmart/Wal-Mart will incur in establishing the increased number of outlets and in developing the supply chains for fresh goods may result in Massmart growing at a slower rate than initially expected (ibid.).

The strength of the South African retail sector, as well as the fact that many retailers were expecting that, at some point, they would have to compete with an international retailer, means that the industry and retailers are ready for Wal-Mart's arrival. As highlighted by Lamberti, Massmart had prepared itself for a number of scenarios – including the arrival of an international retailer who purchased it, and an international retailer acquiring one of its opposition retailers (interview 18/01/2012). Furthermore, as Ackerman highlighted, Pick 'n Pay – and most likely the other retailers – have attempted to learn from Wal-Mart in the past with the result that they are ready for battle with the retail monolith (interview 03/10/2011). As Lamberti highlights Wal-Mart were not threatened by Massmart as Massmart were not going to enter the USA, thus Wal-Mart willingly shared their expertise (interview 18/01/2012). This learning will continue and no doubt increase, which will mean that the entire industry will become increasingly streamlined, and therefore be able to bring lower prices to consumers.

Having said this, there is still much tension surrounding the Wal-Mart/Massmart deal, with opposition retailers beginning to sweat. According to Moorad (*The Times*, 13 May 2011-C) the director of Shoprite's food buying and imports stated that "if Wal-Mart entered the local market, Shoprite would have no choice but to rely on cheap imports to compete". Cynical as this view may be, this claim may simply be an attempt to justify a pre-planned move to a higher percentage of imported goods by the retailer. Furthermore Shoprite CEO, Whitey Basson asserted in February 2011 that "if need be, we will close down a South African pasta manufacturer in three months if we can import their product cheaper to compete" (Moorad, *The Times*, 13 May 2011-C). Both these statements, although possibly exaggerated for their media audience, clearly highlight the potential knock-on effects of Wal-Mart's arrival. In terms of consumers – particularly for those who are impoverished - "it is estimated that goods will be 7 - 12 percent cheaper than similar products", which is obviously a positive thing for this group (Shevel, *The Sunday Times*, 22 May 2011-A). It therefore remains to be seen if local retailers will be able to compete with Wal-Mart and give challenge them – as is expected; or if Wal-Mart

will highlight a complacent oligopolistic retail sector which has been exploiting South African consumers for years.

4.6 WAL-MART THE SCAPEGOAT? THE CONTESTATION AROUND THE LOCAL ECONOMY.

Wal-Mart provides us with a unique opportunity to assess where it is that South Africa is weak as a country, and to attempt to develop these areas.

The nation state is still an important point of reference as, despite the advances in globalisation, and the increase in the level of interconnectedness of states and regions, the state is still critical in the regulation of globalisation. This is evident in the way in which the South African government departments have attempted to constrain Wal-Mart's ability to repeat certain of its less favourable actions, as is apparent in Wal-Mart's international ventures. Furthermore, there is – as a response to globalisation – a simultaneous retreat into national boundaries and identities, and growing primacy of the 'local', which may also be a factor at play in this contestation. The increased interconnectedness of the world means that, individual cultures, identities and the relevance of the nation state are all being eroded. This can lead to a backlash and revival of these identities in a powerful way – which can manifest in many ways, including Xenophobia and nationalism.

The arrival of Wal-Mart, and its exposition of the areas of developmental weakness for the country, may lead to more positives for South Africa than just growth. The retail monolith may be a catalyst for action. Wal-Mart's arrival and the baggage that it arrives with –in terms of negative perceptions about its labour practices in the USA- will also raise awareness in the public eye regarding issues around the working class. The issues of race and gender and the way in which black people and women, already marginalised groups in South Africa, are treated by Wal-Mart and large corporations are now pertinent for ordinary consumers, and not just those in the organised labour and retail space. This is highlighted by Jarvis in stating that "the good thing about Wal-Mart was that it was big enough, nasty enough, and aggressive enough to make the

problem ... clear" (in Klein, 2005:422). Although he was speaking on keeping Wal-Mart out of a particular US town, the sentiment is true in South Africa as well.

4.6.1 EXPOSING WEAK AND POORLY IMPLEMENTED POLICIES

South Africa is torn between the contradictory visions that it holds of itself. On the one hand, it promotes itself as a first world country that is able to host extravagant sporting events, and a country consisting of 'world class African cities'. However it also comes across as a developmental state, which is in need of careful and focused strategies to develop and grow. The country has a very advanced formal economy, and a vibrant stock exchange. As stated in the New Growth Path, the South African economy "remained one of the most inequitable in the world. In the mid-'00s, some 40 percent of the national income went to the richest 10 percent of households. Deep inequalities were associated with extraordinarily high levels of joblessness" (New Growth Path, 2011:3).

This leads to inconsistency in the policy direction that the country takes. With the antagonistic needs of the various parts of the country, the neo-liberal policies that the country has pursued are not conducive to job creation and are not aimed at a slow, but steady and solid creation of a foundation off which the entire economy can grow. Rather there are opposites on the spectrum – and Wal-Mart's arrival highlights this. Due to the fact that the formal retail space is modern and efficient (Naidoo, *Mail & Guardian*, 4 November 2011-A, Lamberti interview 18/01/2012), as well as the opportunities in terms of markets and labour on the continent (Bride, interview 02/02/2012) South Africa was able to attract a large foreign investor. This is also positive in terms of FDI which the country aims to earn and attract. It is interesting to note that Abrahams questions whether this should be considered FDI, or if it is simply the purchasing of value which had been created in Massmart (Interview 30/01/2012). However due to the dualism of the economy, the positives are negated by a host of detrimental consequences. It is vital that South Africa reassesses its trajectory and the way in which it hopes to achieve growth and job creation. According to Vavi the country has 7 504 000 unemployed people, which is higher than countries comparable to South Africa (2012). The country is also the most unequal in the world, with almost half of the population living in poverty (Vavi, 2012). This dualism and misdirection in policy is evident in the way in which certain government departments were

against the deal, whilst at the executive level government was in favour of Wal-Mart's arrival (Motlanthe, 2011).

In a presentation by Minister Trevor Manuel on the National Planning Commission (NPC) document at GIBS in November 2011, Minister Manuel discussed a number of policy and government shortfalls. The National Development Plan vision for 2030 is a document which is pro-poor, aims to achieve social solidarity, non-racialism and non-sexism (Manuel, 2011). Manuel states that there are a number of important issues for the country to consider, and that "tilt of the global economic centre of gravity from west to east, it will be a feature, [yet] how much of a feature" is not yet clear (Manuel, 2011). Therefore for the NPC and Manuel, much of South Africa's thought on policy is now shaped by the debt crisis of Europe and the deep rut that the US economy finds itself in (2011). This is a highly important point as this has altered the fabric of society, the way in which economic and social policies are viewed, and altered thinking on the correct direction that the global economy should take from this point onwards.

It is thus necessary that the South African government alters its perceptions and illusions of grandeur and reins in its expectations of success on a global scale and recognition as an important global player. While it is important to continue ensuring that there is economic growth, the type of growth achieved is more important than the rate of growth. It is far more favourable in the long term to have slower economic growth, that creates jobs and is more equitable, and which results in a general improvement in the living conditions and levels of education of the majority of the population. This will reduce the long term cost to the state of supporting a large unemployed population, and so will create the conditions for a high-growth, highly skilled, competitive economy.

Motlanthe stated that focus of the government, as set out in the 2011 Medium Term Budget Policy Statement aims to respond to the global financial crisis by directing more funding and attention to investment in "the productive capacity of our economy so that it can be more competitive and create more jobs" (Motlanthe, 2011: 3). This, coupled with the NGP, although overdue, is a positive sentiment and is a necessary move in the right direction for South Africa. If the government's stance is welcoming towards mergers and acquisitions, and if more

international companies start to enter South Africa, then it is important that we urgently begin to develop this capacity. However, as highlighted above, there is concern from SACCAWU regarding the type of jobs that will be created – if any (COSATU, 2010).

4.7 THANK YOU WAL-MART

4.7.1 THE BAND-AID, PROTECTING A WEAK SECTOR

The South African manufacturing sector is weak and has been for a number of years due to the effects of the changes in the structure of the South African economy. Abrahams states that the unions are not contesting this and that they are not defending the government, as the government needs to be accountable for the effect that its policies have had on the country (interview, 30/01/2012).

According to Mbeki (2011, in Steyn *Mail & Guardian*, 14 October 2011), once South Africa joined the World Trade Organisation in 1995, "industries were subjected to competition before they were ready to fend for themselves against cheap imported goods". This resulted in the country's productive capacity being eroded, and as stated by Makgetla (2004), where there is growth in the sector, it is often due to increased productivity through the use of improved techniques or machinery and not increased job creation – in fact often the opposite may be true, and job shedding may occur.

Global manufacturing output was decreasing from September 2011 until December 2011, and it was reported that in China, France, Germany, Spain, India, Russia and Japan there were declines in manufacturing activity (Cable and Kaiser, *Business Day*, 4 October 2011; and Cable, *Business Day*, 24 November 2011). However for this same time period, the manufacturing activity in South Africa was increasing. "The readings suggest that factory output expanded in the fourth quarter of this year, after two quarters of contraction" (Isa, *Business Day*, 2 December 2011). Isa also states that before this period, there were a number of strikes which had a negative effect on production, and therefore this may have an effect on the increased production levels (2011). This highlights another issue in the manufacturing sector – which is the

contradiction between a strong and well organised labour force, and highly mobile and aggressive capital. Capital will not be inclined to invest where they are likely to suffer from large-scale strikes which reduce output.

It is the view of key players like the Competition Commission that Wal-Mart will not 'have its own way' in South Africa as other retailers are not uncompetitive (Lewis, interview 30/08/2011). Local retailers are doing well, and, according to Lamberti (interview 18/01/2012), have the ability to compete on an international stage, and indeed already are. However the sheer size of Wal-Mart means that the global retailer is able to outcompete – as highlighted in the example that Wal-Mart is sixty times the size of local retail leader Shoprite (Bride, interview 02/02/2012).

This is definitely a case of David and Goliath. But Lewis still believes that Wal-Mart will have to work very hard to grow its market share, will need interesting strategies to do this, but will simultaneously have a positive impact in terms of competition in the retail sector (interview, 30/08/2011). Furthermore, suppliers to Massmart will now have access to the global supply chain. Manana (interview 19/10/2011) highlights how in Chile, local products are now being exported as a result of Wal-Mart's arrival. Hopefully, through its R100 million supplier development fund, as well as its partnership with Raizcorp, this is something that will occur in South Africa as well. Wal-Mart is also interested in expanding into Africa, which is one of the reasons that Manana (interview, 19/10/2011) believes that Massmart was targeted by Wal-Mart. This expansion into Africa has the potential to benefit the South African local economy through increased exports – as highlighted above. It is, however, unclear as to how many people this will affect.

For Ackerman (interview 06/10/2011) Wal-Mart's arrival is "not in itself a major change" as the South African retail sector is competitive, even globally (Ackerman: interview 2011). However, the Democratic Alliance (DA) claims that Wal-Mart's arrival will "promote much-needed competition in the retail sector" (Moorad, *The Times*, 11 June 2011-C) "Major retailers such as ourselves [Pick 'n Pay] are not going to allow Wal-Mart to come in and eat our breakfast, so to speak" (Ackerman, interview 2011). The strength of the local retailers is also tied to their

history in South Africa, and according to Karamichael (interview 2011); their ability to succeed going forward relies on "looking after your own environment, people and I think that's the thing with South African culture, ... a lot of campaigns will focus on the local, local is better, support local communities and local products". Because Wal-Mart is operating with Massmart, there is a chance that this link could be made; however the 'Massmart' brand – and those of its divisions – although they do have history in South Africa, are not as resonant as other retailers. They also have not really exploited this link to the community in advertising in the past.

Ackerman highlights that the manufacturing sector in South Africa will be adversely affected as a result of Wal-Mart's arrival. This is due to the fact that Wal-Mart has a "huge huge sourcing operation in China for example. And our workers are going to have to compete with the Chinese workers to put product onto shelves in South Africa" (Ackerman, interview 06/10/2011). According to Ackerman (interview, 06/10/2011), Pick 'n Pay has already begun to alter its sourcing practices. Whereas in the past, there was a greater effort made to source goods locally, or to import goods using a South African agent, this will now – and increasingly in the future – change. Their focus will now be finding the best price for a product on their shelves and it "doesn't matter where it is from, [we will] ... look at the global sourcing, so the impact of that is going to be fairly substantial on the South African market" (Ackerman, interview 06/10/2011).

Notwithstanding the above, as Bonakele highlights, the manufacturing sector in South Africa has been in decline for a long time now, so why is there now such a passionate attempt to protect it (interview 07/10/2011)? This has been a general critique of the contestation against Wal-Mart's arrival, and a number of sources have been rather scathing of Minister Patel in particular, for what has been labelled a very narrow focus on a sector in decline. Moorad (*Bizcommunity*, 6 January 2012) concurs with this, derisively stating that the ministers were "spooked by Wal-Mart's herculean ability to topple its local procurement master plan of manufacturing-and-production-based economic growth". Perhaps this is a tactical move which aims to influence policy at a level which Minister Patel would not be able to otherwise. Wal-Mart arrives – as the global enemy of labour – and provides an opportune moment for the Minister to push his agenda. For Pressly, the courts will – in this case – "play a guiding role in the economic direction which South Africa will follow" – more so than the ruling ANC (*Business Report*, 8 January 2012).

This is echoed by Vavi who stated that there was concern regarding the manufacturing sector and labour, as a result of the procurement policies the retail giant would implement (Chilwane, *The New Age*, 21 December 2011). Ackerman states that the South African wage rate is high in global terms and that our labour force is very unproductive (interview 06/10/2011). Therefore there is a need, in Ackerman's opinion, to alter the way in which wages are paid, to shift from purely a wages based system, to a piece rate type of payment system. Although not an advocate of starvation wages, stating that it is important to pay good wages, Ackerman believes that there should be a greater push towards increasing productivity. Although SACCAWU (Mbongwe, 2011) states that it is not averse to increased productivity from workers, Ackerman disputes this stating that "the South Africa union movement does not encourage [increased] productivity ... in any way whatsoever" (interview 06/10/2011).

The recent shift in the textile industry, which alters the wages which new textile workers entering the sector earn, is a result of the increasingly competitive pressure on that industry. As highlighted by Phakathi (*Business Day*, 6 October 2011), new employees will earn thirty percent less than their experienced counterparts, in what has been called a 'landmark deal' between employers and SACTWU (South African Clothing and Textile Workers Union). With the deregulation of the industry in the post-Apartheid era, the textile industry suffered greatly and almost closed completely, losing at minimum fifty thousand jobs between 2001 and 2011 (Phakathi, *Business Day*, 6 October 2011). Therefore this move is designed to attempt to revive the sector and create jobs. However in the retail industry, and in manufacturing, it is important to take steps to avoid the virtual crumbling of the sector, before steps are taken to ensure that it survives and competes.

Pick 'n Pay has recently been improving its structures, creating large distribution centres and generally attempting to streamline the way it is run. Moorad highlights that Pick 'n Pay reported a forty percent decline in profits, and in July planned to cut 3137 staff members as a result of poor performance (*Bizcommunity*, 6 January 2012). According to Ackerman the plan regarding distribution centres and restructuring was not the result of Wal-Mart, but was necessary for the business and was planned before Wal-Mart arrived in South Africa, or was even rumoured to be

coming here (2011). For Ackerman, these new systems and distribution centres will assist in the retailer becoming increasingly competitive in terms of both local retailers and the global giant, Wal-Mart.

4.7.2 ANOTHER KNOCK FOR THE INFORMAL SECTOR

The arrival of Wal-Mart in South Africa has led to concern that small scale, independent and informal traders will be adversely affected by the low prices that Wal-Mart will be able to secure. According to Mbongwe (2011) the wholesale and retail sector is the fourth largest contributor to South Africa's GDP and employs approximately sixteen and a half percent of the active workforce - of which forty seven percent are in the informal sector. Therefore while large retail chains control eighty percent of the market, the bulk of the sector is small, independent and informal traders (Mbongwe, 2011). If this sector is detrimentally affected by Wal-Mart's arrival, it will have dire consequences for the already impoverished communities in which these informal retailers operate.

The Diepsloot mall was resisted by some of the local spaza shop owners who felt that the mall would negatively affect their business and result in them losing customers, however it still opened. The same can be said for the Maponya mall which was built in Soweto. The building of malls in townships like these, highlights a trend towards centralisation in the retail industry. Lamberti confirms this, highlighting how, since 1995 the industry has become increasingly centralised (interview, 2012). There has been protest against the opening of these malls in Kwa-Zulu Natal at the Bridge City Mall, (Magwaza, *The Mercury*, 29 October 2009). This is further explained by Mbongwe who states that (2011: 11) "SACCAWU has observed the increase in insolvencies and liquidation of smaller and independent players, resulting in increased concentration in the market, in recent years", as formal retailers increasingly enter areas in which the informal sector would have dominated (Wilson, *Business Day*, 1 June 2011).

The competition is not simply in terms of goods sold, but also related services. As Abrahams indicated, Cambridge stores now offer a transport service for individuals who purchase a certain amount of goods – as this is often a limiting factor due to transport issues (interview

30/01/2012). However this displaces the locals who used to offer this service for a small fee to shoppers, therefore having a detrimental effect on their livelihoods. When I visited the Cambridge store in Thembisa, it was very interesting to note the difference in stock and the different quantities available in this store, to what would be found in a Makro store. I found there to be a strong link between this store and what I had read about Wal-Mart in South Korea, and the issues that arose there. This is due to the fact that the store was stocked with a large percentage of bulk goods and yet ninety percent of the consumers did not have their own transport and the store was not located in particularly close proximity to the town. However my later conversation with Abrahams (interview 30/01/2012) revealed that there are these transport services mentioned above. This highlights that Wal-Mart has obviously learnt from their failure in South Korea and made the necessary adjustments.

Furthermore as highlighted above by Philip (*The Sunday Times*, 5 June 2011), for every retail store that opens, more than one hundred informal retailers are forced to go out of business. This indicates that the effect of – not only Wal-Mart's proposed growth, but also the growth of local retailers, will be detrimental to the informal sector. In Mexico, it was clear that there was increased centralisation after Wal-Mart's arrival (Tilly & Galvan, 2006 and Durand, 2007). According to Naidoo (*Mail & Guardian*, 4 November 2011-A), Shoprite aims to establish 74 new Supermarkets stores between November 2011 and July 2012, with only ten of these stores being located outside of South Africa. This is in comparison with only 21 Massmart stores in the same period. Therefore, it seems that it is not Wal-Mart that is the largest threat to local jobs and the viability of the informal sector. Rather, Shoprite, which has been on an expansion drive for a number of years, is leading the charge. The problem will be heightened by Wal-Mart's arrival, and a possible scurrying to open new stores in as short a time as possible to secure market share, but this is an existing trend in the South Africa retail sector. It is for this reason that Abrahams states that they are not against Wal-Mart's arrival because they are in favour of Pick 'n Pay or Shoprite (interview 30/01/2012). Rather they are contesting these issues already, but that these will be heightened with Wal-Mart's arrival.

However, as is now clear with the arrival of Wal-Mart in South Africa, there is much dualism. Where there is a positive aspect, there is also a negative argument. If the informal sector relies on the formal retail sector to source their goods, when they are given the opportunity to source

cheaper goods, then – as highlighted above with the Diepsloot Spaza shop case – perhaps these small businesses will be able to earn more. As well as this, if shoppers are able to take advantage of free transport provided by Cambridge stores, then this could positively affect them. Alternatively it may lead to shoppers spending more in order to access this 'free' service.

Furthermore according to the FinScope South Africa Small Business Survey 2010, "retail businesses are more numerous and younger, and more people who lose their jobs or cannot find formal employment tend to go into retail businesses" (in Payne *Mail & Guardian*, 14 October 2011-B). This highlights that the informal retail sector is active and that – due to low barriers to entry – there is a large group of people who are involved in this sector. As a result of Wal-Mart's arrival and expansion, those who used to turn to the informal retail sector in order to attempt to make a living, may now be pushed out as they are unable to compete with Wal-Mart's low pricing and expansion drive that appears to be targeted at this vulnerable sector. My hope would be that any savings would be passed on to consumers in this setting. The legacy of apartheid, coupled with the poorly informed macro-economic policies since 1996 has led to many residents supporting numerous people who have no work. In one case a woman was looking after twelve orphans, and if the money that she received could be stretched a little further due to lower prices, this would be a positive thing.

4.8 EXPANSION INTO AFRICA: A LOOK AT THE AILING WESTERN WORLD AND GAME

4.8.1 AFRICA: THE NEW MARKET

According to *The Witness* (1 June 2011) it is predicted that the population on the African continent will likely double by the year 2050 and that this will be accompanied by an increase in disposable incomes. This therefore means that there is space for retail to grow. According to the New Growth Path, "Africa's importance has also grown in recent years, as a source of resources and a potential market with one billion consumers as well as one of the fastest-growing regions in the world" (NGP, 2011:4). There has thus been a flurry of investment in the continent from numerous global companies, and it seems that the time to invest and establish a presence in the

continent is now. Shoprite have been on the continent for a number of years and has been very successful in pursuing its 'Africa strategy'.

The spotlight on Africa is a key factor, globally and for South Africa. Minister Manuel states that the resurgence of Africa is of fundamental importance (2011). It is not simply a market for other peoples goods and services and it is also no longer the 'dark continent' that is only good for the minerals that lie beneath the soil (Manuel, 2011). This again ties to South Africa's positioning as the gateway to Africa, and attempt to maximise that position as a result of its relatively good infrastructure, a large and sophisticated economy, and very sound institutions (World Bank, 2011). South Africa is thus a very attractive investment destination on the continent. As Lewis (interview 30/08/2011) highlights, there are bigger markets on the continent, and markets that are far less penetrated; however it is the above factors that result in investment coming to South Africa. "Consequently the relative attractiveness of Nigeria –for example - increases if the unions in South Africa do not use the Labour Relations Act to look after themselves and continue to fight through the Competition Commission" (Lewis, interview 30/08/2011). According to Pattison, speaking on a conference call to journalists, Massmart has identified a number of new locations in Africa in which they plan to operate – including Nigeria, Senegal, Angola and the Democratic Republic of the Congo (The Witness, 1 June 2011). This is in addition to the 13 other countries in which Massmart currently operates (Polity, 2011).

Pick 'n Pay, among other retailers is also looking to expand their footprint on the African continent, and will continue to pursue their plans on the continent; however they will attempt to learn from Wal-Mart as:

> you don't get to be the world's largest retailer easily and they [Wal-Mart] are a serious global player and a serious factor and we would be stupid if we just ignored them. So we are absolutely looking at what they are doing but we have to make sure that we have our plans correct (Ackerman, interview 06/10/2011).

Pattison concurs with this and states that Massmart will learn from Wal-Mart who are "10 to 15 years further down the development track than Massmart" (2011-B:10).

4.8.2 A FORAY INTO THE CONTINENT

Pick ‘n Pay’s first store in Mozambique opened in June 2011 and there were plans for another store in Maputo in 2011 as well as plans for 20 stores and 5 distribution centres in Mozambique, across the country, by 2014 (Zourides, 2011). The implications of Wal-Mart’s entry into Africa on retailers and consumers on the continent is that food will be sourced locally – and therefore provides an opportunity for growth, while general merchandise will again be sourced from all over the world (Zourides, interview 12/09/2011). As Lamberti highlights retailers do purchase from China, “and why were we buying out of China? Because that’s where the stuff comes from ... it’s simply not manufactured here” (interview 18/01/2012). In terms of the general merchandise offering, Zourides believes that Wal-Mart will attempt to improve on this with “wider and some exclusive ranges sourced from the cheapest source possible. If the unions do not react violently to the external procurement, Wal-Mart is bound to increase this process” (interview 12/09/2011). This will result in other retailers also seeking out new sourcing venues and partners from outside the borders of South Africa, which, in turn, will lead to some South African suppliers responding by “discounting to retain their market share while others will change their product mix to various niche products (exclusive ranges, low vale ranges, mass market ranges)” (ibid).

In terms of the potential effect that Wal-Mart will have on his business in Mozambique, Zourides (interview 12/09/2011) states that he believes that Wal-Mart will be more focused on entering the larger markets on the continent such as Nigeria, but will expand in the countries in which Massmart already has a presence. Furthermore Zourides believes that Mozambican customers will initially be targeted through Massmart’s Nelspruit outlets (interview 12/09/2011). This is a very interesting point, as it will allow Wal-Mart a distinct advantage through growing its brand, gaining customers, support and market share in Mozambique before having the risk of fully entering the country. For Zourides as Massmart in Mozambique “sharpen their food offering, it will become a major competitor” to the Pick ‘n Pay stores (interview 12/09/2011).

Although good for business, and driven by the logic of neo-liberal capitalist expansion and accumulation, when engaging with labour, a less exciting picture emerges. It is necessary to examine South African retailers, who all have international operations and have complained about Wal-Mart's arrival – the giant MNC – which will poorly treat labour, and compare it to the way in which South African MNCs are viewed on the continent. Miller (2006), in speaking to Zambian Shoprite workers, had one respondent say "South African companies are companies that are not to be trusted. From the way they treat us, they **don't consider us human beings**" (2006: 8 emphasis mine). Furthermore, another respondent indicated that Shoprite treats workers poorly, does not pay well, and created the impression that it was not providing any benefit for Zambia (Miller, 2006):

> Maybe in South Africa it's organised because you can find a cashier moving with a vehicle, sitting comfortably, but here we are still struggling. We can't afford to pay rentals because the money's too little. When you are sick there's no help, no medical fee, if you have a funeral there's no money so it's just like somebody who's just standing on the market, so it's not even helping in Zambia (Miller, 2006:9).

In terms of labour practices, although Planting (*Moneyweb*, 28 July 2011) states that UNI Global union have an agreement in place with Shoprite to ensure that labour standards are met in all its operations, this does not seem to be the case. Workers in Zambia find that they are dissatisfied with their working conditions, are required to work overtime, and compare their workplace rights with those of South Africa's as these differ to the Zambian context (Miller 2006).

> Workplace standards are set up with reference to South African standards. South African companies, however, value workers according to their national labour markets. National standards, not regional standards, are the measure for conditions of work and remuneration used by South African companies. Shoprite workers construct notions of fairness and justice with reference to South Africa. The exclusion of workers from the perceived South African lifestyle and industrial citizenship of Shoprite has created feelings of frustration and regional exclusion (Miller, 2006:2)

The above are the same complaints echoed the world over, by workers in various sectors at the hands of MNCs. The lack of humanity with regard to the treatment of staff is indicative of the power which is exercised by managers over staff (Miller, 2006).

Manuel speaks of six drivers of change which are highlighted in the NPC document. Manuel states that the:

> third driver of change is globalisation, how much more connected, interconnected, where will things be produced, where will they be sourced, where will the markets be, are all going to be very important decisions for a country to understand as it proceeds (2011).

As stated by Zourides (interview 12/09/2011) this is something that the labour unions have to learn to deal with and manage in South Africa. Despite the global financial crisis and the reassessment of macro-economic policies, the increase in technology, flows of information and ease of movement across the globe means that globalisation cannot be ignored. As much as communities are left in desperate situations when manufacturing relocates, this is a commonplace occurrence and needs to be actively managed, rather than ignored. Motlanthe highlights how "the global economic system appears to have moved too far ahead of the capacity of its political system to engage with it effectively" (Motlanthe, 2011: 4). This is true for Shoprite as well as a corporation of Wal-Mart's size. As one of the world's largest 'economies', and with so many people in its employ, it is extremely difficult to regulate and discipline such a large corporation.

4.9 ARRESTING GLOBALISATION, THE POWERFUL ROLE OF THE STATE

The role played by the South African government in relation to the contestation around Wal-Mart's entry is significant in understanding the debates about the changing role and power of the nation state in an era of neoliberal globalisation. While it has been argued that MNCs have eroded the power previously held by nation states, Wal-Mart's entry into South Africa indicates that the state is still an important stakeholder, with an important role to play in contesting and controlling the effects of neo-liberal globalisation.

The government departments concerns regarding the "serious ripple effect[s]" of the Wal-Mart acquisition of Massmart, were in terms of adversely effects on employment resulting in job shedding and a decline in the quality of jobs (Bhana, 2011: 2). Furthermore the government believes that the suppliers and manufacturers will both be detrimentally affected by increased imports, and similarly, the agricultural and related sectors will be shaken – with a possible negative impact on food security (Bhana, 2011).

This has been met with dissatisfaction from business leaders, such as Ackerman and Lamberti (Interview 06/10/2011 and interview 18/01/2011). The government departments that intervened in the Competition Commission hearings – have, according to Ackerman (2011) created a negative impact on the way in which South Africa is perceived internationally in terms of business. In the modern capitalist economy, mood and perception are very important factors to consider. Therefore by intervening in the Competition Commission proceedings, particularly at a late stage of the proceedings, these government departments may have created the perception that South Africa is a difficult place to do business in, and that it should be avoided, due to the increased time and cost of initiating business here. According to Vianello, an analyst at Nedbank Securities, "all reports on this deal have been negative [and] what SA is saying is foreign investment is not welcome here" (Vallie, *Business Day*, 29 March 2011-C). However the reasons for the state's delayed entry into the debate have not been accurately reflected in the media as highlighted above by Levin (2011).

In Ackerman's opinion the government departments did have a valid case, but they should have made their objections clear at the beginning of the process (06/10/2011). However as the Government Departments presented to the Tribunal, the initial talks with the merging parties, unions and the state were expected to "produce an accord that would address the concerns by the parties and that such terms would be made known to the Tribunal. Expressly upon this basis, ... a recommendation [was submitted] recommending approval of the transactions without conditions" (Bhana, 2011:5). Contrary to this, Lewis believes that the government departments could have remained out of the debate, as the Wal-Mart merger could have – and was being – effectively handled by the trade unions (interview 30/08/2011). The government "came in

saying this is going to have a huge impact on ... local suppliers and they were concerned about that" (Bonakele, interview 07/10/2011). Therefore the state had very similar objections to those that were raised by the trade unions, largely relating to issues around local procurement. Gelb, economics professor at the University of Johannesburg, stated that it is easy for foreign firms to enter South Africa; however the use of Competition Authorities in the case of Wal-Mart was questionable (Vollgraaff & Shevel, *The Sunday Times*, 15 May 2011). This confusion and debate arises as a result of the lack of clear boundaries regarding the 'public interest' clause in the Competition Act. Furthermore, it has been highlighted that there is uncertainty that is being created as each merger deal has a separate set of conditions, and different rules to follow (Vollgraaff & Shevel, *The Sunday Times*, 15 May 2011). There is also concern that the 'public interest' clause in the Competition Act, which the Tribunal was required to consider, may become a "back door to oppose politically undesirable takeovers" (Bleby, *Business Day*, 9 May 2011-B).

Therefore it is evident that there are mixed opinions regarding whether or not the state should have intervened in the process. It is also interesting to note that the three departments that did get involved in the Tribunal do not represent the views of the South African government as a whole. In a presentation entitled 'Reflections of Key Global and Local Economic Events' given at GIBS, the Deputy President of South Africa spoke of a number of issues, and – significantly – raised the issue of Wal-Mart's arrival in South Africa. In speaking about broader economic developments, such as the ratings agency's (Moody's) downgrading of South Africa's banking stability rating, Motlanthe stated:

> We expect everybody ... to carefully consider the issues before making judgements which could influence investors negatively. It is in this context that we have welcomed the announcement by Wal-Mart to invest in South Africa. Wal-Mart has carried out an extensive assessment which gives us the thumbs up as a prime destination for foreign direct investment. Wal-Mart is willing to invest billions of dollars in new and permanent capacity in South Africa. What this means is that other companies can use this technical assessment to inform their investment decision in South Africa (Motlanthe, 2011: 4).

Therefore, despite the contestation around Wal-Mart and the debate by various government departments in the Competition Tribunal, the overall and perhaps formal position of the government is positive and in favour of the deal. Motlanthe believes that the government should promote "mergers and acquisitions of South African companies ... to the extent that they improve our capital base and capacity to play competitively in the global market" (Motlanthe, 2011: 7). The Deputy President therefore believes that Wal-Mart's arrival in South Africa will be positive for our local industry and allow them to enter the global supply chains through Wal-Mart's operations across the globe, and thus strengthen the local players. Here the role of the state in terms of globalisation is interesting to consider, as at the executive level the deal was welcomed, and yet the departments still managed to constrain the Wal-Mart effect. The conditions which were imposed have not necessarily addressed the concerns of the state directly, particularly as there was no condition regarding procurement targets – which would have addressed the government's major grievances. However the Supplier Development Fund may go some way to preventing the full force of the negative impacts of increased global sourcing being felt.

The formation of the Anti-Wal-Mart Coalition is an example of international trade unions assisting local unions in the fight against the retail monolith (COSATU, 2010). Although the unions and the state are in a powerful alliance, this coalition was formed and operates outside the boundaries of the state. Therefore it worked in tandem with the government in this instance, as many of the issues and concerns that the two parties had regarding Wal-Mart's arrival were shared. However this is a unique situation, and on other issues – such as the current debate around the legality of labour brokers – there is tension between the state and unions as they attempt to resolve the debate.

5 CONCLUSION:

> *"An era of democratic regulation may seem a distant prospect ..., yet we must stop looking back in anger and despair. We must stop being traumatised by the era of market regulation. Every such era has bred a new set of progressive possibilities. That is where history and economics come together. Nemesis is not far when the era's victors think we are at the end of history. The forward march is usually resumed when the losers remember their history and find their voice." (Standing, 1997: 33)*

As the world's largest corporation, Wal-Mart epitomises neo-liberal globalisation. Big and bold, raking in enormous profits, conquering new markets, it is always attempting to improve, expand and do better. However it also provides a clear example of the pitfalls of neo-liberal globalisation. This is through the way in which it marginalises, disempowers and degrades workers; makes use of sweatshop labour and yet claims to be a paragon of virtue – engaging in philanthropic projects.

Wal-Mart's arrival in South Africa exposes the weakness of the neo-liberal policies which have been fully pursued since 1996. These policies have lead to labour rights being steadily undermined, as workers' conditions and workplace security have been eroded. This has led to rifts emerging on the shop floor, as workers struggle to find unity in terms of the divisions of permanent, contract and casual forms of work. These categories create tension between workers, and are a disincentive to organise collectively against the employer. The debate around decent work has been raging, with unions vehemently against the use of labour brokers as the work provided is highly precarious and makes it difficult to organise and represent labour. However business is in favour of increased flexibilisation in the workplace and desire the ability to increase or decrease the number of staff in their employ with ease. The state is divided on the issue, with certain departments raging against precarious work, while others view 'regulated flexibility' as a means to provide the mass of unemployed with jobs.

In terms of the local economy, Wal-Mart has exposed the weakness of the manufacturing industry. The deregulation of the industry as a result of the macro-economic policy shift and introduction of GEAR in 1996, meant that the industry was forced to compete with cheap imports and was unable to do so. This has led to the decline of this sector, which was further

shaken by the global financial crisis of 2008. However the New Growth Path places much importance on this sector as a source of job creation, and therefore the arrival of Wal-Mart, with its massive sourcing operation and ability to import competitively priced goods at a low cost, was resisted due to its ability to further undercut this industry. It is for this reason that unions and the three government departments opposed Wal-Mart's arrival.

Wal-Mart's global sourcing operation will most likely bring cheaper goods to consumers – which is a positive for many South Africans who struggle financially. However mention has been made of the possible lowering of the standard of items that are introduced, and that the low cost may simply represent the low quality of goods being sold. In South Africa, the Consumer Protection Act will assist customers to hold the giant retailer accountable – whether or not Wal-Mart will live up to its promise of less expensive goods, while maintaining the quality, remains to be seen.

These low prices have however, been the cause for much concern in the retail industry. It has been noted that Wal-Mart will drive informal sector and independent retailers out of business. Admittedly certain spaza shops and their customers may benefit from lower prices however, Wal-Mart's expansion will affect the sector. The South African local retailers – namely Shoprite, Pick 'n Pay, Woolworths and Spar – are competitive and will likely, with some effort, withstand the onslaught of the multinational giant, yet they too have been responsible for undermining the informal sector. The increased concentration of the retail sector has been a feature of the South African local economy for a number of years, and Wal-Mart's arrival will compound –but not initiate – this trend.

However Wal-Mart has promised to develop local suppliers and thus not be too reliant on international suppliers. The corporation has a two-pronged approach to this in South Africa. Firstly it has committed R100 million to a Supplier Development Fund, which aims to support and develop small suppliers, and increase their offering to Massmart. Secondly, the multinational retailer has partnered with a local entrepreneurial 'incubator' who works closely with small businesses. Raizcorp will assist in identifying and developing suppliers, and assisting in the process as they supply a growing number of items to the Massmart group.

This concentration in the industry in South Africa has been coupled with a drive to expand onto the African continent. Shoprite and Massmart have both been successful on the continent, with Pick 'n Pay planning to increase their footprint in Africa. Wal-Mart's desire to enter South Africa, likely has less to do with the South African market in and of itself, and is driven by a desire to get established on the continent. Africa is hailed as the next exciting market and large growth opportunity, as the conventional 'developed' markets of the North and West are waning.

Standing (1997: 33) states that it is necessary for those who are adversely affected by globalisation and the "era of market regulation [to] ... remember their history and find their voice". This is clearly beginning to happen in South Africa. The arrival of Wal-Mart clearly illustrates a number of forces converging to oppose the retail monolith.

The trade unions were particularly vocal, and consistently opposed the arrival of the retailer from day one. Here they spoke for more than just their constituency, but represented the views of all workers – permanent, contract and casual. The union's argument extended beyond the workplace as it considered what effect the arrival of Wal-Mart would have on the way consumption occurs in South Africa as well as the effect that the retailer may have on marginalised groups. Furthermore the state confirmed its place as an important actor in relation to Wal-Mart – despite the way in which globalisation often seems to allocate to the state a position of diminished importance. The government departments which contested Wal-Mart's arrival did so in defence of labour, and indicates a unique position –the interests of labour are rarely given precedence in the era of neo-liberal globalisation.

In addition to this, the assistance of international trade unions, and the formation of an Anti-Wal-Mart coalition, that attempted to negotiate with Wal-Mart on behalf of workers in numerous locations across the globe, highlights a growing resistance against the affront to labour. These international coalitions are a growing response intended to fight globalised capital in its various locations.

Therefore the arrival of Wal-Mart in South Africa clearly exposes the negative effects of neo-liberal policies which have been implemented in the country. The South African economy is not well developed enough to withstand the onslaught of the retailer. It further creates a space for resistance to, and questioning of these policies, and the formation of international links to continue the resistance against this retail monolith. These resistance groups –including the state and the trade unions – will hopefully be able to hold Wal-Mart accountable for its actions, and closely monitor the retailer to ensure that it does not further erode the rights and workplace standards of labour. The arrival of Wal-Mart may be positive for certain groups, such as consumers, and those who receive assistance to develop in the local economy. However the retailer will also have an array of harmful effects on the informal sector and for labour represents yet another attack on their rights, security and ability to sustain themselves.

It is unlikely that Wal-Mart will be denied entry into South Africa – indeed the corporation is behaving as though this is not a possibility – however the momentum gathered in resisting the monolithic retailer must be channelled into mobilising against the ill-effects of neo-liberal globalisation. Standing echoes Polanyi's sentiments when stating that, "every ... era has bred a new set of progressive possibilities" (1997:33). As much as Wal-Mart represents an assault on labour, it brings with it the renewed opportunity to mobilise, build solidarity and attempt to build a new alternative.

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