

## **Chapter One**

### **Introduction**

*“You are the one for me,” says Sash to the barman. “Whenever I see you my heart is immediately overtaken by joy and wonderful ... unexplainable emotions.”*

*Ruby, the barman smiles and says to Sash, “Ya, the love of the Black (Carling Black Label) is spell-binding.”*

*We all burst out in laughter. Sash is the only guy who buys and drinks South African Breweries beer in this place. Every time he takes a sip, he closes his eyes, gulps it and opens his eyes, investigates the bottle carefully: “I cannot believe that man is able to create such a drink ... a drink so perfect, a drink our ancestors could never even imagine ... ever.”*

*On the other side of town sits Ntate Manamela with his prosthetic leg on the table in Bab’Nkonyana’s shebeen, slowly drinking Hansa Pilsner with his son, Solly. Ntate Manamela is always on time for his drink. He comes into the shebeen at 11:00 a.m. sharp, goes to his favourite spot in the shebeen, takes off his prosthetic leg and gently places it on the table; then his sunglasses follow. He takes R20 out of his pocket and shouts, “Girly, here is money; buy your granddaddy a Hansa set (3 x 750 ml bottles of Hansa for R20).”*

*“Yes, Ntate.”*

*On his first bottle he does not say anything; he merely glances at his glass and looks at the bottle label and smiles to himself. Obviously something inside the brown bottle is working itself through his system. On the second bottle, Ntate Manamela starts talking about the 1970s and how he lost his leg while working as a policeman. He tells me that even without his leg, his wife stood by him and helped him walk again. On his third bottle he hops outside the shebeen and joins*

*the group enjoying a game of morabaraba in the shade. He hobbles towards the group and demands, "Phala, Josie, move over let me show you how to play this game."*

*The two move over and by 1:00 p.m. the shebeen is full of men and women from around the neighbourhood, drinking their favourite SAB beer. Mamthandi, enjoys the Black while Nonhlanhla sips on Castle Lager, Mpho joins them 20 minutes later with his new-found drink, Peroni Nastro Azzurro. Apparently it defines his new self. He found a job in Leratong Hospital as an administration clerk and he has moved into his new shack, No. 64321A and bought a double bed to match his new pyjamas that he has bought with his own money. Mpho tells the whole world of his new life as a working man. Bab'Nkonyana gets bored with his speeches and says, "Its Monday today; why aren't you at work? You will quickly go back to your old unemployed self again if you re not careful."*

*"I am on night duty, I drink first before I can work. That is my nature."*

The first scene is typical at Mangena's Pub in Dobsonville. Mangena's Pub specialises in premium beers from Brandhouse, the new competitor against South African Breweries Limited (SAB). Mangena orders Blac Label especially for Sash since he could not betray his first and ever love of the Black. These sorts of places are emerging quickly in the townships as more young people buy premium and super-premium brands from Europe such as Heineken and Smirnoff ready-to-drink alcoholic beverages. Old-style shebeens are the core of the township culture. The second scene is at a typical shebeen, where every person who comes to the shebeen buys SAB beers, mainly mainstream beer (the brown bottled beer). This illustrates some of the passion behind South African beer culture. Shebeens like these are the backbone of SAB. Soweto is known as the quarts market – mainstream beer, the brown 750 ml bottled beer. The three main South African Breweries mainstream beers are what I have come to know as the trinity: Carling Black Label, Castle Lager and Hansa Pilsner. South African Breweries Soweto depot states that the township consumes over 62 222 cases of beer per day (each

case has 12 beers). According to a study by Markinor, a market research company, South African Breweries ranked the second highest “overall favourite brand” in South Africa for the years 2007 and 2008. The favourite brand is Coca-Cola. According to the research company, a company’s brand “is the promise it makes to consumers; it resides within the hearts and minds of all who come into contact with it. It is the total experience and perception of a company” (Moerdyk, 2008: 2). Within SAB beer brands, Carling Black Label ranked first, followed by Castle Lager and Hansa Pilsner as the most favourite beers of all respondents for both 2007 and 2008 (Gillingham, 2008: 20).

Given this information, it is not surprising that over 80 per cent of the beer produced by SAB is consumed in townships like Soweto across South Africa – mostly in illegal shebeens. This implies that there is a strong link between the formal and the informal economies, which this study explores. There are two components to this study. First, it examines the linkages and the nature of the relationship between the formal and the informal economies. Second, the study examines the nature of employment arrangements of the working poor in enterprises located in the informal economy. Recently, the way in which the informal economy is defined has been extended to include unregulated and unprotected labour (Chen, 2007). Given this definition, the nature of work in the shebeens will be studied.

This study aims to look at linkages between the formal and the informal economies by using the notion of a value chain which is both buyer-driven and producer-driven. Various studies concentrate on how formal firms outsource or subcontract the manufacturing of goods and services in the informal economy. Gereffi (1994), Portes (1994), Castells and Portes (1989) and Chen (2007) concentrate on buyer-driven value chains. Gereffi (1994) explores the buyer-driven chains of the clothing and garment industries, by arguing that big retailers such as Nike and Liz Claireborne outsource their manufacturing of clothes to subcontractors in Asian countries. These Western retailers state which product they want produced, the quantity of the stock, and the price for which they are willing to buy the stock. These parameters determine the wages and labour

conditions of workers in that specific factory, as the subcontractor is working under a particular time and price framework. In such buyer-driven chains the retailers are the lead companies which determine the conditions and alignment of all other firms in their value chains. These sorts of studies analyse the linkage between the formal and the informal economies, whereby the retailers are in the former and the subcontractors and their workers are in the latter.

My study, on the other hand, concentrates on a producer-driven value chain, which is inadequately addressed by global studies on the linkages between formal and informal economies. The use of a producer-driven value chain, unlike a buyer-driven chain, is mostly linked to the informal economy through own account operators and informal enterprises, rather than directly with workers (such as homeworkers). In this value chain, production takes place in the formal enterprise and the product is widely distributed in the informal economy. The distribution role of the informal economy is underexplored in studies of the informal economy and global value chains. The aforementioned studies concentrate on homeworkers or outsourced employees who are in a tripartite employment relationship comprising of employer, client company (where the workers work) and employees (Gereffi, 1994, 1999). 'Pure' informal employment and self-employment do not receive adequate attention in these contemporary studies.

Shebeens are a very good example of own account operators and informal enterprises that hire informal employees and unpaid family labour. There are a variety of enterprises and employment dynamics that can be explored through the SAB-shebeen value chain. Whereas many studies have explored how formal firms use their position to outsource and marginalise workers in the informal economy in order to maximise their profits, this study explores a fresh view of linkages between informal economy 'entrepreneurs' and a formal enterprise. This relationship can be seen as (black) empowerment whereby a predominantly white formal enterprise (SAB) has taken upon itself the responsibility of developing black enterprises through various strategies in its role as the chain governor (Humphrey and Schmitz, 2000). A chain governor is usually the lead company in

the chain that controls and harmonises backward and forward linkages between itself and independent firms (Humphrey and Schmitz, 2000). The SAB-shebeen value chain is comprised of backward and forward linkages which are systematically controlled and sustained by SAB, which is the chain governor. Backward linkages include farmers who produce the raw materials necessary for the production of beer. Forward linkages include owner drivers and licensed or permit-driven (but informal) shebeens. By considering both the backward and forward linkages, one can argue that the SAB value chain is, in fact, a mixed value chain. In their backward linkages they are buyers, who set parameters for farmers that produce their raw materials. In the forward linkages, the chain is producer-driven. This study is mainly concerned with the forward linkages of the SAB-shebeen value chain. Different firms along the chain have their unique functions on the value chain, but their significance is as controlled by the chain governor. SAB determines the conditions and terms to suppliers and distributors (retailing and serving beer on site).

SAB only produces the product for the market. This scenario has been meticulously orchestrated by the colonial and apartheid state. The state monopolised the production of beer in the hands of 'white' or capitalist businesses and of the state by making laws that forbade the production of beer by the urban black populations (Mager, 1999). These laws systematically 'eliminated' the brewing of beer in shebeens, reducing these establishments into mere distributors of beer produced in the formal economy. The elimination of the production of beer in black communities did not necessarily mean the disappearance of traditional forms of work organisation found in household businesses such as shebeens. Unpaid family labour and child labour remain prominent features of Sowetan shebeens. In many of these shebeens, people are engaged in productive work that generates and secures income for families, but they are not formally employed. This household-business work includes children's labour. I argue that there is a need to broaden the definition of work to include this varied work dynamic within the informal economy.

This report is organised in the following eight chapters. Chapter Two will discuss the theoretical framework for the study. Chapter Three is the literature review, which focuses on the historical role of the state in regulation of alcohol among blacks. This chapter also discusses the monopolisation of alcohol in white businesses and the government during apartheid. Chapter Four deals with the methodology. I discuss the methods and techniques I used to gather the data in this report. Chapter Five focuses on the SAB-shebeen value chain and how the lead company aligns and co-ordinates activities along the chain. Chapter Six is a discussion of licensing. South African Breweries is taking a lead role in helping shebeens to get licensed. In Chapter Seven, I discuss labour in shebeens by giving the results of the survey. I explain each of the decent work variables separately. Child labour is extensively discussed in this section, as this issue cannot be easily excluded from family businesses such as shebeens. I discuss the impact of the SAB-shebeen value chain within communities in Chapter Eight. There is a high level of reciprocity around the shebeen. For example, neighbours are able to make money from selling food to shebeen customers. Chapter Nine concludes this report by stating the value chain analysis is a great tool to use for examining and analysing the linkages between the formal and the informal economies. The economies are asymmetrically dependent. The formal economy has power over the informal economy as the formal enterprise, SAB controls the key product in the value chain and the shebeens retail this product. The power relations between these enterprises have been systematically constructed by the apartheid government through the monopolisation of beer brewing in the formal economy.

## **Chapter Two**

### **Value Chains: Understanding Links between the Formal and the Informal**

As discussed before, the aim of this study is to use value chain analysis to pinpoint the links between the formal and the informal economies, using the case study of SAB and shebeens in Soweto. The value chain analysis has been chosen as tool to analyse these linkages as the product is manufactured in the formal economy and retailed in the informal economy. Value chains examine how value is added at each part of the chain, until the product is eventually bought and consumed. Following the product through the use of the value chain from production to consumption is the best way of examining the linkages between the formal and the informal economies. This chapter will discuss the theoretical framework for this study.

#### **2.1 Value Chains**

Value chain analysis will be the primary analytical tool used in this study to map the linkages between the formal and the informal economies. Kaplinsky and Morris (2001: 6-8) identified five traditions involved in the analysis of value chains: 1) supply chains, 2) filières, 3) international production networks, 4) global commodity chains, and 5) global value chains. Supply chains refer to the input-output structure of value-added activities, beginning with raw materials and ending with the finished product. The concept 'filières' comes from French studies which use the idea of chains or filières of activities as a method to primarily study agricultural export commodities such as coffee. International production networks refer to global networks in multinational corporations. Global commodity chains emphasise internal governance structures of supply and demand which distinguishes between producer-driven and buyer-driven chains, and the role of diverse lead firms in setting up global production and sourcing

systems. Finally, studies of global value chains highlight the relative value of those activities that are required to bring a product or service from conception through the different phases of production, delivery to customers and final disposal after use (Kaplinsky and Morris, 2001).

For the purposes of this study the relevant type of value chain is the global commodity chain (GCC), a concept first developed by Wallerstein and Hopkins in the 1970s following their discussion of the dependency theory, which illustrated the subordination of developing countries' resources to developed countries' leading capitalist firms.

Bair (2005) states that the term 'commodity chain' dates back to 1977 when Terrence Hopkins and Immanuel Wallerstein wrote about the world-system theory in the *Review*. The term

... can be found in the opening pages of Wallerstein's *Historical Capitalism*, in which the author summarises the distinctiveness of capitalism as a historical social system characterised by the 'widespread commodification of processes – not merely exchange processes, but production processes, distribution processes and investment processes – that had previously been conducted other than via a market' ... (Bair, 2005: 155).

What Wallerstein and Hopkins call the commodity chain are the processes that take place to produce a particular item. Each set input such as raw materials, transportation costs and the labour which culminated in that particular product is traced back. These world theorists understand commodity chains as

...consisting not only of the steps involved in the transformation of raw materials into final goods, but also as webs connecting that set of productive activities with the social reproduction of human labour power as critical input into this process. Additionally, world-systems theorists are most fundamentally interested in how commodity chains structure and reproduce a stratified and hierarchical world system (Bair, 2005: 156).

The world-system theorists thus argue that the content of commodity chains are "transstate, geographically extensive" but not necessarily new since they date back to the twentieth century. Their popularity increased between 1945 and 1970. Bair (2005: 156) warns that the world-system theory traces the commodity chains internationally and does not place much importance on how commodity chains



operate in the “local unit of analysis” or “individual countries” because their concern was that of demonstrating that global capitalism has no territorial boundaries.

The proponents of the global commodity chain take a separate path from the world-system theorists. The main difference between the world-system theorists and the GCC theorists lies in the debate on whether this kind of globalisation is a contemporary phenomenon which enables integration of production systems or as a process that emerged with capitalism. The GCC group argue that global commodity chains are part of an emergent organisational structure which is associated with the more recent form of economic integration:

One of the central contentions of the GCC approach is that the internationalisation of production is becoming increasingly integrated in globalised coordination systems that can be characterised as producer-driven and buyer-driven commodity chains (Gereffi, 1996: 429, cited in Bair, 2005: 157).

The second difference between the two groupings is the purpose of commodity chains research. The world-system camp argues that the relevance of the theory is to show the reproduction of the hierarchical-structured nature of the capitalist system. The GCC camp, on the other hand, views the relevance of the research in examining how global industries are organised. For this camp, the identification of the full set of actors and their functions on the chain is primary:

...the production and distribution of a particular good or service and mapping the kinds or relationship that exist among them... Special attention is paid to the most powerful or lead firms in an industry, which are also known as chain drivers, because of their influence over other chain participants and their presumed importance as potential agents of upgrading and development... (Bair, 2005: 157).

Gereffi and Korzeniewicz (1994) developed the GCC as a framework for analysing the political economy of development and underdevelopment instigated by the process of concentration of power and resources in the North, multinational companies and Southern elites. Producer-driven chains are structured in such a way that low profit activities are outsourced to networks of suppliers, bound by contract to produce according to tightly specified conditions. The automobile

industry is a good example of a producer-driven chain. Buyer-driven chains have much lower barriers to entry of production whereby producers are subordinated to the needs of key agents, such as the international company Nike which controls the design and marketing of the product. Production is outsourced to competitive, decentralised systems of subcontractors located in developing countries such as India and China (Kaplinsky and Morris, 2001).

The SAB-shebeen value chain can be said to be a mixed chain. In its backward linkages, SAB is a buyer of raw materials from farmers that produce barley and maize. The backward linkages of the chain are buyer-driven as SAB gives these farmers specific parameters under which they should farm the raw materials for the company. This point will be clearly illustrated and explained in Chapter 5. The forward linkages of the chain can be said to be producer-driven. SAB produces the beer and controls the subordinate firms that distribute and retail this product. All the activities in the chain are co-ordinated by the lead company within the value chain for its own good. SAB meets this status as a company that centralises the most profit-making entities of production, and they also decide on the quantity of beer to be produced. The retailing of the beer is outsourced to outlets such as liquor stores, pubs and shebeens. For this study, shebeens are the primary focus for the retailing part of the chain. The goal of this study is to evaluate the “tightly specified conditions” under which shebeens operate with regard to their relations with SAB. The GCC approach is also very useful in identifying where power is concentrated and the levels of exploitation within the chain, given Burawoy’s (1985) assertion of the hidden abode of underdevelopment in developing countries, which will be elaborated later. In discussing power, the issue of governance becomes crucial. The lead company in the chain concentrates power in the chain and makes the vital decisions about which companies to include and strongly align with in their value chain.

## **2.2 Governance**

Humphrey and Schmitz (2000) articulate the centrality of governance in a global value chain approach. Governance means that some firms in the chains set and enforce the parameters under which other firms in the chain must operate: “A

chain without governance would just be a string of market relations” (Humphrey and Schmitz, 2000: 2). Every value chain has a chain governor that controls the key product and the processing technologies. Governance can be exercised in different ways and at different parts of the chain. First, governance allows lead companies market access. Lead companies oversee the functional integration and co-ordination of internationally dispersed activities. Second, governance allows for fast-tracking of acquisition of production activities. Thirdly, governance is important in distribution of gains in the chain. The lead firm’s capacity to govern lies in its control of intangible competencies such as research and development (R&D), design, branding and marketing, which are characterised by high barriers to entry. Fourth, the lead company has to leverage points for policy initiatives. The lead company governs by engaging policy issues affecting its business as well as those of the firms linked in its chains. For example, SAB is engaging government on simplifying the licensing process so that they can gain access to shebeens in the townships. The chain governors who control the key product have to adhere to government rules for producing the product. Government specifies how much alcohol content is permitted for beer, ciders and other liquor brands. SAB is bound by these regulations set by actors external to the value chain. Lastly, governance is important in funnelling technical assistance which fosters small and micro enterprises partnership. The owner-driver scheme is a good example of how SAB transmits technical know-how to small and medium business (Humphrey and Schmitz, 2000: 2-3). The Mahlasedi Taverner’s Programme is also a similar way of giving technical skills to small enterprises. These issues are explained in full in Chapter Five of this report.

Value added chain is “the process by which technology is added with material and labour inputs and then processed inputs are assembled, marketed, and distributed” (Gereffi, Humphrey and Sturgeon, 2005: 79). Gereffi, Humphrey and Sturgeon (2005) argue that it is important to know and understand the types of technologies that companies keep in-house and ones that they outsource. Companies are increasingly opting for outsourcing non-core services and production to increase their primary core functions. Gereffi *et al.* (2005) argue that where separation of ownership is not possible, the transnational companies and foreign direct

investment will play the dominant role and, where it is possible, companies and foreign direct investment will play a lesser role.

Synchronising inputs and co-ordination of firms within the chain is very important.

...how and whether firms can capture value depends in part on the generation and retention of competencies (that is, resources) that are difficult for competitors to replicate. In practice, even the most vertically integrated firms rarely internalise all the technological and management capabilities that are required to bring a product or service to market (Gereffi *et al.*, 2005: 81).

Given this, it is important to understand the types of networks and governance structures in each chain analysed. These authors argue that there are three types of networks in chains: modular, relational and captive. Gereffi *et al.* (2005) also argue there are five basic types of governance: markets, modular value chains, relational value chains, captive value chains and hierarchy. The governance structures relevant in this study are the last two, the captive value chain and hierarchy. Captive value chains

...occur when the ability to codify – in the form of detailed instructions – and the complexity of product specifications are both high but supplier capabilities are low, then value chain governance will tend toward the captive type. This is because low supplier competence in the face of complex products and specifications requires a great deal of intervention and control on the part of the lead firm, encouraging the build-up of transactional dependence as lead firms seek to lock-in suppliers in order to exclude others from reaping the benefits of their efforts. Therefore, the suppliers face significant switching costs and are ‘captive’. Captive suppliers are frequently confined to a narrow range of tasks – for example, mainly engaged in simple assembly – and are dependent on the lead firm for complementary activities such as design, logistics, component purchasing, and process technology upgrading. Captive inter-firm linkages control opportunism through the dominance of lead firms, while at the same time providing enough resources and market access to the subordinate firms to make exit an unattractive option (Gereffi *et al.*, 2005: 86-87).

Hierarchy governance chains are characterised by vertical integration. Power and decisions flow from the managers to the subordinates or from headquarters to subsidiaries and affiliates. The form of governance is the dominant form of

managerial control. The SAB-shebeen value chain can be said to be a combination between the two governance structures (Gereffi *et al.*, 2005).

Lund and Nicholson (2006:16) define value chain analysis or commodity chain analysis as an approach of

understanding the links between formal enterprises and informal enterprises in specific chains of production and the contributions that workers in both these enterprises make to the economic value of a particular product or service.

This study follows in their footsteps, to consider the production regime driving the enterprises in the value chain of liquor in Gauteng, particularly in connection with informal enterprises in Soweto. The link between the formal and informal economies can be clearly understood and examined through a value chain analysis, thus to a certain extent making the formal and informal divisions between the economies irrelevant:

...the basic distinction between formal and informal activities proper does not hinge on the character of the final product, but on the manner in which it is produced and exchanged. Thus, articles of clothing, restaurant food, or automobile parts – all perfectly licit commodities – may have origins in legally regulated or unregulated production arrangements (Castell and Portes, 1989: 15).

Although the production of beer occurs within South African Breweries in a formal setting, much of the product is sold in shebeens in an informal setting. From this point of view, one can reasonably argue that SAB is exploiting shebeens for capital expansion. This assertion follows Luxemburg's (cited in Burawoy, 1985) argument that conditions of capitalist expansion rest on non-capitalist modes of production, thus ultimately destroying the very conditions upon which its expansion rested. Burawoy (1985) develops the argument that while it is indeed true that much of capitalist expansion is contingent on non-capitalist modes of production, contrary to Luxemburg, he maintains that the extinction of the non-capitalist modes of production does not necessarily take place; instead "...they are recreated and restructured in accordance with the needs of the dominant capitalist mode of production..." (Burawoy, 1985: 216).

Emphasis on the postcolonial environment is important here, where pre-capitalist modes of production exist along with the advanced capitalist modes of production. Burawoy maintains that pre-capitalist modes of production are subordinated to advanced capitalist modes where they are subjected to relations of exploitation – that is, the appropriation of surplus from the direct producers. The central argument of this study is based on this notion, that the elimination of the second economy is illogical since its existence, structure and functioning is underpinned by the dominant first economy.

In line with the argument above, another argument can be made, that South African Breweries is operating within the dominant capitalist mode of production which reproduces, reshapes and subordinates shebeens, which can be said to be operating within the premise of the pre-capitalist mode of production in Burawoy's frame of thought here. Burawoy further argues that this design was deliberately instigated by the colonial state within colonial and post-colonial societies:

The colonial state was indeed an interventionist, although not necessarily a strong state whose 'function' was to establish the supremacy of the capitalist mode of production. It was concerned with primitive accumulation in two senses: the separation of direct producers from the means of production in generating labour supplies for industrial capital, and the extraction of surplus from pre-capitalist modes of production by merchant capital (Burawoy, 1985: 214).

Given this argument, therefore, one can argue that there is a direct link between the state and production in both these economies, bringing about what Burawoy has come to term as production regimes. This link between the state, the formal company and the informal economy forms a major part of this research analysis (see Chapters Three and Six) since the state is instrumental in structuring the relations of exploitation between the two economies.

One of the core hypotheses of the study is to assess the production regime of SAB. Given this task, it is therefore primary to describe this very notion of the production regime as delineated by Burawoy. According to Burawoy (1985: 7-8), the production regime (which he also calls the factory regime) is the organisation of work which is impacted by the distinctive political and ideological machinery

of production, which in turn regulates production relations. These mechanisms operate within the regulatory framework, with a strong state presence.

Shebeens are equally characterised as the informal economy. Historically the state did not regulate the transactions and exchange of goods between individuals, particularly in the township settings, and thus informal (social)<sup>1</sup> and unregulated forms of regulation emerged. In this sense, the state was unable to extract excise tax from these businesses. This issue is discussed in Chapter Three of this report. Portes argues that the paradox of the informal economy is that the more it approaches a model of the true market, where there is free exchange of goods between individuals, the more it becomes dependent on social ties for effective functioning. Transactions in the informal economy operate on mutual trust by “virtue of common membership in a group” (Portes, 1994: 430). Portes explains that:

Trust in informal exchanges is generated both by shared identities and feelings and by the expectation that fraudulent actions will be penalised by exclusion of the violator from key social networks. To the extent that economic resources flow through such networks, the socially enforced penalty of exclusion can become more threatening, and hence effective, than other types of sanctions (Portes, 1994: 430).

Kinship plays an almost primary role in the informal economy. Portes states that kinship plays a vital role in ethnic economies in terms of access to employment, access to financial assistance and favours from others who are more acquainted with the law. All deals are informal and are based on mutual trust. Portes further states that the success of the informal economy is based on mutual trust, which is the best form of regulation in this economy.

The social mechanism that undergirds informal economic exchange can be described as *enforceable trust*... agreements [are] backed by more than simple moral conviction. The sanctioning power of the community, its ability to confer status on individuals or exclude them, is the key force guaranteeing individual compliance (Portes, 1994: 431).

Informal economy activities bypass laws, the regulatory framework of the state. Given this understanding, the rule of thumb is that the more insidious the

---

<sup>1</sup> Weber (1978) views this as irrational.

enforcement of state rules and the greater the punishments for violation, the more socially embedded informal transactions become.

Altman (1983, cited in Portes, 1994) wrote on the Jewish informal economy in the former Soviet Republic of Georgia and how the system was held together by trust. In his analyses of these activities, he writes:

Trust is a fundamental requirement in the operation of the second economy... a man's word has to be his bond (Altman, 1983: 4-6, cited in Portes, 1994: 431).

Portes argues a strong point from Altman's example that solidarity bonds among those involved in informal activities tended to be strengthened by high levels of state repression and external threat. This study found that indeed mutual trust and solidarity is fundamental in the functioning of the informal economy. One of my findings includes community sanctioning of wrongdoers (see Chapter Eight). Shebeens only hire neighbours. When a member of the community violates this mutual trust by committing a discretion against another member of the community, the community sanctions and punishes that particular individual by withholding access to employment and thus material resources necessary for survival of that individual and her family.

One other argument that Portes (1994) puts forward is that the more the state tries to regulate the 'unregulated economy' the more resistant it can become:

The second paradox of the informal economy is that state efforts to obliterate it through the expansion of rules and controls can exacerbate the very conditions, that give rise to these activities (Portes, 1994: 433).

For this reason, familial and kinship relations and the informal operation of informal businesses thrive under strict regulatory systems; many shebeens in Soweto have been resilient against state regulation as far back as the early 1900s (see Chapter Three). One can argue that the shebeens may be operating under the same principles of trust and kinship. Shebeens can also be explained as small and micro enterprises which are mainly characterised by family labour, are not formally registered, and use kinship or personal ties to access credit or markets (Rogerson, 2000). In accordance with Webster's (2005) assertion, shebeens



represent forms of production that are “precapitalist” in nature and take place in the household. Mosoetsa (2005: 4) argues that work that takes place in the household is

...premised on the social principles of reciprocity, obligation and specific social relations...this includes housework that produces goods and services for immediate consumption, and is not subject to the law of value.

According to Dunaway (2001), a single commodity chain exploits both waged and unwaged labour. In this sense:

...commodity chains are the key structural mechanism of unequal exchange. They are chains of the capitalist world-system in three senses: they derive from the system; they link together the diverse local economies of the system; and they entrap and exploit its entire population, almost no household excepted (Dunaway, 2001: 9).

Dunaway (2001) personally believes commodity chains are the best tool to use to include people. “Everyday life is also the ‘great absentee’ from most commodity chain analysis” (Dunaway, 2001: 9). I agree with Dunaway; shebeens are part and parcel of everyday life in the township, which superficially seems irrelevant. However, when analysed within the value chain framework, they contribute greatly to the capitalist machinery. The formal economy externalises costs to the informal economy, where most semi-proletarian households are concentrated. In this sense, then, costs are externalised and children in these households become captive to the system. The mechanism of the semi-proletarian household is now the dominant mode in the world according to Dunaway (2001: 6):

In such household, the wages paid to those members engaging in wage-labour activities can be reduced below the level of household reproduction because the household supplements this income with its other income-generating activities...the totality of which brings in a greater income per hour than does wage labour.

This concept, the semi-proletarian household, remains marginal in the world-system research agenda. Dunaway (2001) uses Smith and Wallerstein’s conceptualisation of households as units that pool income together for the purposes of reproduction, and this is linked to the semi-proletarianised nature of the household; their only way of survival and reproduction is self-exploitation.

According to Smith and Wallerstein (cited in Dunaway 2001), the world economy, particularly during stagnation, creates pressures which force households to enlarge their boundaries and intensify self-exploitation as the semi-proletarian households are able to accept a 'lower real wage' than a wage worker, via self-exploitation (Dunaway, 2001).

### **2.3 Broadening the Definition of Work**

This study challenges the definition of work, workers and employment, precisely because it also includes housework and unpaid labour. Thus, it is necessary to broaden the definition of work. According to Webster, Buhlungu and Bezuidenhout (2003: 7), the definition of work is:

...a social activity where an individual or group puts in effort during a specific time and space, sometimes with the expectation of monetary or other kinds of rewards, or with no expectation of reward but with a sense of obligation to others.

With this definition one can distinguish work and play. Time, space, effort and reward form the core of work. In terms of family labour in the shebeens or taverns, time is based from the opening of the tavern to closing. The household is the space where work (the selling of liquor and serving of food) takes place. Effort takes various form – manual labour (selling), mental labour (knowledge of how to deal with difficult customers), and emotional labour (being nice to customers, building trust). The interesting conundrum regarding the shebeens and taverns is that there is no separation between the productive sphere (the workplace) and the reproductive sphere (the household); instead production and social reproduction takes place in the same space – the household.

Wield and Chataway (2000: 105) affirm the above definition by stating that work is

...expenditure of energy for a purpose. Thus, work includes both paid work (employment) and unpaid work, so-called 'formal' as well as 'informal' work, and domestic work, work done in kind and even voluntary work.

This scenario represents pre-capitalist society. The household owns the means of production and family members provide the necessary labour. Work is premised on traditional or family obligation and social solidarity. The household as a unit of production is necessary. Under these circumstances, family members do not receive wages for their effort but they contribute towards the household income. Work is then embedded in social relations, and surplus is shared within the household. Mosoetsa (2005: 32) reconceptualises work to include productive work where there are non-monetary gains:

The argument here is that formal wage labour or formal and informal entrepreneurship are but among many diverse livelihood activities utilised by urban households. As a result, the household [can be] viewed as a complex economic and social unit. This signals a shift away from just focusing on generalised understanding of employment (paid work) and social reproduction (unpaid work) to a range of livelihood activities pursued in South Africa.

One can make the case that the capitalist mode of production exploits this type of unpaid work within the household to increase profit margins. Furthermore, this exploitation of pre-capitalist enterprises by multinationals leads to the reconfiguration of structures and of the labour process within these structures. Like in the factories, the dominant mode of production affects the relations of production, that is, the relations between family members (and possibly workers) in the operation of the business.

Wolpe (1980) draws from a variety of his contemporaries to weave together a publication called *The Articulation of Modes of Production*, which focuses mainly on the gaps that exist in Marx's theory of the articulation of modes of production. All the theorists in the book have their own conflicting definitions and interpretation of this particular theory. The relevance of this particular book for my study lies in this very gap – that despite Marx's work on the modes of production, we still lack a conceptual elaboration of exactly what is taking place in the shebeens or similar businesses. Common in the definitions of the modes of articulation is that it is more or less a “combination of relations and forces of production” (Wolpe, 1980: 7).

Poulantzas (cited in Wolpe, 1980), like his peers, argues that “A mode of production does not ‘exist’ in its theoretical clarity in any social formation. ‘A mode of production does not reproduce itself, or even exist, in the pure state, and still less can it be historically periodised as such’... The same holds for when we are discussing transitional situations, or social formations/modes of production where the dominance of a mode of production has only recently been established” (Poulantzas cited in Wolpe, 1980: 207).

Precisely because of this, I am arguing that the work that takes place in the shebeens can be a combination of both a capitalist mode of production and a pre-capitalist mode of production. Theoretical gaps exist for this assertion. Annil Quijano Obregon (1980) explains how there is lack of conceptual elaboration for what is taking place in the informal economy.

Obregon’s (1980) essay, ‘The Marginal Pole of the Economy and the Marginal Labour Force’, places at centre stage the inadequacy of the conceptualisation of economic formations that emerge in both rural and urban populations that are without land or stable employment. Obregon argues that the notion of ‘subsistence economy’ is an inadequate concept as there is not much physical production taking place outside capitalist enterprises, as this activity was legally usurped by the monopolistic capitalist formations which dominate other pre-existing economic formations. In fact, Obregon states that the insertion of a capitalist economy in developing countries such as in Latin America did not lead to the automatic destruction of economic formations that existed prior to colonisation. These economic formations or these modes of production were subordinated to the inserted capitalist economic formations. Even the displacement of populations from land did not necessarily eliminate the embedded characteristics of these pre-capitalist modes of production.

The capitalist mode of production was established and developed in some parts, meaning that capitalist modes of production developed unevenly and were fragmented; nonetheless, they dominated all other modes of production. Given these circumstances, Obregon asserts that at on extreme, the dominant side, existed the capitalist modes of production, and at the other extreme, the

subordinate side, existed what he conceptualises as the “marginal pole”. The marginal pole is comprised of activities that are combinations of various modes of production, including pre-capitalist modes of production, whereby individuals produce goods and retail them on the site which they reside.

By drawing out these two separate poles, Obregon further argues that they are structurally connected historically. When the capitalist mode of production was instituted, the dominant classes and the state took deliberate steps to monopolise the production of goods in the hands of European capitalists. This monopolisation of production in capitalist hands led to a structural dependency of the marginal pole on the capitalist modes of production for goods. This meant that goods were produced in these monopolised capitalist companies, and most of these goods were distributed or retailed in the marginal pole. Even though production was taken away from the hands of the marginalised populations, certain elements which are characteristic of pre-existing modes of production, such as the organisation of work, remained fluid within this marginal pole.

Obregon avoids using the term structural dualism or even that of the informal economy which are more widely accepted because they are more removed from the Marxian conceptualisation of the mode of production. Indeed, he is right in saying that Marxian thought is inadequate in explaining the types of production that take place in the marginal pole, which are held captive to the dominant form of production. Further, new conceptualisation is necessary to incorporate these economic formations within the conceptual framework of contemporary economies, a conceptualisation that is more in line with the reality of economies in developing countries.

It is this gap that my research will attempt to bridge. When beer production is taken away from the native population through government law and enforcement, and monopolised in white capitalist hands, shebeens became the distributors of the formally produced beer in the informal economy. Given Obregon’s argument, then, one has to argue that the South African pre-capitalist mode of production became subsumed under the dominant capitalist mode of production. Despite the monopolisation of the production of beer, other elements of pre-existing economic

formations remained, such as the organisation of labour around the functioning of a business. This is what I mean by the non-capitalist mode of production. As there is inadequate conceptualisation, Wield and Chattaway (2000) become helpful, in that their definition of production incorporates the provision of services, which is what shebeens are engaged in. The value chain analysis will serve as a useful method for looking into the structural dependency between the two enterprises of the study.

This study will assess the changes in terms of business practices and the labour process, which take place or have taken place within shebeens given the dominant production regime in SAB. There is a complex and broad dynamic surrounding work and not necessarily employment within shebeens. An argument can be made, using Wield and Chattaway's (2000) theoretical framework, that shebeen work can be termed as household production, where services (the selling of beer and catering for patrons) are exchanged for money. According to these theorists, production includes production of goods, such as growing agricultural goods in one's household and selling them to the end user, or just the provision of service to an end user. Given that this definition of production is centred on work, the value is added by retailers to the product, even if it is produced somewhere else. Shebeens fit into this category of provision of a service, the selling and serving of beer. As shebeens mostly emerge within the household and are centred around family relations, the conceptualisation of this phenomenon is necessary.

Mosoetsa (2005) defines the household as the unit of production, distribution, transmission, reproduction and core residence. Households are central to the economy as they facilitate social reproduction and labour-force participation. Like so many social institutions, households are constantly changing in accordance with the global and local economy.

Households often recruit through familial ties, and hence the concepts of household and family are linked. Therefore, while the family can be described as an institution as it comprises norms, values and even the 'ideology of the family', households are less so and are perhaps best described as nodes of socialisation and of sociological analysis (Mosoetsa, 2005: 4).

Mosoetsa (2005) further argues that with increasing labour market insecurity due to increasing unemployment in the country, individuals retreat to the household as the first site for securing a livelihood. In her analysis, Mosoetsa (2005) dissects the dynamics surrounding the social reproduction and production within households in the absence of wage labour based on Wield and Chataway's (2000) conceptual framework of work and production. Wield and Chataway's framework on household production is pivotal for understanding the dynamics of household enterprises and their role in the contemporary economy (see Table 2.1).

**Table 2.1 Wield and Chataway Framework of Household Production**

<b>Form of Work</b>	<b>Remuneration</b>	<b>Principles/Relations</b>	<b>Examples</b>
Social Reproduction	Unpaid and unremunerated	Obligation and reciprocity	Domestic work and child care (working for your mom)
Subsistence Production	Unpaid and unremunerated	Obligation and reciprocity	Agriculture, dressmaking
Petty Commodity Production	Unpaid and remunerated	Market principles Self-employment and employer-employee relationship	Informal economy homework (legal and illegal)
Capitalist Commodity Production	Remunerated	Market principles Employer-employee relationship	Full-time employment, casual labour

Adapted from Wield and Chataway (2000) and Mosoetsa (2005).

This framework is dynamic in that these production and reproduction forms of work coincide with each other – a shebeen can fit under both ‘social reproduction’ and ‘petty commodity production’.

The above framework shows the nature of employment in both the petty and capitalist commodity production enterprises. The second aim of this study is to examine the working conditions of workers in shebeens. To do this, a survey questionnaire was used to analyse the decency of employment in these shebeens. The questionnaire was designed according to the notion of decent work pioneered

by Guy Standing (1997) and the International Labour Organisation (ILO) (2005). Decent work refers to sufficient work opportunities, remuneration (either cash or in kind), safety at work and healthy working conditions. Decent work also encapsulates workers' fundamental rights such as freedom of association, non-discrimination at work and freedom from forced labour. Social dialogue is part of this concept that workers can exercise their right to present their views, defend their interests and defend their rights (Ghai, 2003; Bonnet, Figueiredo and Standing, 2003).

Decent work applies to regulated and unregulated workers, self-employed and homeworkers in the formal and informal economies (Ghai, 2003). In this study a Decent Work Index was developed from Guy Standing's (1997) seven forms of securities (or insecurities). Each of the securities (the variables) had their own constructs which were used to gather the necessary information regarding that particular security. The standardised employee questionnaire (the Decent Work Index) comprised seven securities. The seven securities are as follows:

- **Labour market security** is access to adequate employment opportunities or a high level of income-generating activities; it is related to the unemployment rate. A higher unemployment rate can mean that there are few employment opportunities and a lower level of income-generating opportunities.
- **Employment security** refers to protection against unfair and arbitrary dismissals, and ensuring that there are regulations on hiring and firing. In the case of shebeens, a sectoral determination for the hospitality and catering sector determines the conditions of employment and dismissals in all businesses, formal or informal (see Chapter Three, section 3.4). Compliance may be a completely separate issue.
- **Job security** looks into career opportunities. In addition, it covers tolerance of demarcation practices, barriers to skill dilution, craft boundaries, job qualifications, restrictive practices and craft unions.



- **Work security** refers to protection against accidents and illness at work, through safety and health regulations, limits on working time, unsociable hours, and night work for women.
- **Skill reproduction security** refers to various opportunities to gain and retain skills through training or apprenticeship.
- **Income security** is the protection of income through minimum wages, wage indexation and comprehensive social securities.
- **Representation security** refers to the protection of the collective voice in the labour market, through independent trade unions and employer associations incorporated economically and politically through the state, with the right to strike (Standing, 1997: 8-9; Bonnet *et al.*, 2003).

## 2.4 Conclusion

Value chain analysis is a central tool that has been used in this study to understand the linkages between the formal and the informal economies. This chapter has laid down the fundamentals for the next chapters. There are various issues surrounding the beer market, South African Breweries and shebeens in Soweto. The next chapter will deal with the concept of the informal economy and the emergence of shebeens in the urban areas of Johannesburg, and in particular in townships.

## **Chapter Three**

### **The Politics of Informality: From Apartheid to Democracy**

The main argument of this chapter lies in the fact that South Africa, like so many developing countries, is premised by an advanced formal economy as well as an advanced informal economy, which actually form the extreme ends of one economy. The focus of this chapter lies in the historical approach to alcohol in South Africa. The value chain of alcohol is analysed from a historical point of view, although value chain analysis tends to be a-historical at times. In the past this would have been difficult to examine, but using value chain analysis provides a practical method of establishing a continuous link between the formal and the informal economies. The value chain works on the same principles as the commodity chain, except that it takes a more holistic view that includes labour. I use the case study of the SAB-shebeen value chain to examine the linkages between the formal and the informal economies.

#### **3.1 The Informal Economy**

To demonstrate the significance of the linkages between the informal and the formal economies and thus refute the ‘Chinese wall’ distinction between the two economies requires one to revisit the roots of such a distinction. The formal economy is characterised by bureaucratic institutions that are regulated by the state and are captured in governmental statistics (Hart, 2006). The informal economy, on the other hand, is characterised by loose enterprises and activities that are unregulated by the state and which government statistics can not fully capture (Hart, 2006). As these definitions do not fully capture the varied structure and functioning of institutions in both the formal and the informal economies,

supplementary literature is necessary for conceptual clarity of these core concepts that underpin this study.<sup>2</sup>

The formal economy can also be called the regulated economy, since it is governed by a legal framework provided by the country, as well as other international laws of exchange. The formal economy comprises regulated business systems. Enterprises in the formal economy are registered and forced to adhere to tax law and other related laws such as labour law. Formal businesses have to incorporate their profit-seeking goals within the provided legal framework and are aware that the evasion of any of the laws is punishable by the state or other regulatory bodies. This understanding was described by Weber (1978), who argues that modern capitalism is based on profit maximisation through rational and efficient calculation, and impersonal market forces. South African Breweries meets these characteristics. It is a registered and legitimate business that is captured by the necessary government bodies such as Statistics South Africa (StatsSA), the national statistics agency, and by the South African Revenue Services (SARS), the tax body. In fact, South African Breweries contributes more excise tax than do the mines (SAB, 2007).

Defining the formal economy and its formations is not as ambiguous as defining the informal economy and its formations. According to Portes (1994), the ambiguity inherent in the informal economy exists due to the two different meanings to the second economy. The first meaning refers to a shadow economy characteristic of both informal and illegal income-generating activities outside the regulated (formal) economy. It is an understanding of economic activity that originated from former Soviet countries, which used the term to describe illegal markets that co-existed alongside command economies. This particular economy emerged because the state was inefficient in the production of consumable goods; in fact, the state itself used this second economy to relieve bottlenecks in the economy (Portes, 1994). The enterprises within this economy thrived on trading goods which were unavailable in state-controlled outlets (Portes, 1994: 429).

---

<sup>2</sup> Note that I use the terms 'formal economy' and 'first economy' interchangeably. I also use the terms 'informal economy' and 'second economy' interchangeably throughout the study.

The second meaning draws on Hart's (2007) notion of the informal sector in his study of Ghana in the early 1970s. While Hart called the informal economy the informal sector, the antithesis of the formal sector, Portes (1994) rejected such a conceptualisation on the basis that it assumes that these sectors are separate from each other and thus function differently. It is the second meaning that is most relevant for this study.

Following a study that was conducted by the International Labour Organisation (ILO) which led to a description of the informal economy as having the following characteristics:

(1) low entry barriers in terms of skill, capital and organisation; (2) family ownership of enterprises; (3) small scale of operation; (4) labour-intensive production with outdated technology; and (5) unregulated and competitive markets (Portes, 1994, 427).

Portes (1994) maintains that it is a characterisation that implies that the informal economy embodies individualistic survivalist strategies. Categorising the informal economy in this manner was originally rejected by Castells and Portes (1989). They cautioned that the informal economy should not be equated with survivalist activities conducted by poor people on the margins of society because this undermines the high level income of informal entrepreneurs and workers, who sometimes earn far more than their counterparts in the formal economy.

Castells and Portes (1989) further argue that there is a strong systematic link between the formal and informal economies, premised on profitability. The example given by Portes (1994) is that of a clothing enterprise in Los Angeles, where big multinational companies subcontract the making of their clothing to informal enterprises that are run by illegal immigrants from South America to cut, make and trim garments. These immigrants constitute an integral part of the informal economy that is increasingly being exploited by clothing multinationals to maximise their profits (Portes, 1994). From this, it can be argued that the formal and the informal economies are not necessarily separate but are intrinsically intertwined and connected through an exploitative relationship, whereby the formal economy exploits the informal for profit maximisation. One

of the premises of this research is to investigate whether this exploitative relationship exists between South African Breweries and shebeens. This assessment necessitates a brief historical summary of the informal economy, particularly the case of SAB and shebeens within the South African context, in order to fully understand the main aim of this investigation.

Portes (1994) has his own understanding of the informal economy as a sub-category of the underground economy. He uses Feige's taxonomy of understanding the *underground economy*. This economy comprises four subforms – the illegal economy, the unreported economy, the unrecorded economy and the informal economy. The illegal economy produces and distributes goods and services prohibited by laws; an example is prostitution. The unreported economy consists of activities by individuals or firms that deliberately want to evade fiscal rules as specified in tax policies and laws. Firms and individuals will not accurately report the correct income to authorities. The unrecorded economy refers to activities that are not statistically captured by national statistical agencies like StatsSA. This also means that the amount of income is not recorded under the accounting systems. The informal economy is an organisation of economic actions by individuals and firms that bypass the law and are excluded from protection of laws and administrative rules covering “property relationships, commercial licensing, labour contracts, torts, financial credit, and social security systems” (Portes 1994: 430). Portes argues that all these four subforms overlap each other with ease.

Beyond this distinction, Portes states that the informal economy is heterogeneous in nature. It comprises three categories – survival, dependent exploitation, and growth. The survival category consists of households and individuals who survive through direct subsistence production and through provision of simple services in the market. Wield and Chattaway (2000) call this subsistence production. The dependent exploitation category emerges when formal firms increase managerial flexibility and decrease labour costs by hiring ‘off-the-books’ employees and subcontracting production to informal entrepreneurs. The growth category is based on the organisation of capital accumulation by firms through the use of

solidary relationships, greater flexibility, and lower costs (Portes, 1994: 428). In practice, the boundaries between these categories are not mutually exclusive. Work that represents survival for an informal labourer may be flexibility for a formal enterprise.

Chen (2007) argues that there have been new developments in defining the informal economy. It includes unregistered and unregulated enterprises, as well as employment relationships that are not legally regulated and protected. Chen states:

...the new definition of the 'informal economy' focuses on the nature of employment in addition to the characteristics of enterprises (Chen, 2007: 1).

Chen argues that the key features of the informal economy are its significance and permanence, that it is characterised by a continuum of economic relations, and that there is segmentation within the economy. The informal economy is now recognised as a growing and permanent feature of modern capitalist development. In many developing countries the informal economy is not peripheral in nature but forms the base of the economy. The informal economy comprises a continuum of economic relations of production, distribution and employment which fall between "pure 'formal' relations (i. e. regulated and protected)" at one end and "pure 'informal' relations (i. e. unregulated and unprotected) at the other end (Chen, 2007: 2). In accordance with this assertion, Chen argues that workers and units are known to move from across this continuum with relative ease and operate at different points on the continuum. For example, it is well known that some permanent workers in the formal economy operate informal businesses or jobs on the side (Chen, 2007).

The informal and formal linkages occur between formal enterprises, whereby the informal enterprises have production and/or distribution relations with the formal economy. Alternatively, formal enterprises hire wage workers under informal employment relations. The former is the kind of linkage that this study is concerned with examining. The linkages between a formal enterprise, South African Breweries, and shebeens in Soweto are the examined in the study. Sowetan shebeens serve the distribution role for beer produced by SAB.

Chen makes it clear that the informal economy is segmented and comprises a range of informal enterprises and informal jobs. The informal economy is segmented into two categories: self-employment in informal enterprises, and wage employment in informal jobs. The former is inclusive of workers in small unregistered or unincorporated enterprises. Workers in this category include employers, own account operators, which could be both the heads of the family enterprise or single-person operators, and unpaid family workers. The latter category – wage employment in informal jobs – comprises employees in informal enterprises, informal wage workers such as casual or day labourers and unregistered or undeclared workers, and homeworkers. Most of these wage workers do not have social benefits or protection (Chen, 2007).

Chen further argues that the informal economy is segmented according to gender. Chen explains that men tend to earn better wages in the informal economy because they access better social resources such as education, greater access to productive assets and financial capital, and better work sites. Given these merits, men tend to get access to jobs to produce or sell higher volume or a different range of products and services while women do not have these opportunities. Chen uses the example of India and Pakistan, where gender discrimination is of a different nature than the one that takes place in South Africa. Informal economies across the developing world may have similarities, but differences should also be appreciated. For instance, access to education in South Africa was racially based rather than according to gender, unlike in India and Pakistan. Gender dynamics in the catering and hospitality sector<sup>3</sup> are examined, particularly in the shebeens.

Chen makes the argument that the informal economy is not synonymous with the illegal or criminal economy. Only particular aspects of the informal economy are illegal, but in most cases activities in this economy are legal. Informal enterprises distribute legal products and services. The (unregulated) retailing of beer in the shebeen within the informal economy is one example; beer is a legal product and selling it is legitimate, but the shebeen is illegal. Informal enterprises exist

---

<sup>3</sup> Shebeens and taverns fall under the catering and hospitality sector according to Sectoral Determination 14 of 2007.

between semi-legal and illegal because being legal is cumbersome, or the enterprises are survivalist in nature and do not generate enough income for tax purposes.

Chen argues that the workers in the informal economy are vulnerable and are kept away from secure or decent employment, benefits and representation. These workers are deprived of these rights because their employers do not want to register their businesses (Chen, 2007). Informal workers are more vulnerable than formal workers because they have to fend for themselves as they do not receive any employer-sponsored benefits such as medical aid subsidies. Chen's (2007) observation here is admirable, but the productivity of the enterprise is important; some employers in the informal economy may not have medical aid for themselves either.

In South Africa the informal economy emerged due to deliberate exclusion of the black population from equitable employment and access to the 'white' formal economy. This is further echoed in Devey *et al.* (2003), who they argue that:

South Africa's informal sector grew partly due to urbanisation, the easing of policing behaviour and regulations which historically treated black informal operators as illegal (rather than 'extra-legal' as in most other countries). And the lack of employment opportunities in the formal sector (Devey *et al.*, 2003: 7).

In addition, Callinicos (1987) argues that the bifurcated system between black and white populations was instrumental in the creation of the second economy in South Africa. The black population was restricted to certain parts of the urban world where they earned extremely low wages and lived in segregated areas. Callinicos maintained that, in an endeavour to compensate for their low pay, urban black workers created their own world – the informal economy. While the majority of men laboured in the mines, a minority took up piece jobs and provided services such as fixing shoes and mending clothes in the informal economy.

For Callinicos, black women had very little access to the formal economy; they did not understand it and were excluded from it. This environment allowed for the emergence of informal industry within these mining towns for women. Callinicos



tracks the brewing of beer by women all the way from the homestead. Women used to brew beer for their husbands in the rural areas as part of their household duties. When these women arrived in the towns, they carried on producing beer in the home while taking care of their children and attending to household activities. Callinicos make it clear that in the towns products of labour were turned into commodities, which could be exchanged for money. African women had to exchange their household skills, such as sewing clothes and brewing beer, into products that could be bought. The traditional skill of brewing beer was the cheapest and easiest skill to be turned into a commodity.

The brewing of traditional beer was usually a seasonal drink which every wife made for her husband. This beer was very low in alcohol content. The women used to brew beer for celebrations during harvest time and other seasonal festivities such as births, weddings and initiation ceremonies. Beer was also a big part of religious ceremonies and it was usually offered to the ancestors first. In the towns the beer lost its sacredness. Beer became an escape for many African workers during weekends. Most of these workers were strictly controlled by their employers, thus, going to shebeens in the township to pay for drinks and have company was a much-needed, relaxing activity. Since weekends were the only days for relaxation, the brewers adapted their brewing to this 'rhythm of industrial society' (Callinicos, 1987: 206).

Against this backdrop, stronger beer became part of this culture as it was faster to prepare than the one with low alcohol content. In order to avoid unexpected police raids, brewers devised means to brew beer quickly. Traditional beer usually took two weeks to be ready for drinking, but that was too long and risky given that police carried out regular raids on shebeens in slums and townships. Besides that, the alcohol content of the brewed beer increased because brewers could charge more for beer with a 'kick'. Brewers adapted by creating recipes that quickly gave the beer the 'kick' and made it ready to drink within a short period of time. It was under these conditions that:

By the 1930s, brewers were making *skomfana* or *skokiaan*, which had a higher alcohol content, and was made from a basic recipe of sugar, yeast and warm water. Other strong brews were *isiqataviku* (kill-me-quick),

*babaton*, and *chechisa* (hurry-up), or *isishimenyane*, made from sugar cane, yeast, cooked potatoes and brandy. The brewer might add extra, secret ingredients such as pineapple skin, whisky or carbide to make it her own special recipe (Callinicos, 1987: 206).

Brewing was a laborious task in the towns, as shebeeners had to find all sorts of disguises to conceal their beer. A common and popular disguise was devised and adapted. Shebeeners would dig a hole about a metre or two deep, place the beer inside the hole, cover it with a lid and wait for it to mature. The lid was covered by soil which had to be firmly plastered, avoiding any unevenness which might provoke curious eyes. This tricked police for a long time, but they caught up with the trend eventually. When police carried out their raids they came with poles to feel the ground for the tin lid under the soil.

Callinicos (1987) emphasises that in towns the law did not allow beer brewing and beer drinking by Africans. Under these circumstances brewers and their customers were criminals. Being constantly on the lookout for police was an ordinary activity for both shebeeners and customers. When the shebeeners were jailed they lost their entire brew.

Through these income-generating activities, Callinicos argues, black women were instrumental in constructing the informal economy in the urban areas. Women's economic activity was mainly directed towards their own people in areas mainly designated for blacks (Callinicos, 1987: 197). Given this statement, Light and Karageorgis's (1994) concept of 'ethnic economy' seems applicable with reference to the informal economy described here. The ethnic economy described by Light and Karageorgis (1994) can be understood as enterprises that consist of ethnic self-employed, employers and co-ethnic employees who mainly sell to customers they share ethnicity with. This study will extend such conceptualisation to include shebeens as ethnic economy enterprises.

Shebeens did not exclusively emerge from women's exclusion from the formal economy, but the roots of shebeens also lie in the apartheid laws which prohibited the distribution of 'white liquor' in non-white areas to non-whites. Most notably, liquor laws prohibited the production of beer by non-white populations. Bailey

and Seftel's (1994) book *Shebeens Take a Bow* offers an insight into the roots of shebeens in non-white areas by using *Drum Magazine* articles in the mid-1950s focused on these subjects. In the heyday of *Drum Magazine*, black journalists wrote that the Liquor Act No. 30 of 1928 was put in place by the Pact Government to prevent blacks from accessing 'white' liquor (Bailey, 1994: 21).

This law was supported by an active police force that regularly raided city slums in search for illegal production and sale of liquor. Despite this reality, shebeen owners and white liquor shops developed several creative ways of by-passing the laws and its enforcement (Bailey, 1994). Shebeen owners would have a mailer, who was usually a white man, who had contact with white liquor shop owners. The mailer arranged illegal transactions on behalf of the shebeens, such as the type and quantity of liquor to be exchanged, the meeting place and the disguise. The mailer also arranged bribes with policemen on a particular route to turn a blind eye to these activities (Bailey, 1994). The disguises of liquor en route to shebeens were creative and varied. Shebeen owners would, for example, hire a truck delivering flowers or fruits, and underneath these goods there were beer cases (Bailey, 1994). At the exchange points, the liquor would be placed in the 'flower' and 'fruits' trucks. The South African liquor industry grew from these sorts of dealings with the shebeens (Bailey, 1994). The liquor stores or wholesalers became the 'runners', the middle-men between the formal beer producers and illegal shebeens.

These disguises were very common, as the 1928 Liquor Act prohibited the production and the distribution of beer by the non-white population. This particular law made reservation of the use of alcohol by white employers. The law only allowed non-whites to access alcohol as part of their remuneration from their employer or as a form of reward for a job well done. The employer had to officially write a letter that he was allowing particular workers (full names had to be written out) to drink alcohol on a particular date. Outside this framework, it was strictly forbidden for non-whites to drink or brew any kind of alcoholic beverage. Van Onselen (1976, 1982) argues that the illegalisation of shebeens and

traditional brewing was necessary, as township brewing posed competition to white liquor.

This is a very important dimension, as the liquor market in South Africa grew from a captive market in Africa. Van Onselen argues that European countries had overproduction of produce which they turned into spirits. These spirits were flooding the European markets; thus the mother countries thought up a strategy of relieving their markets by flooding captive markets in their colonies. Given this, a liquor market was made possible through the construction of consumers in the black population:

Today, despite his faults, the Kaffir is a distinct source of support to many hundreds here; he is acquiring the habit of clothing himself and he is becoming used to luxuries, thereby creating and increasing a trade that is a means of existence to a considerable section of the mercantile community. The covetous director, the interested temperance advocate, and the wily monopolist begin to see this, and they desire only to suppress drunkenness among natives, to secure a reliable labour supply for the mines, to regulate native passions, and to protect the public and the shareholder. Would that their motives were so noble! Unhappily there lurks behind their pretty speeches and still prettier sentiments the Policy of Grab (except from a local paper, cited in Van Onselen, 1982: 47).

This consumerisation of the black population served township shebeens very well, but the government felt that alcohol in general was compromising the quality of workers (Van Onselen, 1976). Finding a sober labour workforce became difficult. The 1928 Liquor Act came as a remedy to this situation. This law had another, more profound effect. The law ‘eliminated’ the production of beer by black people. This activity of the production of beer was removed from black hands and monopolised in white hands. A merchant who sold European beer convinced the government to use alcohol to control their labour. As brewing became riskier, buying formally produced beer and selling it in the shebeen was easier and less risky. Many shebeens in the townships were forcibly transformed from producing beer to exclusively distributing formally produced beer.

Only in the 1960s were non-whites allowed by law to access ‘unlimited’ volumes of beer (Mager, 1999). The access was conditional, though. Non-whites could buy and consume unlimited alcohol, but they were not allowed to produce or retail it.

This law did not stop the retailing of beer in shebeens; it actually grew this shebeen market as shebeeners could now go directly to wholesalers and liquor stores to buy as much beer as they needed to sell in their establishments. Enforcement of this new Liquor Act in the 1960s took place. Shebeeners had to find means of hiding beer on their premises so that when police came they did not find the alcohol and confiscate. Many shebeeners hired people or gangs that would warn them and screen customers to see if they are under-cover policeman (Bailey, 1994).

Only in 1989 did the white government allowed blacks to retail beer under a licence. For the first time in South African history, shebeens became legitimate businesses recognised under the legal framework. This law was later replaced by the Liquor Act of 2003.

The above example is only a glimpse of the direct links between formal and the informal economic enterprises. This study will use the value chain analysis to demonstrate the current linkages between formal and informal businesses – in this case, South African Breweries and shebeens respectively. Although the historical account of the links between the formal and the informal enterprises is important, this study will take into account the new liquor acts which now include taverns as legitimate retailers of alcohol.

The Liquor Act, No. 59 of 2003, establishes national norms and standards in order to maintain economic unity within the liquor industry; provides for essential national standards and minimum standards required for the rendering of services; and provides for measures to promote co-operative government in the area of liquor regulation ( Preliminary Note of Statutes of the Republic of South Africa – Intoxicating Liquor, 2006).<sup>4</sup>

The previous laws were more about restriction and control of production, distribution and consumption of alcohol by the non-white population. This recent Liquor Act stipulates the boundaries of legality. Producers of alcohol are allocated their jurisdiction, and the retailers are allocated theirs. The most important part of the Act is that provinces have to make their own Acts regarding the regulation of

---

<sup>4</sup> For more details of these Acts and amendments, please refer to Appendix 1.

alcohol and the processing of permits and licences. The Gauteng Liquor Act is the most relevant for this study.

### **3.2 Gauteng Liquor Act 2 of 2003**

Definitions are important in understanding issues underlying regulations relating to taverns and shebeens. Most of these definitions are provided by the Gauteng Liquor Act 2 of 2003 whose function is to:

...provide for the control of the retail sale and supply of liquor within the Gauteng Province; to establish the Gauteng Liquor Board, local, committees and a Liquor Trade Association; to regulate applications for the licences and to provide for public notification and participation; to regulate the granting of licences in respect of different kinds of licences; to prohibit the sale of liquor to certain categories of people; to provide for general matters such as enforcement procedures; and to provide for matters connected therewith. (Gauteng Legislature, 2003, 1).

Unlike the previous laws under apartheid which marginalised shebeens, this Act attempts to license and incorporate shebeens within the reach of the law and afford them a similar status as formalised pubs, bars and other such places where alcohol is sold. Under this Act, shebeens are defined as “any unlicensed operation whose main business is liquor and is selling less than ten (10) cases consisting of 12 x 750ml of beer bottles” (Gauteng Legislature, 2003). This definition is problematic as it rations the amount of liquor that a shebeen can sell under a permit. The definition of shebeens was reviewed after a court case against the Act by the South African Liquor Trade Association (SALTA), which represents shebeens and tavern owners. Now the definition of shebeen is an unlicensed operation whose main business is to sell liquor and is selling 60 cases consisting of 12 x 750 ml. A tavern, on the other hand, is a “place whose main business is the supply of liquor, food and various forms of entertainment.” (Gauteng Legislature, 2003). Unlike a shebeen, a tavern is licensed. Applying for a licence is a very long, difficult and expensive process.

To apply to the relevant committee for a licence, each applicant is forced to comply with section 23 of the Act which lists the following requirements:

- (a) a detailed written motivation in support of the licence applied for;
- (b) a detailed sketch plan of the premises showing the rooms, services, buildings, construction material and other pertinent information;
- (c) a detailed written description of the premises to which the application relates, together with colour photographs of the external and internal features of the premises;
- (d) a report of an inspector and reports of any inspection required by any law or by-laws
- (e) proof of publication of notices in the newspaper in terms of section 24 (Advertise in no less than two newspaper, notice to be made seven days before lodging an application, etc.)
- (f) a certificate of suitability on the person of the application issued by South African Police Services;
- (g) the full business address and location of the premises to which the application relates, identity number or registration number of the applicant, residential address of registered office of the applicant;
- (h) proof of affiliation to an association in section 38 (The Gauteng Liquor Traders Association)
- (i) proof of payment of the prescribed fee; and
- (j) clearance certificate by the South African Revenue Services that applicant complies with tax laws (Gauteng Legislature, 2003: section 23).

Shebeens have to further build separate buildings within the premises which will be the place for trading beer. The Act stipulates that there have to be separate male and female toilets for their patrons (Gauteng Legislature, 2003). This means that if one is trading in one's house, one has to find money somewhere to draw up plans to build a separate building and separate toilets on one's premises in order to meet one of the requirements of getting a licence.

As one can understand, a licence application carries more obstacles for shebeens than positive incentives. In fact, this licensing process, one can argue, serves to undermine the shebeen owners; thus, being illegal has its advantages. However, South African Breweries have a special programme to alleviate this burden for its clients.

SAB is in the process of helping shebeens get on the right side of the law in order to distribute the beer in these enterprises:

Brewing giant SAB has created a programme to help shebeens become legal. It is in its interest to guide the process – shebeens are its biggest customers. Most of the liquor drunk in the country is consumed at unlicensed outlets ... SAB says that the number of deliveries direct to taverns is expected to grow threefold to about 77 000 depending on the pace of licensing (Mawson, 2007: 7).

SAB helps shebeens by giving them access to credit, training on how to run a business, and branding (Mawson, 2007). With the recent Gauteng Liquor Act, SAB is helping shebeens to comply with the requirements of the Act in order to qualify for the licence, such as building separate rooms from the household dwelling and providing chairs and tables for the business (Mawson, 2007). This shows that there is a symbiotic but unequal relationship between a big formal company like SAB and informal enterprises such as shebeens. Another dimension is also brought to the table –legalisation of shebeens to become viable formal enterprises with the help of SAB.

The Department of Economic Development MEC in Gauteng, Paul Mashatile, urged liquor outlets to renew their licences before 31 December 2007. All shebeen and tavern owners who hold licences under the old Liquor Act of 1989 were encouraged to renew licences. If this was not done before the date noted, there would be punishment, such as an extra 50 per cent surcharge in January 2008 by the South African Receiver of Revenue. In February 2008 this extra surcharge was to increase to 100 per cent (*Joburg East Express*, 2007: 11). According to the Act, non-compliance with the law is punishable – there will be confiscation of products and arrest of the owners if individuals are trading illegally.

In this regard, the government supposes that it has the capacity to meet the demand of applications that meet all the requirements of the Gauteng Liquor Board. The licensing of shebeens allows SAB to take advantage of the ‘untapped’ market, the bottom of the pyramid.

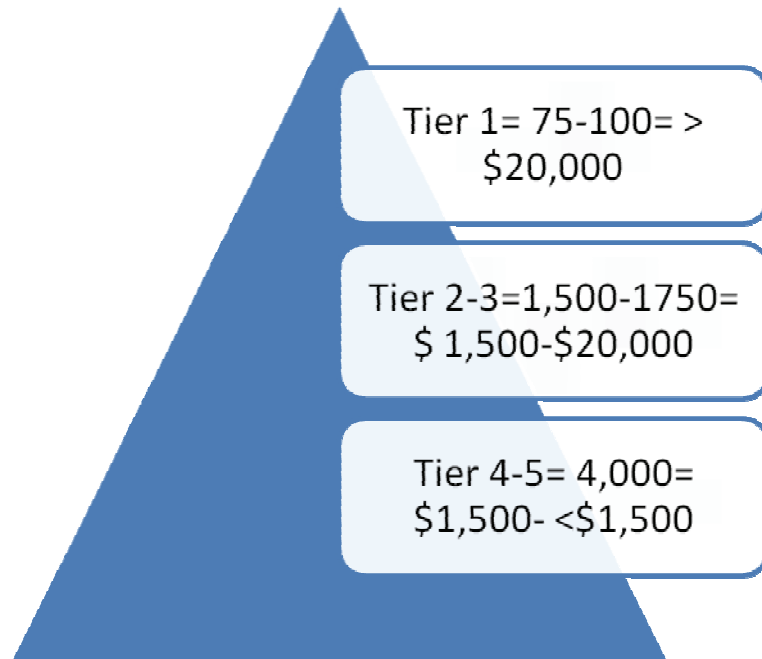


### **3.3 The Bottom of the Pyramid**

The point of this licensing shebeens initiative by SAB is to help illegal and unlicensed outlets in South Africa – which are estimated to be around 200 000 in the country – to become legal (SABMiller, 2008b). SABMiller sees its responsibility as being to assist these outlets to get licences, given the fact that they are the largest player in the liquor market. In doing so, SABMiller, SAB's parent company, is able to tap into the Bottom of Pyramid (BoP) consumer market, which is far from being exhausted according to the multinational company (SABMiller, 2008b).

SABMiller continues to claim over 95 per cent of the market share within the South African liquor market (SABMiller, 2008b: 1). The point of sale of SAB's brands is in shebeens and taverns in the townships, many of which remain unlicensed. SABMiller recognises the importance of the informal economy, which is estimated at around 28 per cent within South African economy (SABMiller, 2008b). After all, the informal retailing sector in South Africa is seen as an important delivery channel of goods to consumers; this also includes alcoholic beverages such as beer (SABMiller, 2008b). In fact, the University of South Africa (UNISA) concluded in a report in 2002 that approximates informal retailing in the country's informal economy as representing approximately 10 per cent of the total retail trade sale in South Africa, which is about R32 billion (SABMiller, 2008 b).

Figure 2.1 shows the world's population in millions and purchasing power parity in United States (US) dollars. Most products in the world are manufactured for the top two strata, as they have disposable income to spend on all goods.



Adapted from Prahalad and Hart (2002: 4).

**Figure 2.1**  
**Purchasing power pyramid**

Prahalad (2006) argues that it is old practice for business organisations to only see the top tiers (tiers 1-3) as their viable markets from which they can make profit. The BoP is represented by the last two tiers (4 and 5), that consist of four billion people globally and have the purchasing power parity below \$1 500. Prahalad argues that tiers 4 and 5 are also viable markets that multinational companies can incorporate into their business value chains. SAB has always known that the BoP market, mostly comprised of informal enterprises, is its key market. In South Africa, beer consumption is heavily skewed towards on-premise consumption, compared to developed countries such as the United States or United Kingdom. Accordingly, 70 per cent of the beer in South Africa is consumed on-premise in black townships (Gilmour, 2006).

This informal retailing base includes micro enterprises such as hawkers and smaller enterprises comprising family businesses and large general dealers in the townships and around major cities. A study done on behalf of the Department of Trade and Industry (DTI) found that there are strong and significant linkages between the formal and the informal economies (Reality Research Africa, 2004).

The report estimated that nine out of ten informal retailers received deliveries of merchandise from suppliers in the formal economy. This proves that a significant proportion of profits in the formal economy are directly drawn from the informal economy. It is here that SABMiller sees an opportunity for potential growth in these small informal retailers. According to SABMiller,

This wide array of informal retailers create an excellent foundation for advancing entrepreneurship and allowing some of these informal enterprises to gradually upgrade to more formal business structures (SABMiller, 2008b: 2).

This advancement of entrepreneurs superficially serves to elevate the status of populations at the bottom. This report will show how SAB uses this BoP market to increase its share of the beer market. Unlike many developing country multinational companies, whose consumers are at the top of the pyramid, SABMiller is a developing country multinational whose primary market in South Africa is the BoP market. In Chapter Six I will discuss how SAB, the South African subsidiary, takes the lead in helping to license shebeens in the townships in order to gain control over the beer market. Legalisation of shebeens has other unexpected consequences, particularly for shebeens that hire labour.

### **3.4 Sectoral Determination 14: Hospitality Sector**

Sectoral Determination 14 will be used to assess the decency of working conditions of employees in shebeens. I am assuming the Determination contains the minimum standards of labour for these workers, which are fundamental in creating decency of work.

Sectoral Determination 14: Hospitality Sector was developed through the Basic Conditions of Employment Act (BCEA), No 75 of 1997, Section 51 (1), which allows the Minister of Labour to create provisions of the Determination where they are non-existent. Sectoral Determination 14, born out of the BCEA, covers workers who were not covered by collective bargaining, such as workers in the taverns. The Act is cognisant that all workers in all sectors, whether they are

formal or informal, need to be protected by some form of legislation. The Basic Conditions of Employment Act is premised to deal with minimum conditions of employment, the right to annual leave, sick leave, family responsibility leave and maternity leave. The determination is further concerned with stipulating a decent working week, holidays, overtime and payment according to different sectors. The main goal of the BCEA is to protect workers who are not covered by collective bargaining bodies and who are not members of any union. Mosoetsa (2005: 57) argues:

[The Act] also recognises that the majority of those working in the informal sector are particularly vulnerable since they do not have trade unions to protect them from malpractice by employers (Mosoetsa, 2005: 57).

The Sectoral Determination controls the terms and conditions of employment for workers in the hospitality sector. This is the first binding regulatory framework for the hospitality sector. According to Sectoral Determination No. 14: Hospitality Sector:

Hospitality Sector means any commercial business or part of business in which employers and employees are associated for the purpose of carrying on or conducting one or more of the following activities for reward:

- (a) providing accommodation in a hotel, motel, inn, game lodge, hostel, guest house, guest farm or bed and breakfast establishment, including short stay accommodation, self-catering, timeshares, camps, caravan parks;
- (b) restaurants, pubs, *taverns*, cafes, tearooms, coffee shops, fast food outlets, snack bars, industrial or commercial caterers, function caterers, contract caterers that prepare, serve or provide prepared food or liquid refreshments, other than drinks in sealed bottles or cans whether indoors or outdoors or in the open air, for consumption on or off the premises; and
- (c) includes all activities or operations incidental to or arising from any of the activities mentioned in paragraphs (a) and (b) (Government Gazette, 15 May 2007: 4).

From 1 July 2007 to 30 June 2008, employers who hire ten or less employees must pay them a minimum of R1 480 per month for working 45 ordinary hours per week. The minimum wage for employers who hire more than ten employees must pay them R1 650 per month for working 45 hours per week (Government

Gazette, 15 May 2007). Every year the wages are meant to increase as delineated in Part B section 2, which states that this increase is calculated as follows- “Previous minimum wage + CPIX + 2%” ( Government Gazette, 15 May 2007: 5-7). The determination was enacted on 1 July 2008.

The Sectoral Determination details other rights stipulated for employees such as payment of overtime (if workers work more than 45 hours a week), paid leave, night work, Sunday work and benefits (pension, medical aid, contribution to the Unemployment Insurance Fund). Every employer is forced to formalise every aspect of their employee’s contract, payment and deductions (Government, Gazette, 15 May 2007). The Sectoral Determination is attempting to bring decent levels of employment to all workers in this sector. De Soto (1989) argues that legalisation makes employment a fixed expense for enterprises. The Sectoral Determination imposes this expense on enterprises who may not willingly adopt it.

Ndebele’s (2007) article, ‘There’s a Fly in My Soup’, reports on Johannesburg restaurateurs who are breaking the new Sectoral Determination by not paying their waiters the required minimum wages. At the moment, Johannesburg’s ‘respected’ restaurants continue to exploit waiters. Waiters and waitresses “survive on commission and tips only – and they have to buy pepper, even steak knives, for the customers they serve” (Ndebele, 2007: 1).

*Metro*, part of the *Sunday Times* newspaper, conducted a ‘snap survey’ of ten restaurants around the North and West of Johannesburg (Sandton, Rivonia, Parkhurst and Melville) to measure the extent of compliance to the new Sectoral Determination (Ndebele, 2007). Ndebele (2007) found that eight out of the ten restaurants in her sample did not pay their staff the legal wage. When confronted, the restaurateurs agreed that they did not pay the minimum wage. Some claimed their staff were happy with their pay.

Most of the workers interviewed said they would appreciate a minimum wage, as currently they earned less than the stipulated R1 480 per month:

A waiter, who asked not to be named for fear of losing his job, said staff earned only tips and 3% commission on the food they sell. They also have to supply black pepper for patrons, as well as buy a R450 uniform, a corkscrew, a cigarette lighter, a notebook, a pen and a dishcloth (Ndebele, 2007: 2).

Some restaurateurs argued that the Sectoral Determination did not apply in Gauteng, meaning that it did not apply to them. Ndebele's (2007) source at the Department of Labour, however, said the Determination applied nationally and that inspectors would be sent across the country in August 2008 to educate people about the new law. The Department of Labour is intent on prosecuting those who are not complying with the Determination since it came into force.

Taverns are not exempt from this law. In fact, as stipulated in the definition, taverns are part and parcel of the hospitality sector. This means that these businesses will have to comply with the recent sectoral and wage determination for the hospitality industry. Nonetheless, taverns face a different predicament than formalised restaurants. Labour laws add an expense that taverns and shebeens in Soweto may not willingly take.

### **3.5 The Cost of Formality**

Cost of access means the cost of meeting the requirements for becoming legal. In order to test the cost of access to formality, De Soto and his team embarked on a simulation in which they would register a legitimate business –a garment factory in an industrial area of Carretera Central Lima (De Soto, 1989). The goal was to quantitatively calculate the cost (effort and finance) of completely complying with the bureaucratic procedures in order to operate legally. To do this the Institute for Liberty and Democracy (ILD) rented the property necessary to establish the factory. Four university students were recruited to commence the bureaucratic procedures under the supervision of an experienced lawyer in administrative law. The results of the simulation are shown in Table 3.1.

On ten occasions, the ILD team was asked for bribes to speed up the process. The ILD was forced to pay bribes twice, in order to complete the simulation. Each procedure was approximately \$194.40 (De Soto, 1989: 133-136).

After the simulation, the ILD calculated the cost of complying with all these procedures.... The results showed that a person of modest means must spend 289 days on bureaucratic procedures to fulfil eleven requirements for setting up a small industry (De Soto, 1989: 134).

One could then argue that the cost of legality in the case of Peru is too high. Informalisation is the easy way out. The requirements of acquiring a trading licence for liquor as stated in the previous section can be as tedious and cumbersome to shebeen owners if the conditions are as De Soto (1989) stipulated in the above description. If the cost of becoming legal is too high, most shebeen owners will be inclined to remain illegal. Thus, the law can be said to unintentionally encouraging illegality and informality.

**Table 3.1 Days taken to register a business in Peru**

Stage	Department	Days waiting	Result
A	Ministry of Industry	28	Certificate compatibility with regulation
B	City Council	23	Zoning Certificate
C	Ministry of Labour	8	National Register of Workplaces
D	Ministry of Economy	13	Tax Book
E	Police Headquarters	3	Certificate of Residence
F	Ministry of the Economy	18	Commercial Register
G	Ministry of Industry	43	Industrial Register
H	Peruvian Social Security Institute	30	Employer's Register
I	Ministry of Industry	49	Register of National Industrial Products
J	Ministry of Health	43	Environmental Sanitation Register
K	City Council	174	Municipal Licence
Total		289	

Adapted from De Soto (1989: 133-134).

Sectoral Determination No. 14 can also have unforeseen adverse consequences for the same employees the government is attempting to protect. De Soto, whose perspectives are neoliberal, argues that the informal economy is a result of excessive state regulation (Skinner, 2002). One can reaffirm this notion that the Gauteng Liquor Act as well as Sectoral Determination 14: Hospitality Sector can serve as forms of excessive state regulation which encourage more informality and illegality of enterprises in the informal economy. Samodien and Kalipa (2007) argue that, like past laws that prohibited and limited shebeens under apartheid, the new National Liquor Act also prohibits and limits the emergence of legal shebeens in the townships. An interviewed economist argued that the law will have “unintended consequences that shebeens would simply be forced underground” (Samodien and Kalipa, 2007: 1). Most shebeen owners agreed that the new Liquor Act will definitely force them to resort to illegal means of running shebeens like in the past in order to make a living:

Under the Liquor Bill, shebeens can be licensed, but they must be up to standard. One Gugulethu shebeen owner, Lindelwa Vutela, said she would have to trade in secret if her business was shut down. She said her small shebeen had been running for two years and it supported her three school-going children (Samodien and Kalipa, 2007: 1).

The real debate lies in the compliance of all these laws by shebeens. The main point is that the law seeks to make these enterprises legal, but in turn burdens them with complying and upholding the licence requirements and wage and working conditions. My argument is that, in reality, it is cumbersome to legalise shebeens, and the structure of labour in these enterprises does not always allow compliance with the Sectoral Determination.

### **3.6 The Cost of Remaining Legal**

The cost of remaining legal refers to:

both cost directly imposed by the law – taxes, compliance with bureaucratic procedures, obligations to administer personnel in a certain



way, and payment of higher rates for public utilities, among others – and to costs indirectly imposed by legal institutions as a whole – the instability of the legal system, insecurity of property rights, and the inefficiency of the judiciary in settling disputes or collecting debts, among others (De Soto, 1989: 147-148).

The ILD researchers found that “remaining formal costs a small industrial firm 347.7 percent of its after-tax profits and 11.3 percent its production costs (De Soto, 1989: 148).

The costs of formality are too high, thus resulting in dwindling profits for firms. De Soto (1989) argues that if it was not for legalisation of companies, some of the firms could quadruple their profits. A valid argument can be made that the growth of informal businesses is dependent on ease of hiring and dismissing labour, so that at times when the business is doing well more labour is absorbed, and when the business is struggling less labour is used. Thus, informality of hiring is paramount in the informal economy. Firms hire one to four people informally, based on verbal agreements (De Soto, 1989). Informal firms are more labour-intensive than formal businesses and thus have the capacity to absorb uneducated and unskilled surplus labour. De Soto (1989) argues that, instead of helping to grow the business, labour laws are stringent in that they add costs of operations by formalising the hiring and firing of labour. Labour then becomes a fixed expense rather than a variable expense for these enterprises. Therefore, the viability of these businesses is compromised. If profitability of these establishments is compromised, then they will resort back to informality of labour in order to recapture their profits.

Taking De Soto’s (1989) argument and contextualising it to taverns and shebeens, one can argue that Sectoral Determination 14 serves to make labour a fixed expense for the taverns; thus these businesses will be discouraged from hiring non-relational labour. Instead they will lean more towards family and kinship labour precisely because it does not meet the definition of a worker as described by Sectoral Determination 14 and other labour laws.

Adams (2007: 13) argues the new labour legislation for the minimum wage in the hospitality industry has been met with mixed reactions. Some employers think the legislation is unfair as they cannot afford the amount. One angry employer had to

retrench all his staff as his profits were too low to pay the required minimum wage (Adams, 2007). Other employers were happy and “willing to adapt” because this gave employees the right to a regular basic wage each month (Adams, 2007: 13). The new Sectoral Determination must be implemented throughout the whole hospitality industry. Nevertheless, it assumes a particular profitability on the part of all businesses that make up the hospitality sector, as defined in the Determination. Rather, the Sectoral Determination has to provide exemptions for particular enterprises based on the level of profitability. If this is not done, formal and informal enterprises may resort to informal and perhaps illegal forms of labour in order to recapture their profits. Furthermore, the Sectoral Determination Act is not implementable in cases where family labour is exclusively used by enterprises, precisely because not everyone who works fits the definition of an employee as stipulated in the law.

This section has dealt with the Sectoral Determination that will affect the catering and hospitality sector. This Determination seems to want to bring security and decency of work to workers in the sector, including those who work in taverns. Chapter Seven discusses the decency of work of workers in shebeens. As discussed in Chapter Two, Standing’s seven security variables were used in the survey questionnaire (see Chapter Four). The Sectoral Determination also discusses issues around child labour, which will be discussed in Chapter Seven.

### **3.7 Conclusion**

This chapter has dealt with the central concepts of this report. There is no consensus on the concept of the informal economy, as seen in the several concepts used to describe it. Given this, the informal economy includes all illegal and informal shebeens as well as unregistered labour working in these establishments. Shebeens have a long history, as explained by Van Onselen (1976, 1982) and Callinicos (1987). Shebeens have been transformed from establishments that brew their own beer to outlets that mainly sell formally produced alcohol. In this sense, shebeens have moved from being brewers and distributors of alcohol to being

distributing outlets for white formal businesses. This is a result of government's liquor laws which controlled access to and brewing of alcohol by the black population. This meant that the production of beer was reserved for white businesses, and its distribution went underground in townships (Bailey, 1994). This fact demonstrates the connection between the formal and the informal economies by following the product. The beer and other liquor were produced by white businesses like SAB in the formal economy, and were mostly sold and consumed in then illegal shebeens which formed part of the informal economy. Following this, the value chain analysis is the analytical tool that best captures this reality. Workers in these shebeens were also interviewed in order to analyse the decency of their employment against the government's hospitality and catering determination. Given these laws, their impact on shebeens will be further analysed in Chapter Seven. The next chapter will explain the different methods used to gather the raw data for this thesis.

## **Chapter Four**

### **Methodology**

As stated before, the study aims to examine the links between the formal and the informal economies and to examine the working conditions in shebeens. This requires a multi-pronged research strategy that draws on various sources of data, including existing documents, interviews and observations. The methods resulted in both qualitative and quantitative data. The survey was qualitative and the results of the data were both qualitative and quantitative in nature. The survey questionnaire was structured according to the Standing's seven indicators of decent work, explained in Chapter Two of this thesis.

Other qualitative methods were employed in the form of participant observation, document analysis and semi-structured interviews. Qualitative research is advantageous, first, in emphasising the importance of the social context for understanding the social world (Bernard, 2006). Secondly, qualitative research allows the researcher to gather rich and significant amount of information on a few cases, as it allows for greater depth which enables detailed examination of the chosen cases (Bernard, 2006). Lastly, this method allows for inductive and deductive development of theory; thus, the method is flexible. Given the nature of many qualitative methods, one cannot generalise the results of this research, as non-probability sampling was used (Bernard, 2006). I drew on four different techniques: a survey, participant observation, interviews and document analysis.

#### **4.1 The Survey Research**

##### ***4.1.1 Features of surveys***

Singleton, Straits and Miller Straits (1993) state that survey research can be done using the application of questionnaires or interviews to a large group. The main

purpose of a survey is to identify specific characteristics regarding a particular group of people (Singleton *et al.*, 1993). Surveys can be used to make generalisations if the sample is representative of the population that it comes from. One of the features of a survey is a large-scale probability sample. StatsSA use this kind of sample for its Labour Force Surveys (LFS). The main feature of professional survey research such as the LFS is that it is based on a large number of respondents who are chosen through probability sampling (such as stratified random sampling) to represent the particular population. Secondly, systematic questionnaires or interview procedures are used to ask the prescribed questions of respondents and to record their answers (Singleton *et al.*, 1993: 246). Finally, the answers are numerically coded and analysed with the aid of statistical packages (Singleton *et al.*, 1993).

Surveys attempt to capture the quantitative information through the use of a standardised questionnaire (Neuman, 2000). The reliability of the data is enhanced by administering a standardised questionnaire to all respondents.

There are two kinds of surveys: descriptive surveys and explanatory surveys. Descriptive surveys seek to describe certain characteristics of a population. Explanatory surveys, on the other hand, seek to investigate the relationships between two or more variables. This sort of survey seeks to explain the cause-and-effect (Singleton *et al.*, 1993: 250). My case study seeks to describe the nature of security in the employment of informal workers working in the taverns and shebeens. Thus, the survey used in this study was primarily descriptive.

A cross-section design was chosen for the survey. Cross-sectional surveys refer to data collected from a particular sample in a population at one point in time (Singleton *et al.*, 1993). I administered the survey through a standardised questionnaire in chosen shebeens and taverns at one particular point in time. The main disadvantage of cross-sectional surveys lies in the fact that the accuracy of the received information from respondents is questionable. Singleton *et al.* (1993) argue that surveys are advantageous in that they offer the most effective means of social description. Further, surveys are able to pick up precise information regarding large heterogeneous populations. The survey chosen was excellent as it

detected the heterogeneous nature of informal workers which include paid and remunerated workers, self-employed tavern and shebeen owners, and unpaid family labour. Nonetheless, as mentioned before, there were contextual problems with the instrument.

The survey was administered through interviews and questionnaires. The process was standardised for all the respondents in order to enhance reliability of the data. Thus, highly structured interviews were used. All respondents were asked the questions in the same order. There was consistency in the administration of the questionnaires.

#### ***4.1.2 Designing the survey and the instrument of data collection***

The survey for this study was constructed by the Sociology of Work Unit (SWOP) which included Professor Edward Webster, Dr Andries Bezuidenhout, Khayaat Fakier and five Department of Labour (DoL) interns (including myself). We completed all the necessary steps for the survey research which included: 1) planning, 2) field research, and 3) data processing and analysis (Singleton *et al.*, 1993). The planning process included deciding the instrument to be used, conceptualising the variables and the items to be inserted in the questionnaire, and other related issues. Secondly, the five interns conducted the fieldwork in their respective sectors. Thirdly, the coding of the questionnaires and the processing of the data was done by the five interns and Dr Andries Bezuidenhout. The data processing software Statistical Package for Social Sciences (SPSS) was used for demographic purposes and for creating the index. The final data processes regarding the objective variables, such as the unemployment rate, was done by Dr Bezuidenhout. Dr Bezuidenhout further created and calculated the overall index called the DoLsWebster Index that averages out all seven securities for all the five sectors.

#### ***4.1.3 Decent Work Index survey***

The standardised questionnaire was structured as follows:

- Demographical information (sex, age, education level, household composition and the social wages they receive in their households).
- Employment history (position previously held, main functions, reason for not working there anymore, which company one worked for before resorting to informal employment).
- Current employment (using the Decent Work Index variables).

#### ***4.1.4 Defining the variables***

Based on the above seven securities, the variables were quantified – 0 will represent absolute insecurity and 1 will imply absolute security.

**Table 4.1: Taverns sampled and workers who completed the Decent Work Questionnaire**

<b>Tavern/Shebeen</b>	<b>Location</b>	<b>Workers Employed</b>	<b>Workers Interviewed</b>
Tavern 1 Jozi Life Tavern	Downtown Johannesburg (Licensed)	11	3 (Respondents 11, 12, 15)
Tavern 2 White House Tavern	Soweto (Tladi) (Licensed)	3	2 (Respondents 6, 13)
Tavern 3 Chicago Fellas	Soweto (Molapo) (Licensed)	9	6 (Respondents 5, 7, 8, 9, 10)
Tavern 4 Thandi's Place	Soweto (Snake Park 1) (says she operates under the 1989 licence)	3	2 sons interviewed (separate interview schedule)
Tavern 5 "No name"	Soweto (Snake Park 2) (Illegal)	2	1 (Respondent 14)
Tavern 6 Pontso's Shebeen	Soweto (Snake Park 3) (Permit)	3	1
Tavern 7 Simelane's Place	Soweto (Dobsonville)	6	4 (Respondents 1, 2, 3, 4)

	(Permit)		
Tavern 8 The Beat of Soweto	Soweto (Foxlake) (Permit)	2	1 (separate interview schedule)

#### ***4.1.5 Issues with the questionnaire***

When I first started this study in 2007, as part of a Department of Labour project on the informal economy, I used a survey questionnaire which was drafted by SWOP, which I was part of. The questionnaire was useful in looking at the decency of work of shebeen and tavern workers, but it had many weaknesses when it was applied to some of these workers. The weaknesses of the questionnaire I used are as follows. The interviews that I held with the questionnaire suffered from what Burawoy calls context effects. There were unavoidable interview effects whereby the interview schedule affected the responses. Respondent effects were also present, whereby the questions asked had irreducible ambiguities which are dependent on the different worlds in which the respondents come from. The question on “who is your employer?” in the employee questionnaire was a striking question which some respondents did not know how to answer. Some respondents claimed to be working for the family but they were not actually employed by the family. In essence, they were working but not employed. Another question was about remuneration: did they (respondents) get paid regularly? Some respondent stated that whenever the grandfather or brother or the designated owner could afford to give them something in the form of cash, then they would be paid that time. Regular wages within some of these establishments was a foreign concept and practice. This was the reality that I needed to understand to represent an accurate picture of labour dynamics in the shebeens. In order to fully understand how these dynamics were constructed in these businesses, I had to become part of the shebeen through participant observation.

The survey questionnaire which was used distanced me from the interviewee, which I explain in detail later on. The questionnaire was used to examine and measure the decency of working conditions of employees working in taverns and



shebeens in Soweto. However, I could not help but notice the irrelevance of the questionnaire to some of my respondents who were not employees of the owners of the shebeens but family members who were helping to secure this only source of income for the family. I did unstructured interviews with them to supplement the information, but I felt that this was not adequate to capture the dynamics of business practices of family-driven shebeens and how they source and utilise labour. The impact of SAB on these shebeens was another aspect that remained significant but extremely vague. Interviews with owners were superficial; I needed more depth. My solution to these problems was to use participant observation. Participant observation was an excellent technique for me to use to understand the position of the non-labourer in these businesses.

#### **4.2 Participant Observation**

I worked in three different shebeens in Soweto: Dlamini, Silvertown and Dobsonville. These are three suburbs within Soweto. I have observed the South African Breweries Museum in downtown Johannesburg which explains the history and the production processes of their beers. The museum works as one of SAB's marketing strategies, which help visitors understand the international and local background of the company. I worked at each shebeen between ten to fourteen consecutive days. I also participated as a customer in seven shebeens around Soweto. I went to each place two to three times around their busiest nights and their slowest nights. At some shebeens, usually smaller ones operating from the household and many illegally, I went there as a customer to buy take-away beers, and to view the nature of the business at different times. Participant observation allows the researcher to be in the natural settings of the persons being observed. This method allowed me to collect life stories of the people observed. For instance, I looked at who was selling, at what times, and the nature of work that took place in that specific shebeen. I also went to liquor stores to observe the sale of liquor in bulk to individuals operating small-time shebeens. As Bernanrd (2006: 347) writes:

Participation observers can be insiders who observe and record some aspects of life around them... or they can be outsiders who participate in some aspects of life around them and record what they can.

Participant observation makes it possible to collect all kinds of data, soft or hard. This technique reduces reactivity. Reactivity occurs when people who are being observed change their behaviour when they know that they are being studied. Participant observation allows people who are being observed time to get used to the presence of the researcher; this way they are able to act naturally, as they would any other day. This method also allows the researcher to ask relevant questions in the native languages of those being studied (Bernard, 2006).

Participant observation can be said to be reflexive ethnography (Burawoy, 1998). Reflexive ethnography sets out a dialogue between social scientists and the people being studied. It starts out from an academic theory on the one side and indigenous narratives on the other. I started my journey to the shebeens (informal economy) and SAB (formal economy) in an attempt to examine the linkages between the two economies. Shebeens reflect the history of South Africa in a nutshell. It is a history of exclusion and repression. The neoliberal agenda that the government implemented shows in the number of unemployed persons (particularly the youth) in the study. This history of exclusion and unemployment was easily accessible through shebeen kings' and queens' stories and present lives, which was important in contextualising their present life and economic activities.

### **4.3 The Fieldwork in Shebeens**

In a qualitative approach the researcher needs to begin with self-awareness. First, the researcher needs to acknowledge the social self, that she is a product of a particular position in society. I had to understand my position in society and how I interpret social life in my everyday life in order to appreciate the world of those I intended to enter. In order to do this I had to frequent several shebeens as a customer, with friends or by myself, in order to familiarise myself with the atmosphere and the people who frequent such establishments. At first, many

people would see that I stuck out like a sore thumb by the way I dressed and spoke, and by my mannerisms. I would ask advice from the people who approached me on how I could blend in. Drinking a particular drink was important, and the dress code had to be more appropriate for the setting. Many women would give me certain advice about which persons to talk to and which ones to completely ignore for my own safety.

In shebeens where I worked, my presence was always questioned by relatives of the shebeeners, and by neighbours and regular customers. I always introduced myself as a student from Wits studying shebeens. Most customers got worried and asked what I was going to write about them. I always assured them that I would only write what is relevant for my study; anything else would be excluded. In an effort to help me answer my research question, many customers gave me their informal consent to write their real names in my study if I quoted them saying something profound about beer. I told them that it was unethical to do so and they understood in the end.

I kept regular notes and a diary. I wrote notes every day after work, and sometimes I would write at work whenever I found time and space to do so. I kept a diary to conscientise myself with what I was feeling and my own perceptions. I always questioned myself about how I handled certain situations and conversations I had and my feelings about them. This helped me to recognise my 'automatic' everyday behaviour to particular situations and the appropriateness of that response. I would then think up alternative responses that were more appropriate to use in the shebeen context.

The workers in the shebeens were always willing to make suggestions on who to speak to and who to avoid, and what I must do to know for sure that I was safe. For instance, some customers become violent when drunk; in order to guarantee my safety, I must avoid these customers while they are sober, and that way they will keep their distance throughout the night. There are no rule books or written health and safety measures in shebeens. When people are drunk their reactions become unexpected; many became violent. One shebeen manager said, "You

learn these tricks through experience; no book can teach you this” (Njabulo Interviews, August 2008).

#### **4.4 Semi-structured Interviews**

Interviews are a qualitative open-ended, discovery-oriented method that is well-suited for describing programme processes and outcomes from the perspective of stakeholders (Rosnow and Rosenthal, 1996). All the interviews were semi-structured. Before every meeting, a summary of my study was provided and the specific questions that were relevant for the interview were also forwarded. I prepared an interview schedule specific to the interviewee. Access at SAB was difficult as I had to constantly qualify why I wanted to speak to certain people and get access to their employees. In some cases, SAB interviewees were offended by the goal of the research, as it looks at labour standards and they felt that SAB complies with all the necessary laws. In some cases the interviewees would say that SAB complies with the labour law and be reluctant to continue with the interview. However, I made contact with and interviewed ten SAB informants. Two SAB informants were based in Alrode SAB’s Brewery, three informants were in SAB Headquarters in Sandton, and other two informants were in the SAB Soweto depot. The other two managers were interviewed at the SAB Gauteng regional office. Two informants were interviewed from the Gauteng Province Liquor Board.

Before the actual meeting, I provided a copy to the interviewee so he could follow the questions. The interviews were between 45 minutes and an hour and a half in length. I interviewed SAB managers and reps, and members of the Food and Allied Workers’ Union (FAWU) and the South African Commercial, Catering and Allied Workers Union (SACCAWU).

Interviews were specifically targeted towards managers in SAB. Semi-structured interviews yielded valuable data relating to whether the connection between the enterprises was a deliberate strategy or a coincidental one, which is significant in answering my main question. In-depth interviews were useful in finding out the

historical linkages between the SAB and shebeens during apartheid, when the black population was prohibited from selling and consuming intoxicating liquor.

#### **4.5 Document Analysis**

SAB and FAWU gave me valuable literature regarding my research topic. I used these documents to analyse SAB's entrenchment in the South African market and the licensing process. SAB's research documents regarding labour issues were important as they were unwilling to personally speak to me about these issues. FAWU provided me with documents on SAB's internal restructuring programmes and owner-driver schemes. FAWU did the study of SAB for the International Labour Organisation, which tracks the restructuring of companies in the food and beverage sector in South Africa.

#### **4.6 Access**

Access to shebeens was easily negotiable, unlike in SAB and with owner drivers. SAB was willing to do interviews and provide documents for the study. The Owner-Driver Scheme managers were not forthcoming with interviews regarding the scheme. Proxies within the SAB were interviewed instead about this particular scheme. I was surprised by this response, as the Owner-Driver Scheme is a pioneer model in its field; many organisations are learning from SAB to empower their workers and at the same time to decrease distribution costs.

Scouting for a place to work in was very hard. I was hired and fired on the same day. I asked a man if I could work for him for a school project; he agreed and said I could start immediately if I liked. I liked that idea a lot. I started but his wife came home and was puzzled by my presence. The husband explained the situation. The woman came to speak to me in a nice manner and told me her family problems, in particular about her husband. She specifically emphasised the fact that she does not trust her husband around young women such as me. So for both our sakes she kindly suggested I work somewhere else, as the current situation

would eventually make both of us unhappy. I completely agreed, said my many thanks and good-byes, and left. This particular incident strengthened my assumption about the issue of trust within the family. The use of family members minimised threats and problems of infidelity!

#### **4.7 Ethical Issues**

A consent form was drafted and read out loud to participants. The aim of the research was disclosed to all participants. Confidentiality and anonymity was promised and upheld. Participation was completely voluntary, and participants were given the freedom to refuse to be interviewed or to end the interview at any time they felt uncomfortable. Many interviewees used this freedom; some refused to answer certain questions and some refused to be interviewed. In all the places, I brought a consent form and gave each shebeen owner time to think about participating in the study. Most agreed and signed the consent forms. Before I started working, I insisted on being told the rules of the shebeen, what I could and could not do. The shebeeners explained all the ‘important’ details to me. In many instances, when I asked how much these shebeens made every week, the shebeeners felt the question was too forward and did not answer. I had to eventually respect the decision. In Mangena’s place, I asked the barman who is responsible for selling the beer; he said that his boss has “sworn him into secrecy not to tell”. Given the fact that I could not directly answer the question of profitability, I instead asked how much beer they sold a day or night. I would sit after fieldwork and calculate the profit for each night. I asked permission where necessary. I was upfront about my identity as a student from Wits studying for a Master’s degree and writing a report on shebeens.

#### **4.8 Advantages and Disadvantages of the Methods**

The use of various methods to gather data works to the advantage of the study. The use of both quantitative and qualitative methods to assess the nature of

working conditions of tavern workers was helpful. The disadvantages of the questionnaire are detailed at the beginning of the chapter.

The Decent Work Index is a fairly new tool and very much in its pilot stage. It is quantitative by nature, which makes it possible to compare different sectors because a standardised questionnaire was used. Nonetheless, the questionnaire has several underlying assumptions which make it hard to implement in my particular sector. The first assumption is that there is an employer-employee relationship; thus, it assumes a certain relationship on behalf of the respondents since there are closed-ended questions. The reality in some cases is that the respondent is not in an employer-employee relationship, but he is engaged in work that is productive. Thus, the quantitative instrument used may necessitate revision. Or the survey may need to be coupled with qualitative methods in order to get a broader and more realistic picture of the nature of work and employment in informal enterprises. Thus, triangulation proved advantageous for this study. The combination of both qualitative and quantitative methods may be able to shed more light on what actually takes place in taverns and shebeens.

Participant observation needs time. Trust had to be earned for informants to share their lives and time with the researcher. This is the main disadvantage of this method. The second disadvantage of participation is that most of the information recorded had very little relevance with regard to my study. I would see other interesting dynamics in the shebeens that had very little to do with my aims for the research study, and record them. I had to refocus my mind on my original aims before fieldwork. The semi-structured interviews were very useful; they yielded vast and valuable information for the study. Access to these interviews was very hard.

#### **4.9 Conclusion**

This chapter has specified in detail how different qualitative techniques were used to capture the data for this study. The following chapters consist of findings made

in the field between the years 2007 and 2008. Chapter Five focuses the linkages between the formal and the informal economies using the value chain analysis.



## **Chapter Five**

### **From Those Who Stray SAB Taketh Away:**

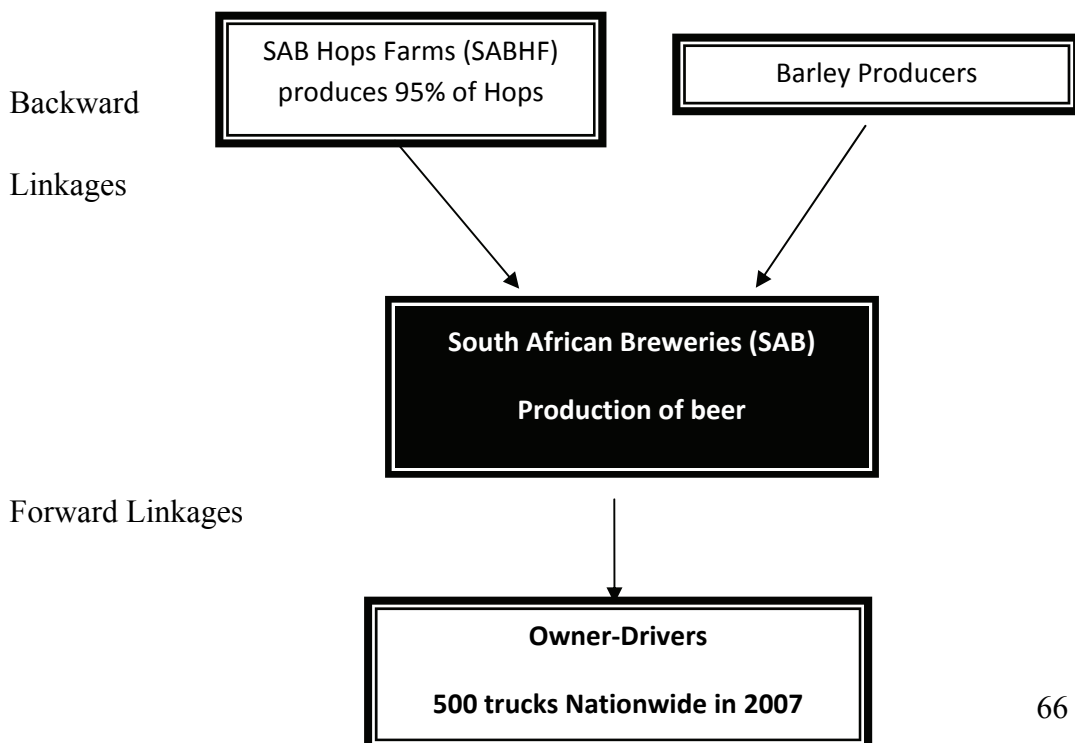
#### **Corporate Power and Chain Governance**

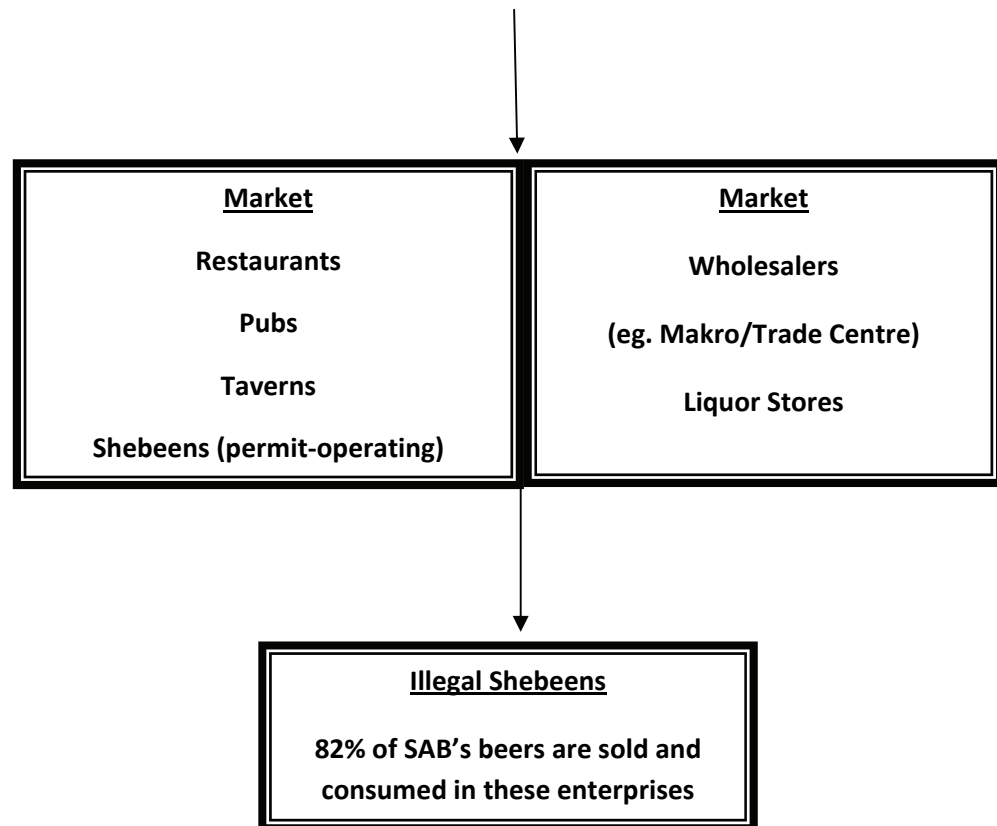
This chapter focuses on the value chain that links South African Breweries to taverns and shebeens. While the focus of the study is on forward linkages (from SAB to the taverns and shebeens where alcohol is consumed), a cursory analysis of backward linkages (from SAB to the agricultural sector) is included. Governance is a pivotal part of the value chain that will be described in detail and how the chain governor, SAB, uses this power to align different firms in the chain in such a way that optimum profitability is achieved. Marketing and branding are pivotal parts of the chain. When the fixed and variable cost (tangible resources) of producing the product is low in such a way that mass production is possible, the company moves its trajectory towards intangible resources focused on marketing and branding of the product.

SAB started restructuring the company in the late 1980s, investing in technology on the shop-floor and beefing up their management strata, as profits depended on mainly two strengths. First, profits depended on strengthening one specific forward linkage, the shebeens – the point of sale and consumption of over 82 per cent of SAB's beer. The second strategy depends on the marketing brands as well as growing the market by widening the premium and super-premium beers in the market. SAB's core competencies are brewing and marketing, as Lenny Ndlovu, a regional manager for SAB in Gauteng says: "We (SABMiller and SAB Ltd.) are brewers and marketers" (Interview, 2 October 2008).

## **5.1 Value Chain Structure**

The chain that links South African Breweries to taverns and shebeens is a producer-driven value chain (Figure 5.1). South African Breweries is the lead company which drives, controls and sustains the chain. SAB sources its raw materials from producers who form part of the backward linkages in the chain. SAB produces an estimated 3.1 billion litres of beer per year for the South African market (SAB, 2007; SAB Interviews 7 and 8, 26 November 2007). This beer is then distributed by SAB's trucks to depots. SAB uses 650 trucks a day during peak season to deliver beer from the breweries to the depots (SAB, 2007). From the depots, the product is then delivered to licensed and permit-operating retailing clients by owner drivers and SAB's trucks (SAB Interview 7, 2007). Beer-selling clients include restaurants, pubs, hotels, liquor stores, wholesalers and taverns. SAB's beer is then bought from licensed wholesalers such as Makro, Trade Centre and liquor stores by individuals who buy in bulk to illegally trade it in illegal shebeens. As seen in Figure 5.1, it is estimated that 82 per cent of SAB's liquor is sold illegally when you include permit-operating shebeens.





**Figure 5.1**  
**The SAB-shebeen value chain**

## **5.2 Governance**

As discussed in Chapter Two, governance is the most important part of value chains. The chain governor, which is the lead company where power is concentrated, aligns and co-ordinates activities within the chain (Humphrey and Schmitz, 2000).

Each value chain has value chain governor(s). In buyer-driven chains, retailers and marketers – those who have direct ownership legally, or the intellectual rights to the product – control the chains. The product can be produced by anyone as the ownership rights are controlled by retailers and marketers such as Nike. In

producer-driven chains, the key parameters are set by firms which control the key product and the process technologies. In this case, SAB is the chain governor in the SAB- shebeen value chain. According to Humphrey and Schmitz (2000) governance is exercised through different techniques at different parts of the chain. There are six ways which these authors speak of: market access, fast tracking, distribution of gains, leverage points for policy initiatives, following regulatory mandates for production of particular products, and helping with aligned enterprises to access technical assistance. All these different strategies strengthen the control of the chain governor over subordinate or vertically integrated firms in the chain.

As said before, governance assists the lead company to gain market access. SAB gains market access through its alignment with retailers such as wholesalers, liquor stores and legal shebeens and taverns. This is important, as it allows the company control over the market and the end consumer. Secondly, SAB's acquisition of new breweries across the globe helps the company to quickly gain access and control over production activities. In producer-driven chains of SAB the acquisition of brewers is important because it means the company has to spend less money to build new breweries; buying up the brands or acquiring the licensing rights to certain brands means that the company has better competitive advantage in the market than new entrants without this resource. This way, they own the key product and its processing technologies (Gereffi *et al.*, 2005). In the forward linkages, SAB is the producer of beer, and they brand and market the product.

Fast-tracking involves the cutting of costs and the transmission of new ways of working in the acquired firm. It also involves cutting labour costs. When SAB acquires breweries in certain countries they set about implementing their own working culture, common in South Africa and other countries. Teamwork is part of this fast-tracking process, as are mass retrenchments. In the Czech Republic they laid off over 20 per cent of the workforce by introducing the 'SAB Way':

Despite 20 per cent to the workforce having been retrenched, the Czech business grew profits from US\$ 20m [million] to \$120m in three years.

We set about introducing SAB methods, such as segmenting the market and rationalising the brands... But...one of the main reasons for our success was our ability to deal with the many sensitive issues and cultures in a foreign country – which we have become accomplished at doing back home in SA (Formby, 2008: 31).

SABMiller has been able to transport their model of operations from South Africa, and have implanted it in all their operations across the world. SABMiller has been able to acquire breweries in over 60 countries and have standardised the manufacturing, marketing strategies and investment on managerial strategies. This has been the success of SABMiller.

The third strategy of governance is the ability of the lead company to distribute the gains to linked firms. These gains can be distributed through branding and marketing of the product by the lead company. These intangible competencies command high returns for the companies. Research and development influence which companies should be part of the value chain. In the case of shebeens, SAB produces the beer and takes control of branding, designing and marketing of the different beers. Shebeens gain in this way, by having ready-made, branded and well-marketed products to sell. An SAB informant clearly stated that SABMiller and SAB Ltd. are “brewers and marketers”. These are the core functions of the company. The company also takes upon itself the responsibility of branding and marketing clients’ businesses where their beers are sold. This contribution by SAB enables the distribution of gains to retailers and shebeens. These companies are provided with free branding, which enables them to capture a larger market share which they would lose without this input from SAB (Humphrey and Schmitz, 2000). De Soto (1989) argues that advertising outside of one’s establishment enables the business to capture over 65 per cent of market that otherwise would have been lost. De Soto found these statistics in a study done in the United States. In this way, SAB is able to give technical assistance to shebeens in this way.

In terms of leveraging points for policy initiatives, SABMiller has been proactive in engaging government in economic and administration policies which stunt the private sector and linkages between transnational and local businesses. The issue

of licences is discussed in detail in Chapter Six. SABMiller takes the De Soto approach, discussed in Chapter Three, seriously – that rigid regulations encourage illegality and informality. SAB is continuously engaging with government to re-evaluate the provincial laws regarding licensing of shebeens, arguing that the length and expense of becoming legal is a difficult process which discourages shebeens from registering for licences.

Humphrey and Schmitz (2000) explain that sometimes the production process of products can be set by agencies external to the chains, such as the government. The government set out the Liquor Acts and jurisdiction of who should produce which kind of liquor and under which conditions. The Liquor Act further stipulates the maximum alcohol content for each type of liquor. Government also sets the parameters that have a direct effect on which linkages the lead company can legally make with particular companies. Before the 1989 Liquor Act, SAB could not directly link up with shebeens as they were not legal. The new 2003 Liquor Act has opened opportunities for SAB to directly link up with licensed and permit-driven shebeens.

Distribution of technical skills and knowledge are part of the role of the chain governor. The lead company provides the technical assistance for small and medium enterprises (SMEs) to enter a larger market and sustain growth through a mentoring programme. The initiative with raw materials, such as producers of barley in the Northern Cape and the Mahlasedi Taverners programme, are part of enterprise development in the chain. The significance of this is that under SAB's tutelage these companies are able to become profitable for the lead company. The producers of raw materials are able to gain market access and a long-term relationship with SAB by producing according to SAB's precepts. SAB gains by having access to barley produced at a particular price and which is closer to the brewery; logistic costs are cut dramatically. Shebeens learn how to run a business and how to handle credit systems. SAB is able to gain a stronger position in the shebeens to push their agendas and volumes of beer. SAB provides each shebeen with a Marketing Sales Representative who mentors these shebeen owners on how to run their business, keep records and market their businesses and services.

This section has laid the groundwork on how the value chain is structured and controlled by the lead company, SAB. SAB as the chain governor controls and shapes the nature of the value chain. SAB also co-ordinates the activities along the chain. All the methods that the chain governor engages in within the chain strengthen its own position in the market and within the subordinate firms. I argue that SAB controls the chain in such a way that makes it hard for companies aligned with it to exit. In this sense, I adopt Gereffi *et al.*'s (2005) governance structure of this value chain as a combination of a captive value chain and hierarchy. It is captive in that subordinate companies linked to SAB such as barley growers, owner drivers, wholesalers and shebeens find it difficult to exit the chain, as SAB is a monopoly in the market. These companies are also held captive through their transactional relationship with the company. It is hierarchical, in that all the chains are vertically linked to the company; thus, decisions and power are concentrated within the managerial strata of the company and it trickles down to subordinates and even outside the chain to these subordinate companies.

The next subsections are linked to this issue of governance and how SAB engages with different firms in the chain. The backward linkages will first be explained, followed by the workplace regime and labour within SAB. The next section explains the close relationship between SAB and owner drivers. Lastly, the relations between SAB and shebeens will be scrutinised. In each subsection, notice which governance strategies SAB employs in order to gain loyalty and control of these firms.

### **5.3 Backward Linkages: The Raw Material Producers**

Backward linkages are important in any value chain, as raw materials are necessary for the production of many products. Beer is made from three main products – barley, hops and water. The main ingredient of beer is water. According to SAB, 93 per cent of beer is water. SAB uses four litres of water to make one litre of beer. Other beer producers such as Heineken use five to six litres of water per litre of beer. Regardless of this fact, each beer is distinct in its taste

due to the raw materials. The right level of barley, malt and hops gives each brand its unique taste. SAB produces 95 per cent of their hops. Hops are important in giving the beer its bitter taste. They are produced in South African Breweries Hop Farms (SABHF) in George in the Western Cape. SABHF comprises 15 commercial hop farms. Twelve of these farms are privately owned by producers, and only three belong directly to SABHF (Ehlers and Lazenby, 2007: 26-30) This industry was established in the country in the 1930s and has grown to become a world-class supplier of hops.

About 50 per cent of the company's barley is also produced by SAB farmers; another 25 per cent is grown by tenders in the Northern Cape and the rest is imported from neighbouring countries. SAB provides all the specification for the production process. SAB is closely linked to farmers who produce their other raw materials such as maize (SAB Interviews 7 and 8, 26 November 2007). According to Interviewee 8 (26 November 2007), SAB thoroughly checks the quality of their ingredients and products at every level. SAB provides farmers with seeds for free and helps them gain access to irrigation systems to be able to produce quality barley. Farmer who are subcontracted by SAB to produce for the company are given precise directions on how to grow their products, including which insecticides and other materials to use in the production process. The farmers are especially trained by SAB on how to grow their produce in order to ensure it is of a certain quality for production of the beer. The main point here is that SAB has significant control over its suppliers. When suppliers do not meet the requirements of SAB, the company refuses to buy from them. They literally control the running of these subcontractors and tenders' companies. This kind of control by SAB is linked to chain governance.

In terms of backward linkages to farmers who produce the raw materials for the beer, SABMiller and its subsidiary SAB Ltd. define the set of parameters for these farmers. Humprey and Schmidt (2000) state how the parameters are set by chain governors:

1. What is to be produced, or product definition



2. How it is to be produced. Definition of production processes, technology to be used, quality system, labour standards and environmental standards.
3. When it is to be produced.
4. How much is to be produced.
5. Price. Produce goods should reach a target price (Humphrey and Schmitz, 2000: 4).

SAB lays down the specification of the product they want for private farmers linked to them. The farmers are provided with seeds and infrastructure by SAB to produce barley of a particular quality and the company tells the farmers how much each ton must be worth at the harvest season. When the products do not meet the standards of SAB, the company refuses to take and pay for the harvest (SAB Interviews 7 and 8, 26 November 2007).

#### **5.4 Production Process**

SAB controls the key product in the chain – beer. Production in SAB is standardised and highly mechanised. The ‘SAB Manufacturing Way’ is the standardised formula for production of beer. This strategy is implemented globally in all the brewers that SABMiller buys out. Each beer is categorised and produced in a particular way:

SAB produces three categories of beer: mainstream beer, premium beer and super-premium beer. Mainstream beer consists of all your brown bottles, the quarts. This is Carling Black Label, Castle Lager, Hansa and Milk Stout; this is the backbone of SAB. Premium beers are in green bottles such as Castle Lite, Hansa Marzen Gold, Grolsch. Super-premium are like Peroni and Pilsner Urquel (Interview, Lenny Ndlovu, 2 October 2008).

Mainstream beer such as Castle Lager, Hansa Pilsner and Carling Black Label are brewed for 19 days. Premium beers such as Hansa Marzen Gold and Castle Lite are brewed for 24 days. Super-premium beers such as Pilsner Urquel are brewed for 30 days (Ehlers and Lazenby, 2007: 29). The brewing process is highly mechanised. Production takes place 24 hours a day. The quantity and quality of the product is completely determined by SAB. Each brewery is specialised to

brew particular beer. Alrode specifically brews mainstream beer and premium beers. The Chamdor brewery only brews flavoured liquor. SAB's packaging houses are specialised according to the brewery. Some packaging houses produce canned beer, others only dumpies (250 ml beer bottles) and others only 750 ml beer. Alrode specialises in quarts; the packaging houses are tailored to package quarts bottles (SAB Interview 7 and 8, 26 November 2007). It is convenient and faster to align breweries with packaging houses compatible with the type of beer produced. Moreover, different belts (lines) pay differently. Lines, for instance, that work with glass and larger quantities of beer pay more than the canning lines as they have less risks. By separating each of the lines according to breweries, this makes it easier to control the shopfloor that is on an equal footing wage-wise (SAB Interview 8, 26 November 2007).

SAB has complete control over the value chain. For instance, SAB experienced a beer shortage due to unforeseen high consumption of their premium liquor with the loss of Amstel Lager early in 2007. This meant that a vast amount of Amstel drinkers switched to other SAB brands (SAB Interview 7, 26 November 2007). Due to the anticipated shortage of liquor, SAB rationed particular depots and clients in order to be able to spread the available product across the country (SAB Interview, 26 November 2007).

This was a decision taken by SAB alone without consulting with other parties on the chain, mainly liquor retailers. Thus, this shortage was felt throughout the value chain as the profits of SAB dropped due to the shortage; other actors in the value chain such as retail clients lost too. Since SAB has a monopoly over the liquor industry (currently controlling 93%), there were minimal alternative sources for retailers. In other words, this is a producer-driven value chain, where SAB exerts extreme control over the chain because it is powerfully positioned to determine the trajectory of the whole chain. The production process is nothing without the labour inputs of workers. The following section will cover the labour used by South African Breweries.

## 5.5 South African Breweries and Labour

The value chain is used to look at labour at each node of the chain. This section will discuss the labour within South African Breweries. The point of the value chain is to look at the input processes that add value to the product produced. Labour is an input into the product; thus it is important to discuss the importance of labour within SAB to see where most of the gains in the chain are concentrated. Kaplinksy and Morris (2004) argue that where there are high barriers of entry in terms of employment, the higher the incomes of the individuals and the greater the returns for that company. Each chain has a concentration of high barrier entry and low barrier entry. SAB constitutes the node with high barrier entry.

Deloitte & Touche and the *Financial Mail* voted SAB in the top three of Best Companies to Work For, for three consecutive years from 2001-2004. SAB ranked sixth and eleventh of 127 companies in the country in 2005 and 2006 respectively. According to the Bureau for Economic Research (BER), SAB had 8 467 employees in 2006 compared with 7 807 in 2004/2005. Highly skilled labour amounted to 1 515 (18%), skilled to 4 194 (49%), semi-skilled and unskilled to 2 758 (33%). This means that SAB is mainly dependent on a highly educated and skilled workforce (67%). SAB is highly differentiated and production is highly mechanised, thus the need for skilled labour. Sources at the Alrode Breweries said, “The shopfloor is disappearing with the increase of machines in the production of beer” (SAB Interview 7, 26 November 2007).

Sources in SAB argued that it is hard to enter employment in the company. “The minimum requirement for most jobs in SAB is a basic degree or diploma” (SAB Interview 7, 26 November 2007). The minimum for an unskilled job in the company is Grade 12. As one source at Alrode argued,

Imagine, a forklift driver has to have a minimum of a matriculation. Even drivers, these are low-skill jobs here [Alrode]. Other than that, other employees are artisans such as operators at the conveyor belts, diploma and degree holders such as your brewers...because everything here is technology-intensive (SAB Interview 7, 26 November 2007).

Another source at SAB argued that Grade 12 has to be the minimum as it is possible to train these individuals for other positions within the company as new technology is introduced or if there is a need for restructuring (SAB Interview 8, 26 November 2007). Job security and skills reproduction security of low-skilled employees is fairly high; as the company expands they are given the opportunity to upgrade their skills and achieve better positions within the company. Alrode, the largest brewery in Gauteng, hires less than 500 employees, most with diplomas and university degrees (SAB Interviews 7 and 8, 26 November 2007).

South African Breweries invests a significant amount of money in human capital development. SAB has a purpose-built Training Institute (TI) which opened in 1992. The institute is an accredited training provider with the Food and Beverages SETA. The institute offers Corporate University programmes, and short-term programmes for operational expertise. Each employee has an average of 5.9 days for training every year (BER, 2006). From this point of view, one can argue that SAB's productivity and profitability lies in upgrading its employees' skills. This can also serve to retain skill within the company and to increase employees' position and morale. Either way, both parties benefit. Thus, workers in SAB have high skills reproduction security.

SAB is also very committed to learnerships. Most of their recruits are absorbed into permanent employment after the duration of the learnerships. All the individuals interviewed in the Soweto Depot entered SAB through learnerships and have been given permanent jobs. These same individuals have been able to work themselves up in terms of salary, benefits and position within the company (SAB Interviews 2, 3 and 4, November 2007). They agreed that SAB offers adequate career advancement opportunities; therefore, job security is fairly high.

Taking the above information, employment security is high as there are rationalised hiring criteria for individuals. Since SAB is a registered company one would assume that every employee has a contract and cannot be unfairly dismissed by the organisation. The sources at Alrode further said that some of their workers are organised by FAWU (SAB Interview 7, 26 November 2007). Workers at SAB have high representation security because they are free to join a

union. So far, the brewery has not experienced a major strike because salary negotiations with the union have been successful (SAB Interview 8, 26 November 2007). This means that representation security is adding decency to the working conditions of the workers.

Workers are also guarded and insured against physical harm and negative health hazards at work (SAB Interview 8, 26 November 2007). Work security is high considering the fact that employees are covered against injury at work. Workers are insured and educated against accidents at work (SAB Interview 7, 26 November 2007).

The average monthly wage of highly skilled labour was R39 103, skilled labour R14 228, semi-skilled and unskilled labour was R7 389 in 2005/2006 (BER, 2006). SAB is also generous when it comes to financial incentives. According to a source, the human resource department has specialised packages for different workers in different departments (SAB Interview 3, 2 November 2007). For instance, the Sales Enterprise representative proudly said that each rep has set goals, and when they meet or exceed those goals they are given rewards such as an increase in salary. If one is able to increase the productivity of the taverns s/he is servicing within a particular period then one's salary could increase three-fold (SAB Interview 3, 2 November 2007). Incentives such as extra packages – an increase in car allowance and other forms of rewards – are provided for employees in certain positions and departments. In this case then, one can argue that these employees have high income security as they have regular wages, comprehensive salary packages and compensation cover in the case of physical harm at work. South African Breweries' employees are fully covered in terms of benefits which SAB pays for. In 2006, SAB paid R1,67 billion for employee benefits (BER, 2006: 14-15). As can be seen income security for SAB workers seems high.

As discussed at the beginning of this subsection, the high barriers of entry into employment usually translate into high returns for both the company and the employees, as is clearly seen in this section. Entering SAB as a worker is hard because the entry requirements are high. In this sense, then, it is true that high

barriers mean concentration of power and knowledge within the company. This means high-income salaries, unlike in shebeens where entry barriers are low and the returns are also low.

SAB did not always have high barriers to entry for employees. In the late 1980s and early 1990s, the company shifted its trajectory from scientific management and fordism to post-fordism. In doing so, the company thinned the bottom: unskilled and semi-skilled labour. The company started concentrating on becoming top-heavy by increasing its managerial strata and specialised labour. The next section will specifically state how SAB restructured their company in order to move from being an African brewer to becoming a global brewer.

## **5.6 Labour Regime at SAB**

There is significance in SAB's top-heavy structure. In 1990, SAB started restructuring its labour and core competencies as part of its main strategy of becoming a global beer manufacturing company. In order to be globally competitive, SAB launched several steps in terms of employment structure within the company. The most important of these goals was to eliminate menial tasks and jobs within the company and to focus on growing a qualified, educated and flexible workforce that is capable of managing all requirements of changing competitive and technological challenges. Outsourcing non-core activities and employment (such as cleaning services, security and transportation) formed part of this strategy of becoming globally competitive. Gereffi *et al.* (2005) argue that companies increase their profitability by outsourcing non-core competencies and concentrating only on core competencies. Ensuring the optimum efficiency and effectiveness of teams and individuals across the value chain formed one of SAB's goals for competitiveness in the market. This strategy started as early as in the late 1980s. The most important of these goals was stratifying employment. As the focus of the company moved from production to marketing and branding, intangible resources became more valuable for the company. SAB started becoming top-heavy, by investing in hiring highly skilled labour. The production

process became highly mechanised and standardised to meet the overall demands in the market.

In doing so, the company focused on increasing the managerial strata. SAB production processes had become standardised and mechanised, the cost of production was fixed and the profits lay in the intangible resources which can only be added on through skilled and highly skilled labour.

Teamwork was introduced throughout the company in the years 1992 and 1993. The teams were incentive and target based (FAWU Interview; 28 July 2008). Teams were introduced throughout the organisation, and are incentive-based from the bottom strata to management level. The Sales Marketing reps, for example, belong to a team of five, including a supervisor as the team-leader. The team leaders report to higher managerial strata for the particular region.

Shopfloor teams were structured as follows:

- Best operating practice (BOP1) and team-based structures in manufacturing.
- The BOP1 is the first phase of the implementation of World Class Manufacturing that took place in the years 1992-1993.
- BOP1 focused on:
  - shop-floor work design by identifying the best operating practices;
  - the development and entrenchment of problem-solving skills and practices;
  - the establishment of work teams into team-based organisation;
  - introduction of new performance measures;
  - implementation of a Production Support System (PSS) to support shop-floor problem solving;
  - aligning production programmes;
  - the elimination of raw material stocks (the 'hidden factory') by direct delivery to breweries;
  - technology applied to streamline administration.

Team-based structures were implemented in all regions in 1993, which resulted in a four-tier team structure across the primary chain (Table 5.1). These teams were put in place to enable clear problem-solving accountabilities identified at strategic, systemic and situational levels at work. This also facilitated the training of team members. Team members were trained on technical skills, problem solving, team goal setting and reviews, and waste management.

**Table 5.1      The four-tier team structure**

<b>Level 4</b>	<ul style="list-style-type: none"> <li>• Regional executive team</li> <li>• Team leader: general manager</li> <li>• Problem-solving focus: strategic</li> </ul>
<b>Level 3</b>	<ul style="list-style-type: none"> <li>• Departmental management team</li> <li>• Team leader: departmental head (brewing manager, packaging manager, etc.)</li> <li>• Problem-solving focus: strategic/systemic</li> </ul>
<b>Level 2</b>	<ul style="list-style-type: none"> <li>• Unit/section team</li> <li>• Team leader: unit/section manager (e.g. brewhouse manager, unit manager line 12, etc.)</li> <li>• Problem-solving focus: systemic</li> </ul>
<b>Level 1</b>	<ul style="list-style-type: none"> <li>• Shift team</li> <li>• Team leader</li> <li>• Problem-solving focus: situational</li> </ul>

Adopted from FAWU and ILO (2000).

The structure of Level 1:

- shift supervisor;
- machine operators (multi-skilled, but dedicated to one machine) who report to the supervisor;
- shift artisans;
- quality control technicians who report to the supervisor (adapted from FAWU and ILO, 2000).



Teamwork led to retrenchments of many shop-floor workers (FAWU Interview, 2 July 2008) because most of the teams on the conveyor belts could not meet the required targets and thus could not earn the incentives attached to reaching these targets. These shop-floor teams fell apart. FAWU engaged SAB on this matter and found that they could not save the situation, as mass retrenchments were already in the pipeline. In 1996, SAB embarked on mass retrenchments as a way of becoming globally competitive (FAWU and ILO, 2000). FAWU and SAB discussed their concerns and came up with Project Noah, whereby retrenched employees could be trained and assisted to find alternative employment (FAWU and ILO, 2000; FAWU Interview, 28 July 2008). Project Noah was launched in all major cities in the country. The lifespan of this project was eight months. The project was staffed with contracted administrative, business and psychological support for employees who were retrenched.

Project Noah has had:

...161 small, micro and medium-sized businesses... initiated with retrenchees. These businesses cover a range of industries from farming to manufacturing and service businesses and have been of real value to both the employed and unemployed in South Africa (FAWU and ILO, 2000: 15).

SAB started concentrating on skilled labour to increase its global competitiveness and profitability. Since skills became the company's core competitive advantage, SAB launched a strategic management strategy. The People's Balance Sheet (PBS) has become central in the company's operation locally and globally. PBS is treated as a way of consolidating meaningful people data in order to facilitate interpretation and decision making. The balance sheet also separates labour that can be kept and that cannot be kept by the company, as it looks at performance of individuals per quarter (Geyser, 2007).

Much of the company's success in human resources comes as a result of a carefully constructed human resources program. SA human resources head Steve Bluen has said its programme allowed the export of 42% of its high calibre executives over the past 10 years. One of the most unusual and effective methods used is the 'people's balance sheet' which analyses 'human capital' available in the company at any time on a global basis. If a position becomes vacant anywhere in the world, a glance at the balance

sheet can immediately show where suitable candidates may be found to fill the position. This is achieved through a structured process which includes career and leadership development (Formby, 2008: 32-33).

SAB also started focusing on increasing their brand portfolios in the market, in order to increase its market share. The company did this by investing a lot of money in research and product development. A team was put in place to identify the gaps in the market that could be filled through intervention. In 1996, the

...New Product Development (NPD) team was established to fill the commercially viable market gaps identified. During the last three years, volume from these 'new brands' has climbed to 520,000 hectolitres, following innovations mostly in the area of low-alcohol beers and alcoholic fruit beverages. A secondary focus has been on packaging innovations for existing brands (FAWU and ILO, 2000: 10).

Lenny also argued that each new product or brand introduced becomes viable. Hansa Marzen Gold volume increases every quarter as the demand for the product increases. The introduction of overseas brands such as Grolsh and Dreher may go the same way. The goal is to market the product very well (Interview, Lenny, 2 October 2008).

Packaging of the product becomes important. SAB changed some of their product packaging in order to make them more attractive to consumers. The Castle Lite brand is a good example; the beer was sold in a green bottle and a simple label. It did not do well, so the company thought of changing the packaging. The packaging was changed; the neck of the green bottle was decorated in silver foil. The label and the cap were made silver. The packaging enhanced the status of the brand in the eyes of the consumer and the brand became successful.

Investment in intangible resources by hiring highly skilled labour has proven to be a good strategy for the company. The company's position in the value chain also improved with investment in management that helps SAB closely align itself with subordinate companies in the value chain.

These events shaped the current structure of SAB and enabled it to become a world class brewer. The concentration on increasing specialised labour was linked to the fact that the shop-floor became increasingly mechanised and the production

process became standardised. In so doing the fixed and variable costs of producing the beer were standardised. This meant that producing the product had become cheap. Profits can be captured through branding, marketing, acquisitions of breweries and outsourcing non-core competencies. FAWU (Interview, 28 July 2008) argued that owner drivers were part of the scheme of retrenchment. The scheme was not linked to Project Noah but the company was planning to retrench their workers, including drivers, in order to cut variable costs. In the process, though, SAB did not want to lose skilled and reliable labour, particularly in the transportation section of the company. The owner-driver scheme started with SAB drivers. These drivers had to end their employment contracts with the company and were given the opportunity to operate their own trucks. In essence, these drivers became subcontractors for SAB, but they are held captive by the company through a 'mutual' agreement. The following section discusses the owner-driver scheme.

## **5.7 The Owner-Driver Scheme**

The owner drivers are one of the subordinate firms in the forward linkages of the SAB-shebeen value chain. The scheme is strongly aligned to SAB. The company specifies almost every aspect of the running of these so-called independent broad-based black economic empowerment (BBBEE) companies. This section will begin with how the scheme was started, followed by how the scheme operates. It is in the operations that one can visibly see the power SAB has on these businesses and how they are held at 'gun point' by the lead company in the chain.

The Owner-Driver Scheme was initiated in 1987 in the Western Cape. Initially candidates were recruited from SAB drivers. Presently, non-SAB workers can apply to become owner drivers. The programme comprises three phases. First is the development stage, which is about 12 to 24 months long. The owner driver goes through training modules such as Business Skills and Numerical Skills in order to run his own business. Next, the owner driver rents a truck which he will use while completing his training and learnership. Part of transitioning

necessitates the candidate to resign as an employee of SAB; he must form a close corporation (CC) (SAB Interview 5; 14 November 2007).

The owner driver can then hire four non-related workers (the crew) which he has to register as his employees. In hiring labour, the owner driver is advised against hiring family or relational labour. The driver has to hire labour through bureaucratic legal means, check credentials and conduct interviews. The crew are paid the necessary minimum wage required by law, given benefits and covered against accidents at work. The loaders do not need much skills for their jobs; however, they are secure in that they have written contracts and they are registered as employees for UIF and other benefits.

The crew is financially insured against injury in their jobs, thus have work security (SAB Interview 3, 2 November 2007). SAB strongly states that “crew” should complain about their working conditions to their employer and not SAB. This point is significant. The owner driver is the employer, and their employment contracts bind the owner driver but not SAB. This distinction has to be emphasised as there can be confusion as to who their employer is. Since SAB provides their uniforms and tools (gloves, trolleys), these are not provided by the owner driver. Further, the truck is branded by SAB despite the fact that the truck is owned by the driver. The confusion is further perpetuated by the strong relationship between SAB and the owner driver due to their binding contract (SAB Interview 5, 14 November 2007).

The second phase, which is the Asset Acquisition Phase, lasts for ten years. The owner driver signs a ten-year contract, whereby he is given the opportunity to buy his own truck over this period. The vehicle is registered in the owner driver’s name. It becomes his own personal property. An economic rental allowance is paid to the owner driver on a regular basis. This covers all his expenses “...including running, operating, labour and breakage costs, according to predetermined standards, as well as to cover his truck repayments” (SAB Interview 5, 14 November 2007). Owners drivers have their own business advisors, who advise them on how to run their own businesses, how to comply

with the law, pay expenses, cut costs and many such things (SAB Interview 5, 14 November 2007).

Phase three is called the Multiple Vehicle Contract, which is also a ten-year contract deal and with similar principles as phase two. High-calibre owner drivers are allowed to purchase two additional trucks, thus operating three vehicles at a time. In this phase, the distribution operators are not required to drive their own vehicles. Instead they are required to personally supervise 15% of all deliveries. At this stage the owner driver becomes independent. SAB 'gives up' significant control over the owner driver in terms of giving precise directions on how to run his business. The distribution operator is now an independent businessman (SAB Interview 5, 14 November 2007).

With growth of the owner driver's assets, the structure of the business becomes more complex. More labour is necessary to run the business at optimum level. Division of labour takes place. The owner driver must hire three drivers and three crews for each truck. A hierarchy begins to form. The driver moves up a level, drivers for his truck form the second layer, and the crew forms the last layer.

Owner drivers are a Broad-based Black Economic Empowerment initiative. At the moment SAB has about 500 owner drivers nationwide who employ close to 2 500 employees (loaders) (Phitidis, 2007). SAB increased its productivity by over 30 per cent when SAB drivers became owners. SAB's productivity is increased as owner drivers are prepared to work longer hours in order to meet their monthly targets. In order to sustain the business, owner drivers operate about ten hours per day. Phitidis (2007) argues that SAB does not allow owner drivers to operate for more than 12 hours per day. Ordinarily, if these drivers were permanent staff of SAB, the company would have to give them over time for working such long hours but by becoming entrepreneurs, drivers work long hours to meet targets. Now that these drivers are working for themselves, they can exploit themselves. In the process, they also exploit their workers. According to some loaders, their days varied; some days they would work about 12 hours a day and some days only three hours (Owner driver and loaders, Interview at Mamlouisa's, 19 August

2008). This allows the owner driver not to pay his loaders overtime, as they can buy back their time during the month.

At the beginning of the owner-driver schemes, there were many terminated contracts (Phitidis, 2007). Drivers are incentivised, they are given higher wages for meeting targets and for performance. Some owner drivers were unable to pay their dues to SAB through their wages as they “funded excessive lifestyles” (Phitidis 2007: 3). This does not account for the fact that these owner drivers were burdened by longer working hours, they had employees to pay, and running one’s own business demands more than just driving. Since then, SAB has put support (as explained above) in place to help owner drivers to succeed. Owner drivers have business managers whom they see every month regarding the running of their business. These drivers have to comply with particular criteria and report their finances and work processes to the managers every month, who then give advice on how to better and efficiently run the businesses. Owner drivers actually delivers 65 per cent of SAB beer volumes, which forms a critical element of the secondary distribution strategy for SAB (SAB, 2007).

Despite the fact that the owner driver is a subcontractor, he is not free to deliver other companies’ beer or products. The owner driver is a subcontractor, servicing SAB only. There are punishments if the contract is breached; termination of the contract is a possibility. Thus, the owner driver is kept captive by SAB, even when the truck is fully paid for.

This relationship can then be said to be exploitative in nature rather than empowering. However, one has to think of the liquor sector in South Africa. SAB controlled 98 per cent of the sector in 2006 and early 2007. However, with the emergence of Brandhouse, SAB’s control over the sector is being challenged. Brandhouse is the company that took back its beer Amstel Lager from SAB in March 2007 and is the producer of Heineken and other Western beers. Within a short period of time, Brandhouse has compromised SAB’s control over the liquor sector. SAB now controls close to 93 per cent of the liquor sector (SAB Interview 3, 2 November 2007). This raises possibilities of owner drivers to advertise their services to Brandhouse.

Most of the taverners interviewed argued that SAB is convenient to work with as it delivers their products to their businesses, while Brandhouse does not have this service. This statement is confirmed by an SAB source, who argued that SAB has the advantage mainly because it offers delivery (SAB Interview 3, 2007). If Brandhouse can offer this service to their taverners by utilising subcontractors such as owner drivers, their market share will increase. This could also increase the incomes of owner drivers, and it might even raise the competition for their services which may mean more profit. Indeed, Brandhouse offers a ripe opportunity for owner drivers to take advantage of, as the company is building a new brewery in the Vaal, south of Gauteng. However, they are barred by SAB from delivering other companies' products. The owner driver is never independent to pursue other businesses opportunities. As much as this scheme seems exploitative, others think of it as lucrative:

I know an SAB rep who became an owner driver, which meant more flexibility and more pay, about R40 000 every month. All they ever do is drive and relax the whole day; the loaders do the work. Your whole day is basically planned out. Imagine getting paid that much for driving (Interview, Thuso Ndalo, 18 August 2008).

Owner drivers are very important in the SAB-shebeen value chain as they cut costs for both SAB and shebeeners. Shebeeners get their stock delivered to them for free. Owner drivers are important in linking up with emergent markets that SAB wants to take advantage of. A former SAB worker said:

The red Castle Lager trucks deliver to customers that order more than one pallet (60 cases) per customer. These are the large trucks. The black trucks are the smallest. They deliver to customers that order less than a pallet a week. These trucks deliver specifically to new emerging areas in Soweto like Braamfischer. Braamfischer is an area in Soweto which emerged recently. It is an area designated for RDP houses, a project by government that is redistributing houses to the poor. The point of these trucks is to target these emerging new areas, which in essence means an untapped market. SAB's intention with this strategy is to be the first in the market. SAB is creating a loyalty base and investing in a new market. The point is that if you create trust and commitment to a shebeen that is moving 15 cases per week, that person who owns that place will be eternally loyal to you. This is a long investment strategy; in five years' time, a place like Braamfischer which is growing really fast will yield a significant profit. In five years' time, a shebeen that is ordering 15 cases a week, would be ordering around 10-20 pallets a week. Now that is a strategy. Create a loyalty base to SAB. SAB has taken very big steps in helping these new

shebeens to get permits and possibly licences (Interview, Thuso Ndalo, 18 August 2008).

This section has discussed the operation of owner-driver schemes. SAB systematically maintains the subordination of these truckers because the company gave birth to the programme and it controls the key product in the whole chain. These owner drivers have been able to save SAB a great portion of expenses and have increased the profitability of the company by over 30 per cent per annum. Unlike the cleaning services, whereby cleaning is outsourced to an external company, the owner driver is outsourced in-house by SAB. Gereffi *et al.* (2005) state that it is very important to understand why companies keep some processes in-house and not others. The main reason SAB is dealing with owner drivers in this manner is precisely because these subcontractors form part of the value chain. Outsourcing transportation was necessary, but not necessarily the control of it. As said before, the trucks are delivering directly to shebeens. The owners of the trucks do not always interact with the shebeen owners. The loaders are the ones that deal with the clients. Only when there are problems, the owner driver deals with the issue.

The following section discusses shebeens and taverns and their role in the SAB-shebeen value chain.

## **5.8 Taverns and Shebeens**

The owner drivers are responsible for the delivery of the liquor to licenced and permit-operating businesses countrywide. The market is made up of licensed restaurants, wholesalers, liquor stores, taverns and shebeens with permits as illustrated in Figure 5.1 Wholesalers and liquor stores sell liquor in large quantities to individuals. Some of these individuals are operating illegal shebeens which actually retail 82 per cent of SAB's products. The Soweto depot supplies Soweto, Eldorado, Kliptown, Lolli and surrounding suburbs. All these townships consume about 62 222 cases (12 bottles in each case) per day (SAB Interview 2, 26 October 2007).



Philip (2007) argues that small-scale producers have to compete in relation to price, quality and brand recognition. However, the integration of shebeens into SAB's commodity chain decreases risks and costs for these enterprises in terms of quality, brand recognition and price. Licensed taverns and shebeens operating with permits are branded by SAB. The taverns and shebeens are assisted by SAB to brand their enterprises with names imprinted on the background of one of SAB's alcoholic beverages. For instance, SAB gives each client a board outside their enterprises displaying the name of the shebeen or tavern on the background of one of SAB's famous beers such as Carling Black Label or Castle Lager.

The quality of the products is assured by SAB. These enterprises are also given fridges, chairs and other materials to facilitate their growth. By giving the taverners fridges, the quality of the product is assured and enhanced, as their liquor is served cold. The provision of chairs, glasses and other materials enhance the quality of the tavern or shebeen, as customers are able to enjoy their favourite beer sitting comfortably on chairs and drinking out of branded beer glasses. There are, however, rewards and punishment that come with SAB's 'free' gifts.

Taverners and shebeeners are told that the fridges are only to be used for SAB's products. If any other company's brand is found in the fridge, SAB will immediately confiscate the fridge. There are other rules attached to these fridges. They have to be packed according to a particular order. For example, a Black Label branded fridge should feature Black Label on the top shelf, followed by other brands on the other shelves (Tavern 8 Interview, 21 September 2007; SAB Interview 3, 2 November 2007). The shebeeners are assigned a sales rep by SAB who teaches them how to pack the fridge and other business skills necessary for running a successful business. The fridge has to be placed where customers can see the beers in the fridge. Thus, the fridge has to face the customer (see Appendix 4). These rules on how to display and pack the fridge lie in the power of advertising:

I have sat in many shebeens and taverns I service and I can tell you that 35 per cent of the time customers point at the product they want to buy rather than say which brand they would like to buy. That is the function of the fridge and the rules attached to it (SAB Interview 3, 2 November 2007).

This statement is very much in line with De Soto's (1989) assertions that 65 per cent of customers in Western businesses are brought in through advertising outside one's establishment and the use of branding of one's product. Thus, branded shebeens and taverns are able to capture a larger share of the market compared to those that do not have any form of branding.

Lenny Ndlovu (Interview, 2 October 2008) argues that taverners are taught price models that SAB has extensively researched and recommends to shebeens. The reason provided by SAB is that beer is a price-sensitive product and so are the BoP or shebeen consumers:

We advise clients about product price sensitivity. We recommend prices. We have done professional studies regarding the sensitivity of beer price. If shebeens sell beer at a high price, the product will not sell very easily and eventually they [shebeens] will not be able to pay us back and it ruins the sustainability of the enterprise. Selling beer at a very low price will result in bankruptcy. The income will be insufficient to cover the operations of the business. We tell them [shebeen owners] in the workshops about price elasticity, and that the recommended price of the beer ensures that customers are able to buy the beer and they are able to cover their operational costs such as electricity, water, renting.

Beer sold in restaurants is not as price sensitive as beer sold in shebeens and liquor stores. People who go to restaurants such as News Cafe are not as price sensitive as shebeen and liquor store customers. We educate and train shebeen owners on this matter. The sales reps checks and further advises on this matter.

Given this competition between the brands, SAB reps are given instruction to market the new range of premium beers and super-premium beers in shebeens. Our main strategy now is to market these beers very well, where it counts.

When the price of beer is too high, it will not sell and when it is too cheap, the shebeen will fail to reproduce itself. The price of beer is recommended by South African Breweries. SAB specifically states that shebeen owners are not forced to take the price recommendation. For instance, SAB's recommended price for Black Label was R6.50 in 2007 and R7.80 in 2008. The taverners and shebeeners are not forced to sell this brand at this price. Most sell this brand for R7.50 to R7.80. But there could be problems with this pricing situation. One shebeener, MamLouisa, questioned the way SAB sometimes has these invisible puppet strings in her shebeen, particularly in terms of the pricing of the beer:

SAB advised me to reduce the price of my beer by 30 cents a week before, only to increase the price of that beer by 50 cents two weeks later. This was absolutely unnecessary; it tarnished my reputation among my customers. Customers now think that I make up my own prices of beer for my own benefit without considering their pockets (Interview MamLouisa, 20 August 2008).

South African beer is the cheapest in the world despite its high quality (SAB Interview 7, 26 November 2007). SAB is very intent on keeping it this way. SAB has created incentives for shebeens that adopt the recommended beer prices and other recommendations drafted especially for taverns and shebeens. For instance, the provision of chairs, tablecloths and glasses is dependent on following the recommendations from SAB, including selling beer at the recommended price. It is clear that the chain is mutually beneficial to all integrated parties, as they are all able to gain from each other and grow. Nonetheless, SAB exerts a significant control in the running of taverns and shebeens that they service.

The provision of services to taverns is advantageous for South African Breweries as this helps secure the trust and confidence of their clients. Most importantly, SAB is securing access to a previously untapped market in the townships which trade and consume most of its products. As value trickles down within the chain, some of these businesses have grown to an extent that they are able to provide employment in their neighbourhoods. For example, the owner of Tavern 3 is able to provide employment to unemployed neighbours and friends. Like De Soto (1989) delineated in his book *The Other Path*, informal, or rather in this case formalising enterprises, have the capacity to absorb more labour than formal enterprises as work in the informal economy is labour-intensive by nature compared to formal enterprises.

Philip (2006) further argues that attempting to integrate individuals from disadvantaged backgrounds into the value chain is problematic as they do not understand several critical points of running a business and developing products. Philip (2006: 207) quotes an intermediary as saying that it is difficult to work with groups in the townships as they do not have adequate resources and knowledge to carry out production and attend the necessary training. Intermediaries further argued that government and non-governmental organisations do not understand

the market and thus undermine the sustainability of producers in their workshops (Philip, 2006). SAB is very aware of these problems, thus their initiative – Mahlasedi Programme (SAB Interview 6, 20 November 2007).

The Mahlasedi Programme upgrades the knowledge and business skills of shebeen owners in order to be at a certain level to be well-integrated into the value chain, in order to reap the benefits of being linked to the SAB value chain. At the end of the programme, taverners receive certificates certified by the Tourism and Hospitality SETA (TETA) (Interview, SAB Interview 1, 22 August, 2007). So far they have placed 12 400 shebeen and tavern owners through this programme nationally (SABMiller, 2007: 5). Additionally, SAB has committed R100 million over the next five years to train more taverners nationally (SAB, 2007, 5). This process is dependant on the pace of licensing by government. The issue of licensing shebeens is problematic, and will be extensively discussed in Chapter Six. When the owner of Tavern 6 received his shebeen permit a few years ago, he approached SAB and the company was able to sign him on as a customer. His wife proudly said, “SAB also sent him to some fancy course where he stayed in a nice hotel and received a certificate for it” (Tavern 6 Interviews, 14 September 2007).

Bab’Nkonyana told me that they trained them on how to keep inventories for the business. This is for tax purposes and for one’s records. It is a very difficult process to complete, as it is very tedious. Bab’Nkonyana found that the training was very useful:

I did not keep regular records of my business but I could account for monies and what I did with those monies. The training just supplemented what I was already doing (Interview, Bab’Nkonyana, 1 October 2008).

SAB realises that in order to be able to work well with taverners and shebeeners there has to be a foundation upon which they can communicate with them. Thus, taverns and shebeens are assigned Marketing Sales Reps from the Soweto Depot. Each rep services approximately 200 taverns and shebeens. The rep decides which customers need the particular training and which ones do not (SAB Interview 3, 2 November 2007). The sales rep also decides through his professional analysis

which taverns will be more profitable for SAB. Thus, the rep will then invest in growing those particular enterprises (SAB Interview 3, 2 November 2007).

## **5.9 Brands and Control in the Shebeens**

When I was working in Bab’Nkonyana’s shebeen, his SAB rep usually came on Monday morning.

*One morning, he came in as we were completing the inventory book that Bab’Nkonyana has to complete every week before he orders beer from SAB, so that he knows how much beer he has and how much he has to order to last the whole week.*

*At Bab’Nkonyana’s place the SAB rep, Saki, came in with two other SAB men who were coming to brand Bab’ Nkonyana’s shebeen walls with Carling Black Label. Saki came in with Carling Black Label tablecloths. He came in very fast and started placing these tablecloths on the tables. Bab’Nkonyana is impressed but could not help to see that Saki only brought two tablecloths but there were three tables. He asks him, “Where is the other tablecloth for the other table?”*

*Saki (quickly answers): You can cut the other tablecloth into two pieces because these two tables are small and the tablecloth is big enough.*

*Bab’Nkonyana: Okay.*

*Bab’Nkonyana introduced me to Saki and he joked that Bab’Nkonyana had finally found himself a secretary/waitress for his place.*

*Bab’Nkonyana told Saki his order for the week and Saki immediately called the SAB Soweto Depot at accounts to place the orders. Apparently it is procedure for reps to make the order while they are in the shebeens to make sure that the orders are correct.*

*After the call, Saki notices that Bab’Nkonyana had two Amstel advertisement posters in front of his counter and no SAB advertisement. He quickly asked: Why don’t you have one of our adverts here instead of marketing Amstel alone?*

*Bab’Nkonyana laughed and said: My other posters are old and torn. I cannot use them any more.*

*Saki quickly went to his van and fetched a Peroni poster. He removed one Amstel ad and replaced it with the Peroni advert. Saki told Bab’Nkonyana that he should ask for any adverts and he will provide them.*

I found Saki’s behaviour awkward as SAB’s beer advertisements were all over the shebeen. Outside the shebeen was a big Castle Lager sign with the shebeen’s name on it. The other two SAB workers had painted a section of the wall next to the entrance of the shebeen. They branded the wall with Carling Black Label. The big (1m x 1m) price board also outside the entrance of the shebeen exclusively showed SAB beer prices. Saki wanted to eliminate the presence of non-SAB brands completely from the shebeen.

Bab’Nkonyana told Saki that the beverage that he had forced him to order, called Skelters, which is a fruity alcoholic drink, was not selling at all. Bab’Nkonyana wanted Saki to take it back and credit his account with the amount. Saki hesitated at first and asked if Bab’Nkonyana had done everything possible to advertise and sell the product. Bab’Nkonyana said that he did everything that he told him to do, such as placing it on the counter to show customers that it was available and had convinced other customers to buy it but it had not moved over a month. Saki looked at Bab’Nkonyana and me for a few seconds and he finally agreed by nodding his head and took the six packs.

MamLouisa said that Genuine Miller Draft was a waste of her money; it did not move. She said that her rep always insists that she must order and market the product but the beer does not move at all. People do not enjoy it at all because it is

“too frothy”. Genuine Miller Draft is marketed as a super-premium beer in a clear bottle with a black sticker displaying the name of the brand. MamLouisa said:

SAB wants us [shebeeners] to sell this beer but it [Genuine Miller] stays in the fridge for a more than one month or two months. Eventually I tell the rep to come and take it before it goes off. (Beer goes off after three months). Hansa Marzen Gold is also slow to sell. The beer is good, I like the taste and quality but people want to buy Heineken and Amstel instead. Castle Lite is also very big with the young group. SAB is not that good in green bottles yet and also this dilemma with Amstel, it's not theirs any more. So they convince us to sell some of these brands and they don't sell. It is a waste of money for me.

Given these scenarios, SAB uses these channels to push its brands through to the consumers. The fact that SAB can successfully convince shebeeners to constantly market and sell products that do not move shows the control SAB has on these businesses. SAB reps use tactics of manipulation to drive their agenda through. Shebeens are the distribution backbone of SAB; thus if SAB is to make a dent in Brandhouse's beer sales, this is the market that will make the difference. Shebeeners like MamLouisa understand the competition politics between SAB and Brandhouse, which they can see in SAB's approach to forcing them (shebeens) to sell beers that their customers are not at the moment willing to buy. SAB's war with Brandhouse is very prominent in shebeens, and SAB reps always want the best space for their brands in the shebeen compared with Brandhouse.

Thandi, Zaza's wife at the Snake Park shebeen, said:

The SAB rep comes here often, tells us that we should move the Brandhouse fridge at the back and put theirs on the front where customers can visibly see it. We disagreed with him on that. We told him that their customers know all the SAB brands and know that it is available in the shebeen. But customers do not always remember Brandhouse's brands. So the fridge helps customers; they do not have to remember the name of the beer; they can just point at the beer they want inside the fridge.

There are levels of exploitation on the part of SAB. The company forces its own agendas in these businesses by telling shebeeners to experiment with new brands with their own money. As in MamLouisa's and Bab'Nkonyana's examples, SAB tells shebeeners to order new brands that SAB has produced on their account. Not only this, SAB strongly suggests to these shebeeners to heavily advertise these

brands on behalf of the company. The shebeeners are instructed how to market these brands in their businesses. For example, in Bab’Nkonyana’s shebeen, the owner would ask his customers if they had tried Skelters, a new drink by SAB, before he serves them their orders. With time, this gets tiring, as most of his customers do not drink fruity drinks. This is free labour; the shebeeners are literally working for SAB. They are held at ransom as selling the new brand is also for their benefit as the shebeeners bought this stock on their account. With time, though, the shebeeners stop the advertising as the new brand is not bought. Eventually, the shebeeners tell SAB to take back their beer and credit their accounts with the amount before the beer goes off.

SAB takes back the brand and introduces another brand. The fact that SAB reps come every week intensifies the control that the company has in these shebeens. After all, SAB is only concerned with increasing their profits and control over the beer market, and they are willing to do anything. SAB reps also have strong motives as they receive ‘lucrative incentives’ for their ability to grow shebeens in terms of the volumes that these shebeens order per week. Each rep is incentivised to grow the volume capacity of their collective shebeens over a particular period. They are also told which brands they need to market more than other brands in shebeens. These reasons make these reps forceful at times in shebeens when it comes to marketing targeted brands and moving as much beer as possible per shebeen. The control of shebeens and other clients in the market is dependent on competition against SAB. Reps are placed in a position to recognise where the most competition for the company lies and then concentrate on that place.

The Rep has to check his customers once a week. Each client is categorised according to size which can be categorised into volume and segment of the market catered for. Size refers to the size of the shebeen. Second, the amount of volume that each client orders per week/month is important. The segment refers to the market that each client services (mainstream, premium and super premium). The rule is that reps have to pay more attention where there is more competition against the SAB brands. For instance, there is no competition in a shebeen that mainly orders mainstream beer at large volumes. The competition lies in the premium segment. Reps need to pay more attention to places such as News Cafe and pubs where the premium consumer market is concentrated. SAB reps need to play harder in those areas where Brandhouse beers mostly sold. We are trying to win back the percentage



of the market that we lost from Amstel. We are also increasing the number of promotions of particular brands in shebeens, pubs and restaurants. These promotions make up the 'route to market' strategy that SAB is working on.

Last year we [SAB] lost 5% of the market due to the loss of Amstel to Brandhouse; we fell from 98% to 93%. Our efforts in the last year have paid off; we have regained 2% back. This is mainly in the premium market with the marketing of our premium brands and the launch of new premium beer Grolsch. We are now controlling 95% of the market (Interview, Lenny Ndlovu, 2 October 2008).

SAB only cares about its position in the beer market through its control over clients. In this regard, where there is strong competition against SAB this means that the company may lose control over that particular client. Competition is good for clients as it places them in a position of power against SAB; they are able to exercise more control over their stock and the running of their businesses. Shebeens monopolised by SAB have to put up with the company's overwhelming control over the businesses. The 'free' incentives that SAB gives shebeens also hold these businesses at ransom. Shebeeners feel obliged to 'pay back' favours to SAB by allowing the company to control some aspects of the running of their businesses. SAB is seen as the ever-knowledgeable entity by shebeeners; as Bab'Nkonyana says:

These guys [SAB]...know what they are doing; they know everything about running a business and their advice works ... all the time. (Bab'Nkonyana's Interviews, October 2008).

SAB takes advantage of the trust as an element of control in the informal economy. SAB reps woo their way into these shebeener's homes and social networks. Sometimes, shebeeners have admitted to behaving in a particular way in order to buy favours from the SAB rep. In some instances, they act exceptionally nice, so that the rep will give them more things such as promotions, chairs, glasses and free gifts. MamLouisa told me that one shebeener in her neighbourhood, one of the largest shebeens in the area, is rumoured to be bribing all her reps, from SAB and Brandhouse, for more promotions and free stock. This shebeener always has promotions and competitions at her shebeen, more than any other shebeen in the area even though all these shebeens are serviced by one particular SAB rep and one Brandhouse rep. MamLouisa has been with SAB for two years, but she

only got a promotion recently for the first time. She has had promotions from Brandhouse in her place, mainly for Heineken. This is where SAB is going wrong, according to MamLouisa; Brandhouse is always willing to promote their brands and shebeens more than SAB. SAB relies on faith and their name. They do not do very much in promoting shebeens; they only promote their brands in these businesses. Brandhouse may buy back power for shebeens. In this competition, it is willing to satisfy their clients better than SAB.

Shebeeners love promotions because they make more money for the businesses. In promotions, SAB and Brandhouse provide everything – the music, the free T-shirts, key rings, cooler bags and other prizes. For instance, in Brandhouse's promotions, for every six-pack bought by a customer, they get a free key ring or a Heineken collector's glass. When a customer buys two six-packs they get a free T-shirt. In competitions, they can win tickets to Very Important People's (VIP) parties hosted by Brandhouse, such as Smirnoff functions, which have become popular. SAB's promotions and competitions in shebeens are similar to Brandhouse's, but the gifts are more extravagant. Customers get to win cooler bags with the particular brand being promoted.

### **5.10 The Thirst**

When SAB does not deliver, shebeens dry up. This reality shows how dependent shebeens are on SAB. Shebeens that operate spaza shops do not lose out completely. Bab'Nkonyana waited for SAB to deliver his order for three days; all his clear beer was sold out. The SAB accounts department had made a mistake with his order. They did not give him the correct figure to pay 24 hours before the delivery. He called his SAB rep frequently to ask about his order, which had yet to arrive. Saki, Bab'Nkonyana's SAB rep, checked with the accounts department at the Depot, but the problem was only located two days later. This cost Bab'Nkonyana half a week's profits in beer. This happened at the end of the month, where the shebeen could have been making its largest profits. When all the clear beer was sold out, Bab'Nkonyana opened the shebeen for sorghum beer

customers. Some serious customers who only drink clear beer resorted to drinking the Joburg beer – a cheap, dense and unclear sorghum beer – so they could just get their daily alcohol supplement. Bab’Nkonyana said that he did not make money from Joburg beer; a jug of about 500 ml is cheap, only R4.50, and 300 ml costs R2.50.

Opening the shebeen to sell this is not worth it, according to Bab’Nkonyana. On days like these, Bab’Nkonyana is grateful that he has a spaza shop. In the absence of SAB beer, the shebeen is quieter; there are only public telephone patrons, spaza shop customers and sorghum beer drinkers.

This incident is the result of a series of past laws that controlled the production of beer in the informal economy. The monopolisation of production of beer in the informal economy is pervasive. As an alternative Bab’Nkonyana could not just brew his own beer. Most shebeens in the townships do not produce their own beer. Homebrewing was curbed by the apartheid government. The lack of production of beer in the shebeens emerged from the restriction by government. In Chapter Three I discussed the history of beer and how the government orchestrated its production in white formal businesses. The liquor laws undermined the brewing of traditional beer by black people. The brewing of beer at home has become a custom reserved for special occasions within the townships. The brewing tradition is also reserved among the few. It has become a ‘scarce skill’; only particular women in the neighbourhoods know how to brew beer; the others have never been taught the skill. Taking this into account, Bab’Nkonyana could not brew his own beer when SAB did not deliver. Moreover, the credit system compounds the level of dependency of shebeens on SAB. Captive value chains, discussed by Gereffi *et al.* (2005), specialise in holding suppliers or subordinate companies captive through transaction arrangements.

SAB has created a dependency of shebeens on their services. Bab’Nkonyana did not once think that he should find transport and stock his beer from a nearby liquor store. Another reason may be that he had already paid about R11 000 into SAB’s account, and he had not budgeted for such an incident. He had no choice

but to wait for SAB. SAB works like a bank; all shebeens order their beer on credit. Account holders choose the option best for their business.

**Table 5.2 SAB credit system**

7-day credit system	Clients have six days to pay for the previous week's stock. The money has to be paid into SAB's account 24 hours before the usual day of delivery.
14-day credit system	Clients have 13 days to pay for the stock ordered the previous fortnight. The money has to be paid into SAB's account 24 hours before the usual day of delivery.
30-day credit system	Clients have 29 days to pay for the stock ordered the previous month. The money has to be paid into SAB's account 24 hours before the usual day of delivery.
Cash on Delivery (COD)	This option is available to everyone, including SAB's regular customers and those who are not their regular customers. The client makes a call to SAB, orders stock for a particular amount, and when the owner driver delivers the beer, the client must give the driver a cheque, not cash. In circumstances where a cheque cannot be provided, the client has to pay in the money into SAB's account 24 hours before the day of delivery. SAB delivers in exactly 24 hours from the time the order was placed and paid for.

Most shebeens use the first option. It is the easiest way of working with SAB as every week is different. This strategy is also convenient as most shebeens do not have enough space to put a large stock for a long period of time. Weekly pay-outs are better for shebeens, as they help manage their finances better (Interviews, MamLouisa, 22 July 2008; Bab'Nkonyana, 29 September 2008). There are negative effects to the credit system, though. This credit system intensifies the dependency of shebeeners on SAB to a point where they do not ever think it possible to have an exit plan in case the brewery does not come to deliver their stock. Some shebeeners default on the payments as they do not have skills to manage credit. Lennyn Ndlovu (Interview, 2 October 2008) also said that the number of shebeeners on their active account rolls changes every year because

some shebeeners default on their accounts and SAB immediately cuts off ties with these clients. He said:

During the Mahlasedi training programme, we have a three-hour training session on how credit works. We teach clients on model stock, how each client should register the total stock for the month and have a plan for every week. We train clients to keep inventory and to order according to the flow of the business, so that they do not over-stock and end up unable to pay the credit back when it is due. Reps also play an important role to help shebeen owners to implement the skills that they have been given (Interview, Lenny Ndlovu, 2 October 2008).

When an account holder is unable to pay on time the account is frozen; even if the stock has been ordered, it will not be delivered. To avoid such things, SAB trains shebeeners how to use credit accounts. These credit systems developed by SAB serve to entrench control of the company in these shebeens. This makes it even harder to exit from SAB's control and dominance. Even though this is a captive value chain, some shebeeners are able to escape SAB's claws when a competitor enters the market. Brandhouse is the major competitor against SAB. It is partly owned by An Imbev, the producers of Smirnoff, Heineken which owns the brand, and Namibian brewers which produce Windhoek Lager.

### **5. 11 A Love Gone Wrong**

Mangena (Interview, 14 August 2008) was able to exit SAB's value chain. He has been able to revamp his place into what he now calls a pub, mostly distributing Brandhouse products. He says he has applied for a pub licence while operating under a shebeen licence. Mangena's, like many places in Soweto, is moving into servicing a younger customer base which buys premium beer; this is your green bottle beer such as Heineken, Amstel and Windhoek. Mangena first started as an SAB customer. He mostly stocked and sold SAB beer, which is mostly bought by an older and mature crowd, but he was competing with much larger and older shebeens in the same market. His age and the fact that his place was new meant that he did not make as much money as these other shebeens. The age of the person who owns the shebeen, the age of the shebeen and the esteem of the

shebeener within the neighbourhood are fundamental in marketing the shebeen within the neighbourhood.

Customers tend to be loyal to certain shebeens which they identify with. Mangena mostly relied on his friendship base within the neighbourhood. However, his peers were mostly unemployed and those who came to wash their cars in the car wash were young and they preferred Heineken, Amstel and Castle Lite, the premium beers. Then he struck gold when Brandhouse landed. According to a source in SAB, Brandhouse is the biggest competition yet for the company. A representative from Brandhouse, who just happened to be blood-related to Mangena, gave him an idea. He told Mangena to transform his place from a shebeen to pub and sell only dumpies and concentrate on premium beer, which is Brandhouse's speciality. Brandhouse literally poached SAB's customer. Mangena was given tips on how to market his place to a much younger clientele which has more than enough money to purchase premium beer, which tends to cost twice to three times as much as mainstream beer (brown bottle beers). His business started being successful; he was making money. He started ordering less of SAB's beer, and eventually he completely stopped ordering from SAB.

There are consequences for divorcing SAB. SAB had already invested significantly in Mangena's business, by giving him a free Castle Lager fridge, tables, chairs, tablecloths and a sign bearing the name of his business. When his loyalty to SAB expired, so did SAB's investment in his business. In fact, SAB came to Mangena's place to collect everything they gave to him for 'free'. SAB took back all the branded tables, chairs, posters and the sign outside the shebeen bearing the shebeen's name. They took everything except the fridge. Mangena had installed a bar around the fridges, one from Brandhouse and the other from SAB. He told SAB that they could take their fridge as long as they put back his bar as they found it. SAB could not cover the cost of tearing his bar apart and putting it back together just so they could take the fridge. In the end, Mangena was given the fridge by SAB with no strings attached. This shows that there is nothing for free from SAB; there are conditions attached to all these supposedly 'free' items.

This shows that all the ‘free’ things that SAB gives to shebeens serve to buy loyalty and are not necessarily free. These goodies have conditions attached to them. Shebeeners understand that these goods are meant to buy their loyalty, but some do not have the money to buy these goods themselves. Receiving them for free in exchange for being loyal to SAB is a small price to pay.

### **5.12 Conclusion**

The value chain analysis is a good method of tracing the different firms on the value chain. SAB is the chain governor and controls all the other firms linked to it. The power of the company is felt at every level of the chain, most especially in the shebeens which the company has managed to monopolise. The lead company has taken strategic and financial steps to ensure loyalty and commitment of subordinate firms in its value chain. Whether this arrangement is mutually beneficial is up to the players within the chain. Some of the shebeeners realise their subordination in the value chain but they continue to consent to it. Consent is necessary as a means of survival and maintaining relations with SAB. Some shebeeners feel that they are treated as partners in the growth of both their business and that of ‘the brewery’ (as everyone calls it). One may argue that this relationship is not equal; the shebeeners consent to be the instrument of SAB in return for profitability and success.

There is also this notion by shebeeners that ‘the brewery’ is the one that is more knowledgeable about the business of selling beer than them. Everything that ‘the brewery’ does is almost unquestionable. In many instances, though, these shebeen queens and kings esteem SAB to the level of a demi-god. Like God Almighty, SAB brings prosperity and abundance to those who are loyal and obedient; to those who stray, SAB taketh away.

## **Chapter Six**

### **Licensing For Control: SAB and the Politics of Regulation**

Alcohol and regulation are discussed in this chapter. As explained in Chapter Three, in the past regulation of alcohol has led to an expansion of informal outlets that retail it in the township. Soweto was chosen as the area of study due to its historical relevance in terms of illegal retailing of beer and shebeens. SAB brands are literally household names in Soweto. Shebeens in Soweto have played a vital role in understanding this beer culture within the South African context. Soweto was also chosen as a site of interest due to its long-standing relationships with South African Breweries. Mager (1999) argues that SAB was active in making dealings with illegal shebeens in Soweto. The townships have always been the core market that SAB brewed for. At the height of apartheid SAB brewed for an illegal market; the government was very well aware of this but could not pin down the company for it. SAB have been able to grow the quarts market in the township through relationships with shebeens. Nowhere else in the market are quarts as popular as in the townships. This very market made SAB the giant it is today. SAB became a big company and was able to become a global giant as the second largest brewer in the world through an illegal and informal market in the townships. Nowadays, the company feels obliged to help these shebeens.

The shebeens became widespread when the government did not allow Africans to brew or retail beer. As Portes (1994) has said, the more restriction placed on regulating the informal economy, the more it expands and relies on ethnic communities for its survival. As early as 1989 shebeens were allowed to retail beer, which allowed SAB for the first time in history to legally access shebeens. Given this, SAB has vowed to help shebeens register legally to receive trading licences for their businesses. This is indeed an admirable position for SAB to take, but the company always has its own money in every move they make.



## 6.1 Operating Illegally

An SAB manager said that before legislation that allowed black people to retail alcohol, shebeens endured persecution from the state. The shebeens used to source their beer

...from wholesalers such as Makro, Trade Centres. These business operated as 'runners' for shebeens. But the risks were high for these shebeens because the police raid meant that all the beer is taken away. At this stage, the shebeen owners did not have money to buy the next stock. So the shebeens would go to the manager at Makro and tell them their dilemma. Managers at the Makro liquor store know these shebeen owners personally so they would arrange credit for these shebeen owners and they would pay Makro in time. This is why some shebeen owners do not want licences because of their loyalty to these wholesalers. They have gone through thick and thin with these runners. Another reason is that we (SAB) work on a credit system, which overwhelms some shebeens and they cannot pay us back in time. So dealing with cash for some shebeens is a much better deal. These are some of the problems with shebeen licences. The risks are manageable from their point of view.

SAB knew about the underground trading between liquor stores and wholesalers. SAB has always known that their largest market was in the township, where the majority of the population lived, but we could not legally access the market. In the 1960s when the law allowed blacks unlimited consumption of alcohol, SAB started to prepare itself for more demand of their products. SAB started buying up smaller breweries to increase their operations. In fact, one of SAB's successes from its inception in the 1880s was the ability to absorb the competition and gain a greater control of the market (Interview, Lenny Ndlovu, 2 October 2008).

All the SAB managers interviewed for this study tended to underplay the company's role in this illegality. SAB always knew that their profits came from the townships. They specifically produced for this market. It is not surprising that SAB engaged in illegal activities with township shebeens during the height of apartheid. Legally, liquor producers were only encouraged to create relationships with black retailers in the homelands and not in the urban areas (Mager, 1999). SAB did not want to comply with any of the apartheid laws that prohibited the sale of beer to black people in these prohibited spaces:

...the company's new national image did not signify loyalty to the apartheid regime; the SAB felt obliged to violate apartheid laws. As the volume of beer handled by the shebeens increased, SAB began to service

these illegal retailers, unlawfully bypassing the government monopoly. In the interests of marketing, the brewers were compelled to recognise the popularity of shebeens.... Moreover, shebeeners' resourcefulness and resilience made for successful entrepreneurship. Cash purchases of beer and spirits amounting to 5,000 cases of quarts of beer per month were not uncommon for Soweto shebeeners in the early 1960s.... By the end of 1969, Sowetans were spending R16m a year on European liquor – four times the rent collected in the township (Mager, 1999: 385).

SAB was instrumental in the expansion of shebeens in Soweto. SAB provided these shebeens with fridges, stock on credit and transportation. The company could not protect shebeeners from the loss of fridges and beer stocks during police raids. In some circumstances, SAB would help loyal shebeeners to pay guilt fines. This observation confirms Burawoy's (1985) assertion that formal enterprises keep informal enterprises linked to them in a subordinate and informal position for maximisation of their profits. SAB, as a formal enterprise, gained for a long time from the informality of the shebeens as the company was able to get underground tax-free profits from the illegal and informal shebeens in Soweto. Running from the law remains a permanent and ever-present fixture of shebeen operations in Soweto, and SAB continues to gain from it. The difference now is that SAB refuses to engage in any relationships with illegal shebeens because the law provides an opportunity for the licensing of these shebeens.

The "No Name" shebeen in Snake Park is completely illegal. The owner of the shebeen sells liquor under the disguise of a spaza shop which he also owns. The owner said that his intention is to eventually become legal by getting an operating permit to sell liquor. The spaza shop that he owns is inherited from his father who died recently (Tavern 5 interviews, 2007). When his father died, he started selling liquor, selling only take-aways.<sup>5</sup> The owner said it was better this way because then the police would not suspect foul play. When asked what happens if he gets caught, the owner of Tavern 5 said,

They confiscate all the liquor and arrest the owner (Tavern 5 Interview, 7 September 2007).

---

<sup>5</sup> Take-aways means that customers do not drink liquor on site. Customers usually buy beers in a dark plastic bag to drink in their own homes. Selling take-aways is usually the best way of disguising an illegal shebeen.

A source in the Liquor Board confirmed that there are inspectors who travel with Metro Police and SAPS to carry out raids on a regular basis in certain areas. Neighbours also inform the Liquor Board that in a particular place there is an illegal shebeen disrupting peace in the area. The inspectors will go to the area and “execute the mandate as stipulated by the Act” (Gauteng Liquor Board Interview; 4 October 2007).

When asked if the risk was worth it, the owner of “No Name” shebeen did not hesitate to say,

It’s definitely worth it... I make over R2 000 per week. Since everyone knows I sell beer, my sales have definitely went up the roof ... soon I will be making well over R4 000 every week. That is more than what I make on my spaza shop a month! (Tavern 5 Interview. 14 September 2007).

The owner of “No Name” shebeen said that he stocks around 50 cases of Hansa Pilsner and Carling Black Label per week. Soon that will skyrocket to around 80 cases if his business is going as well as it is at the moment. There may, however, be problems. Getting a permit means that a shebeen has to sell 60 or less cases of 12 x 750 ml per week. But this restriction of 60 cases per week is loosely applied. Bab’Nkonyana orders more than 60 cases of beer from SAB every week despite the fact that he operates under a permit. When I did the inventory for Bab’Nkonyana, I found that he ordered 100 cases of Carling Black Label, 80 cases of Hansa Pilsner, 80 cases of Castle Lager, 40 cases of Milk Stout, 20 cases of Castle Lite, 12 cases of Brutal Fruit and 40 x 6-packs of Carling Black Label dumpies and other less popular brands like Peroni. Clearly, SAB does not comply with this stipulation of 60 cases per week for a shebeen that operates under a permit. The ‘60 cases per week’ for shebeens is a myth. According to the Gauteng Liquor Act, only when owners have a licence can they sell as much liquor as they please. As it is applied now, the permit as good as a licence.

Tavern 6 started operating in 2001 when the owner of the tavern was retrenched from his job. The Zaza opened his business using his retrenchment package money, but he operated illegally for three years. During that time he was a fugitive from the law; he was subjected to constant raids from the police, who

would confiscate all his stock for the week, which would be around 50-60 cases of beer at a time.

This forced him to apply for a shebeen permit, which allows him to trade liquor legally while he is completing the necessary requirements to acquire a tavern licence. Applying for a licence has been difficult. The owner has to get a clearance certificate from SARS. SARS expects all the financial records of his business for the past few years (since 2001) so he can pay his dues to the state. The owner has no books to show how much he made in the past few years from his shebeen while he was operating illegally.

The wife of the owner of Tavern 6 said that the new Gauteng liquor legislation should be scrapped because it was unfair; the government is demanding money that they are not entitled to (Tavern 6 Interview, 5 September 2007). The Act, according to the wife, also tries to control how they should run the business, for instance:

We wanted to put a radio and television for our customers but the one inspector said we need permission for that; imagine, you are trying to make your business grow; they are stopping you from achieving that but they still want money every year for the licence. (Tavern 6 Interview, 5 September, 2007).

A source at the Liquor Board said he knew nothing about such a rule but that:

Applicants must make sure that they apply for the correct licence. They cannot apply for one licence, say to open a tavern, and all of a sudden they change their business to be a pub whenever they feel like it. Licences are different. (Interview, Gauteng Liquor Board, 4 October 2007).

De Soto (1989) further argues that informal businesses remain small scale in order to evade the legal system. But in the case of Tavern 6, the law caught up with him. Evading the legal system is only a temporary solution. Permanency of one's business is only possible through embracing the legal system instead of running away from it.

Tavern 7 owner actually confirms this reality by stating that:

I used to be a fugitive from the law because I was not legal. I could not all of a sudden expand my shebeen; people would know by coming and

buying in the spaza shop that I have a shebeen. Then they [customers] will come. But I used to lose all my stock (liquor) when police raided my place, which occurred several times (Interview, Tavern 7, 28 September 2007).

Taverns which are licensed are completely legal and formal businesses. Shebeens have permits and remain informal. Permits are supposed to last for 18 months, but in the case of the Gauteng Liquor Board many shebeens operate for years with permits as the Board is slow in processing licences. This allows shebeen owners to work on getting a licence while trading legally. Permit-operating shebeens are in the process of formalising but they remain informal because they are not registered in any way, particularly for taxes. Of all the taverns interviewed in 2007, Taverns 1, 2, 3 and 7 operated under licences; this means that they fulfilled the criteria given by the Gauteng Liquor Act, 2 of 2003. The most important requirement to meet in order to register as a business is a Tax Clearance Form from SARS.

The owner of Tavern 4 operates with an expired permit which she received in 1998 under the Liquor Act of 1989. The licence allowed her to sell sorghum beer. She is not licensed to sell any SAB or Brandhouse products; thus she sells these illegally. The new legal process is not widely known to shebeeners everywhere.

Tavern 5 is completely illegal. The owner said he was in the process of applying for a permit so SAB could deliver directly to him instead of buying from liquor stores. Tavern 5 is also a spaza shop. The owner buys his merchandise from wholesalers such as Makro and Trade Centre; thus getting a licence will be hard because he has to then say what his primary business is and by that virtue which liquor trading licence he will receive. These are some of the difficulties of becoming formalised. In the past shebeens were illegalised because they posed competition for municipal beer halls, and tax was not easy to retrieve from these businesses due to their illegality and informal transactions.

For some shebeens becoming legal is a long process. They have to declare all the property and profits that they accumulated in the last few years in order to get clearance forms from SARS. These shebeeners are also required to build male and

female toilets. They have to have a private place for serving liquor which is separate from the household. Further, there has to be a storeroom for the merchandise outside the household. Many owners argued that building materials and plans were expensive and 18 months was too short a period for building all the necessary structures to become licensed. The other point is property deeds. Does the owner of the shebeen own the property where the business is being operated? Or does the shebeen owner have formal written permission from the owner of the property to run the business and to build on that property? Property deeds are very important for collateral when one applies for a loan at the bank. Importantly, most of the shebeen owners did not have permanent employment, so they could not produce a pay slip which would enable them to access credit. The wife of Tavern 6's owner argued that the government was unfair:

...it [the government] does not provide employment for people but once you have created your own employment they want to boss you around ... what more of SARS? ...government wants everything ... for every two cents you make they want one cent (Interview, Tavern 6 partner, 14 September 2007).

Illegality makes it hard to operate, as the price for being caught is very high and expensive. De Soto (1989) argues that there are high costs of becoming legal and formal. As discussed in Chapter Three, De Soto and the ILD group found that registering a business, a garment factory, with the Peruvian government in 1983 took about 289 days and bribing of government officials. In this sense, De Soto concludes that the cost of becoming legal is too high in that country. In South Africa, shebeeners have also experienced difficulty with government in attempting to become legal (Interviews with shebeeners, August - October 2008). They have to apply for the correct permits and licences. The shebeeners interviewed in 2008 all operated on permits which were more than 18 months old. The shebeeners said they had applied and followed the procedures for becoming legal, but the government has yet to give them an adequate response. SAB is aware of these licensing complications and has taken an active role by engaging government to be more efficient in distributing tavern licences around townships like Soweto. SAB provided submissions to show how they are engaging

government on this issue. The following section explains these submissions in detail, as well as SAB's efforts to assist in legalising shebeens.

## **6.2 SAB's Submissions to the Liquor Board**

SAB has been engaging with government to simplify the process of legalising and formalising taverns. SAB argued that it does not discriminate against its clients; SAB's submissions to the Department of Trade and Industry and the Liquor Board is for the benefit of all its clients (SAB Interview 6, 20 November 2007). SAB realises that the "cumbersome" legal system is to blame for the great number of illegal shebeens. A source at SAB disclosed that SAB regularly embarks on simulations such as those performed by De Soto and ILD in the 1980s in Peru to calculate the cost, time and effort that it takes to get a licence from the Gauteng Liquor Board. From these simulations SAB made submissions on behalf of their clients and prospective clients to the government regarding the problems of legalising:

As a general point, we would suggest that it is important to impose time lines within which licence applications must be considered and decided on by the Liquor Board. Currently, ...licence applications can take months or even years to be decided on, which is obviously detrimental to retail normalisation and effective economic functions of the province. We note in this regard that the requirements set out in paragraph 5.1.3 require the applicant to obtain a number of documents from various authorities, including an approved sketch plan from the relevant authority, a certificate of suitability from the South African Revenue Services and municipal consent regarding zoning. Although these requirements are, in principle, fine, it will be important to ensure that these various authorities in fact have the administrative capacity to provide such documentation timeously. If they are unable to do so, this would only serve to draw out the application procedure further, and negate the intention to make the procedure more simple and user-friendly (SAB, 2006: 2).

Here SAB is questioning the capacity of government to fulfil its own mandate. The truth is that the government lacks capacity to process all the applications for liquor licences. According to shebeeners and SAB interviewees, by early November 2007 the Liquor Board in Johannesburg was no longer taking applications as they were overburdened and failing to process received

applications. Yet on the 4 October 2007 both Liquor Board interviewees claimed that by 31 December 2007 everyone should be operating with licences as all permits would expire on this date (Liquor Board Interviews, 4 October 2007). Even the Department of Economic Development MEC, Paul Mashatile, placed a reminder in the paper for shebeens to apply for licences before 31 December 2007<sup>6</sup>. Government policy makers often seem to overestimate the state bureaucracy's ability to implement policy (Von Holdt, 2005; Von Holdt and Maserumule, 2005). Von Holdt has written extensively on how government bureaucracy can sometimes go against its own objectives. SAB interviewee 6 (Interview, 20 November 2007) said that SAB has already placed a submission with the Department of Trade and Industry and the Gauteng Liquor Board to be realistic and extend shebeen permits, as the delay is their fault and not that of the shebeeners.

In this same submission, SAB strongly advocates for shebeens as there are several obstacles for these businesses with regard to legalising:

Whilst we applaud the simplified application procedure proposed for shebeen licences, we believe that there are certain requirements that may still be problematic. For example, a police clearance certificate or proof of lawful occupation may not always be easy for a shebeen owner to obtain, and may discourage them from applying. It also may be difficult for a shebeen owner, as a layperson, to provide a detailed written motivation in support of the application. For now, we suggest that it is important to ensure that the requirements for such a licence are kept to minimum in order to encourage shebeen owners to apply and come within the regulatory net (SAB, 2006: 3).

Proof of lawful occupation in the house one resides is necessary. A good example is given by a source in SAB. As SAB is attempting to help clients to gain loans from ABSA, they realise that many of their clients live in multigenerational households, whereby a house permit cannot be easily gained from the municipality. The main reason lies in the fact that the shebeen may be owned by a grandson of a dead grandmother. The name of the grandson does not appear on the original legal documents of lawful occupants. Thus, the municipality cannot

---

<sup>6</sup> MamLouisa and Bab'Nkonyana were told by the Gauteng Liquor Board to operate on permits that expired on 31<sup>st</sup> of December 2007 for the whole of 2008 as the board was unable to issue them with licences in time.



give this individual a permit without evidence from all the people on the legal documents. Sometimes getting the compliance of these individuals (aunts and uncles) is not easy, as money and ownership rights are involved in relinquishing one's right to ownership of a parent's property (SAB Interview 6, 20 November 2007). Thus, most people who own shebeens would rather remain illegal as they cannot prove lawful occupation of the premises in which they reside. The main reason for this lies in the history of property rights for black South Africans. The government did not legally allow the black population to own the houses allocated to them in the urban areas (Tomlinson, 2007). It was De Soto (2000) who made the assertion that when the poor are given property rights and deeds they will be able to access credit that will enable them to open up businesses to make more money.

MamLouisa and Noluthando's shebeen has a similar dynamic. MamLouisa owns the property and her daughter owns the shebeen. The daughter is in the process of applying for a licence. In order to prove lawful occupation, the daughter had to get permission from her mother. MamLouisa had to sign an affidavit claiming that the person who has the shebeen is her daughter and she is opening the shebeen with her permission on her property. Copies of legal documents pertaining to the house and the owner of the house had to be made in order to prove lawful occupation on the premises one is using or intends to use to open up a shebeen.

The property deeds play another role. SAB subscribes to De Soto's (2000) assertion that the property deeds will allow low-income households to access capital and financial assistance (SAB Interview 1, 22 August 2007). SAB said that it took De Soto's notion of releasing capital through assets as key for shebeeners. The Gauteng Liquor Act's requirements are to build toilets, a drinking area and a storeroom for the liquor. Many shebeeners in the townships do not have sufficient funds to make these renovations in their yards. SAB has negotiated with ABSA to enable shebeeners access to financial assistance to make these amendments, but the bank needs the property deed to hold the property as collateral for the loans made. Thuso Ndalo (Interview, 18 August 2008), a former employee of SAB, said that SAB knows how to "play the politics of the oppressed" in that SAB banks

with FNB and other more prominent banks in the financial sector, not with ABSA. The main reason for this, according to Ndalo, is that ABSA is a black bank and for this reason SAB knows that this bank can deal with 'black issues'. Apparently, according to Ndalo, ABSA is the only bank that could allow these sorts of transactions with SAB and shebeeners. Furthermore:

The good thing about the RDP houses is that the property owner is accessible and property issues (property deed) are easily resolvable unlike in the greater Soweto where the granny or grandfather are both dead or something like that and only the uncles and aunts are listed in deed (Interview, Thuso Ndalo, 18 August 2008).

SAB further suggests to government that it is unnecessary and discriminatory for the Act to define a shebeen as selling a particular amount of beer and how much they should sell:

...we do not see any good reason why shebeens should only be restricted to selling beer and a particular quantity and pack size of alcohol. These limitations are somewhat arbitrary and would exclude a large number of the shebeens currently operating. We would suggest that a more appropriate definition of shebeen would be 'an unlicensed outlet wherein liquor is sold out of residential premises for consumption either on or off such premises' (SAB, 2006: 3-4).

SAB further disagrees with the different kinds of liquor licences:

We note that the policy provides for 16 different types of retail licences (see Appendix), including the shebeen licence.... Such an approach to licensing is unnecessarily complex, arbitrary and counter-productive and it is unclear why such categories are necessary. They are a relic from the previous licensing regime [the 1989 Liquor Act] and serve no purpose in either curtailing abuse or creating a simpler, more transparent system of regulation. The distinction between different types of licence is quite arbitrary and reduces the flexibility of a business to redefine itself as market conditions warrant (SAB, 2006: 5).

This point is very important, as a source at SAB emphasised. The source said:

Woolworths took six months to get a liquor licence, with its big lawyers; this shows the rigidity of the Act and cumbersome process of getting a liquor licence (SAB Interview 1, 22 August 2007).

A source at the Liquor Board said that the main reason Woolworths' liquor licence took such a long period of time is because:

Woolworths wanted to put their liquor in front of their grocery store, so that when the customer walks into the store, the first thing they see is the liquor section. We had to tell Woolworths [Food] that their primary business is to sell groceries, not liquor, so they are obliged by the Act to place their liquor with other groceries. Only when they agreed to do this, we gave them the correct licence to trade [liquor]” (Interview, Liquor Board, 4 October 2007).

According to the Act, each licence has its own restrictions that licencees have to adhere to. The licences and hours of operation are stipulated in Appendix 2.

The process of applying for a licence is also very tedious. This is the main reason SAB has taken upon itself to lead the process along with willing shebeens.

According to an SAB source:

Partnering with government to help normalise liquor licensing in the country is good. Licensing of these shebeens will increase our volumes in the market. SAB has decided to increase representatives instead of beefing up management in order to expand our control at the bottom. Each representative is allocated areas and shebeens to service, and it is their duty to make sure that after a particular period of time that shebeen is operating under a licence. This is important in increasing our market share profitability. The rep is held accountable for this task. There are five values that drive SAB. One of them is that of accountability for one's action. We have trained these representatives to take charge of the licensing process of each shebeen in one's stable (Interview, Lenny Ndlovu, 2 October 2008).

So far, SAB is directly servicing 6 920 shebeens in Soweto alone:

From our point of view, there might be close or more than 10 000 shebeens that operate under a shebeen permit and tavern licences. We service about 6 920 shebeens in Soweto alone but the number changes annually because we stop supplying shebeens which are in arrears with us. Some shebeens repay us after years and we start supplying them again, some are new. So the figure changes all the time due to various reasons (Interview, Lenny Ndlovu, 2 October 2008).

This figure of 10 000 shebeens who are operating under permits is extraordinary. This means that most shebeens source their stock from liquor stores or wholesalers. How likely is this statement? If so many shebeens are complying with the law, why are they not in a relationship with SAB? Ordering from SAB is the cheapest way of doing business.

SAB has made some progress with government in fast-tracking the licensing process:

The process has been shortened; 45 days is the ideal, from processing of applications and giving out the licence. It takes three months to get consent from the neighbourhood or municipality. Police clearance takes about a month, SARS takes two days. It takes a very long time for building plans for the toilets and drinking area to be approved by the Metro Council. Before, the councils were segregated according to different parts of Soweto and Eldorado Park. Now there is one council for Soweto and Eldorado but there are problems due to past administration, so getting the local authority approval for zoning rights is problematic ...

Licences are also hard to get. We have negotiated with the Gauteng Liquor Board to shorten and simplify the process of licensing shebeens. If one goes to the department, there are no charge fees. If one decides to use agents to get a licence, one can spend about R9 000 to R10 000 (Interview, Lenny Ndlovu, 2 October 2008).

Shebeen owners have to get Local Authority approval from the municipality, which facilitates zoning rights. Zoning is important; to open a shebeen one has to see if the place of operation is residential or in a business zone. Residential zoning means that the shebeen owner has to get permission from neighbours, and get a consent letter to operate the shebeen. If the shebeen is in a business zone, the process is better and quicker. Zoning rights allows for the application of a licence. The Land Use Act is under construction at the moment, but what people do not know is that one can own the property that lives in but you do not own the land on which it is built; for this, permission from the municipality is needed (Interview, Lenny Ndlovu, 2 October 2008).

As said before, it is the responsibility of the chain governor to initiate and work with governments. According to SAB, it is possible to get a licence to operate within a few months, which is an improvement. The shebeens that I worked in were all operating on expired permits, which the Liquor Board had informally extended because they could not process all applications ahead of their own deadline of 31 December 2007. According to shebeeners (Interviews, August – October 2008), the Liquor Board said that they were overloaded with applications which they

could not process due to lack of capacity in the Board. This process of assisting illegal shebeens to become legal goes hand in hand with SAB's short-term and long-term goals for controlling the market.

The next section will show how SAB has researched the South African market and ideal number of legal outlets which would make their company profitable.

### **6.3 SAB's International Licensing Benchmark**

The SAB deems it best to formalise all the shebeens so as to minimise the current illegality of the selling of liquor (SAB Interview 6, 26 October 2007). The goal of the SAB is for South Africa to meet the international licensing benchmark whereby there are 200 patrons per outlet. So far, there are over 423 patrons per outlet. This is worked out by taking the number of adults over the drinking age (18 years and older) in South Africa, which is 27 394 180, and dividing this by 200; thus the ideal licensing benchmark for the country should be 136 971. Then this is divided by the population in that specific province. The licensing of shebeens, according to a source at the SAB, is dependent on the provincial legislation of liquor. Gauteng is one of the most problematic provinces, as it has recently made a completely new Liquor Act, meaning that the Liquor Act of 1989 did not stand any more.

**Table 6.1 SAB's licensing summary**

<b>Province</b>	<b>Adult Population</b>	<b>Inter-national Licensing Benchmark (200 Adults per Licence)</b>	<b>Normal Liquor Licences</b>	<b>New Permits and Temporary Registration</b>	<b>Total Licences in Issue (incl. Temp. and Permits)</b>	<b>Variance to Ideal Licensing</b>
KwaZulu-Natal	5 461 428	27 307	5 358	0	5 358	-21 949
Eastern Cape	3 545 826	17 729	3 169	15 391	18 560	+831
Western	3 015 660	15 078	6 324	0	6 324	-8 754

Cape						
Northern Cape	508 165	2 541	1 119	0	1 119	-1 422
Free State	1 692 999	8 465	6 647	0	6 647	-1 818
Gauteng	6 302 539	31 513	12 685	9 019	21 704	-9 809
North West	2 302 443	11 512	7 663	0	7 663	-3 849
Limpopo	2 762 297	13 811	5 323	0	5 323	-8 488
Mpumalanga	1 802 823	9 014	4 520	0	4 520	-4 494
<b>Total</b>	<b>27 394 180</b>	136 971	<b>52 808</b>	<b>24 410</b>	<b>77 218</b>	<b>-59 753</b>

Adopted from SAB's Licensing Summary for the 2006 financial year.

Table 6.1 shows SAB's licensing summary for South Africa. The first column is the nine provinces. The second column is the adult population in South Africa, everyone above the age of 18. The third column is the result of the calculation based on the International Licensing Benchmark of 200 adults per licence. The fourth column is the number of issued liquor licences. Column five represents issued trading permits or temporary registration. The sixth column represents the sum of columns four and five. The last column is the variance from ideal licensing, which is column three minus column six.

Since Gauteng is the area of study, those figures will be analysed here. According to the table, in 2006 Gauteng had a population of over six million adults above the age of 18 years. Thus, the international benchmark for licensing was 31 513. In 2006 there were 12 685 licences and 9 019 trading permits issued by the province. In total, Gauteng issued 21 704 liquor trading licences and permits in 2006. However, this amount is 9 809 away from reaching SAB's international licensing benchmark. The international benchmarks for licensing are important for SABMiller. This logic is applied throughout the world. According to SABMiller's records, South Africa is doing well in terms of reaching the SAB's licensing benchmark compared to other developing countries particularly, South American countries and, surprisingly, some countries in Eastern Europe (SAB Interview 6, 20 November 2007).

The main critique of SAB's position on formalising and legalising illegal shebeens is whether this goal will completely eliminate illegal shebeens. One cannot assume that when the international licensing benchmark is met, illegal sale

of liquor will stop. It will only be reduced, although illegality will persist as long as legalising remains a long and cumbersome process. One wonders though if SAB's clients are in favour of only having 200 patrons, as this will impact profits. When asked if the 200 patrons per outlet would diminish some of their clients' profits, the source at SAB said,

Not necessarily; some outlets can actually benefit as they have less than 200 patrons (SAB Interview 6, 20 November 2007).

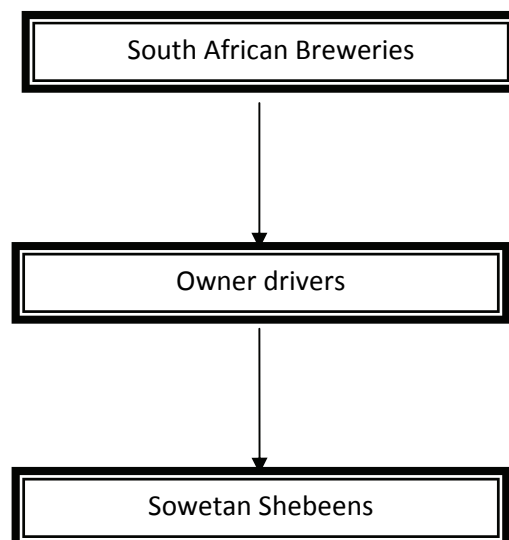
In townships taverns do survive on less than 200 patrons per outlet. In Soweto, there are many shebeens in one street. This means that all these shebeens are most likely to have an exceptionally low numbers of patrons anyway, at petty commodity production level. In fact, most of these shebeens make a profit from regular customers who are part of their immediate neighbourhood. SAB encourages this type of extreme competition between shebeens in the townships, but they are fighting to monopolise the beer market. From this perspective, SAB only cares about their interests and not those of their clients. They encourage 'pure' laissez-faire in the informal economy but they advocate monopolisation of production of beer in the formal economy.

SAB's involvement in licensing shebeens is about increasing their market share by increasing the volume consumed in the market. The licensing process allows SAB more power to control shebeens in such a way that SAB is able to manipulate these businesses into marketing their beers in order to increase their volume share in the market. In fact, SAB has initiated a programme that increased the number of reps to shebeens in order to help them get licences. The programme is based on scouting out illegal shebeens, initiating a relationship with them, and helping them get licensed. Lenny Ndlovu (Interview, 2 October 2008) argued that each Rep is given the responsibility of formalising every shebeen they represent within a targeted timeframe. But the process of licensing is strenuous one. Licences have to be renewed annually. These licences are regulated. When the SAPS come to a shebeen and finds that the owner is not displaying the liquor licence, he is fined R1 500 (Interview, Lenny Ndlovu, 2 October 2008). Those without the licence or permits have adapted to these situations.

In my own opinion, this is an imposition. SAB is assisting these businesses in order to gain legitimate control over these shebeens. This technical assistance is meant to buy the loyalty of these shebeens. The lead company is concerned with imposing itself on these small enterprises. As discussed before, SAB's primary market is the BoP market. Most of these areas, according to the company, have not yet been exploited and represent an 'untapped' market. This means that SAB stands to make more profits as their main competitor has not moved into those areas yet. Braamfischer is one of those areas popping up around the townships which SAB is researching extensively for business.

#### **6.4 Conclusion**

Licensing is advantageous as it strengthens the connections between SAB and shebeens. Instead of shebeens being strongly aligned to wholesalers and liquor stores, they can now be strategically aligned with the brewery. Licensing radically changes the forward linkages of SAB's value chain to look like what is depicted in Figure 6.1.



**Figure 6.1**  
**SAB-shebeen value chain without the middle man**



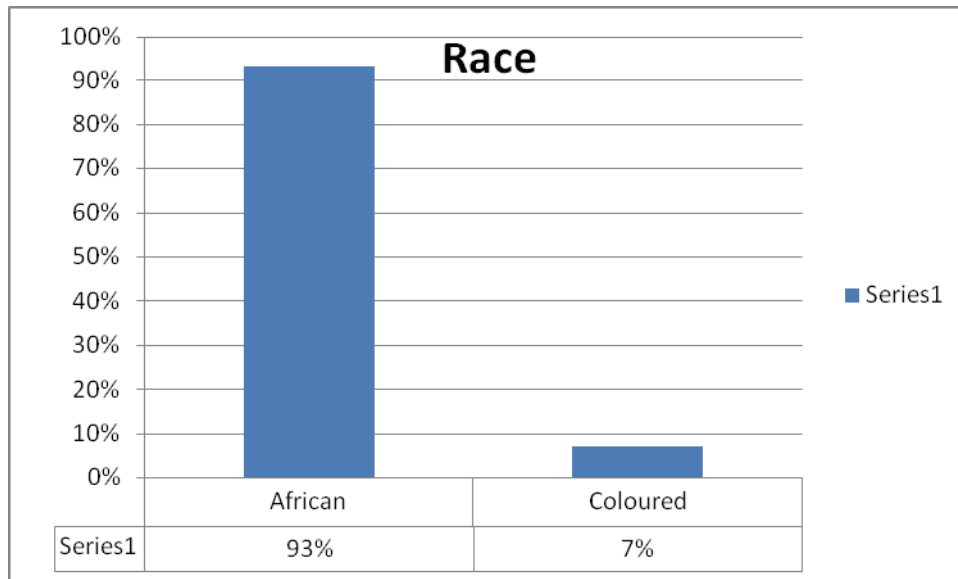
Integration to SAB's value chain has many advantages for those enterprises at the bottom, such as shebeens. Since this is a producer-driven commodity chain where SAB is the most powerful and controlling link in the chain, it has advantages for the smaller, subordinate enterprises linked to it. As said before, SAB occupies a god-like power in the chain. Other organisations on the chain are subject to the rule of SAB. SAB thus uses its power internally and externally to strengthen its position in the beer market. Advocating a efficient licensing process on behalf of shebeens is a way for SAB to increase its market share by having more direct control at the point of retail and consumption of their products.

## **Chapter Seven**

### **Workers and Family Labour in Shebeens**

The regulation of the shebeens opens the door for labour regulation in these enterprises. The new Sectoral Determination for the hospitality and catering sector includes taverns and licensed shebeens. All the shebeens in the study were either in the process of applying for licences or had licences, particularly the surveyed sample. The law assumes that labour in shebeens can be easily included in the Basic Conditions of Employment Act and that it is easy to separate employers from employees. The survey findings and my observations revealed that it is not easy to distinguish employers from employees when family labour is involved. This chapter focuses on the survey findings and participant observation on the nature of employment and employment issues that take place in shebeens. Shebeens form part of the household; thus they do include child labour. SAB gains from these methods of labour; they know very well that shebeens thrive on child labour and yet they do not address this issue at all; instead the company states that they deal only with the business owner, not his methods of running the shebeen. I argue that this is negligence on the part of this global heavyweight.

#### **7.1 Race**

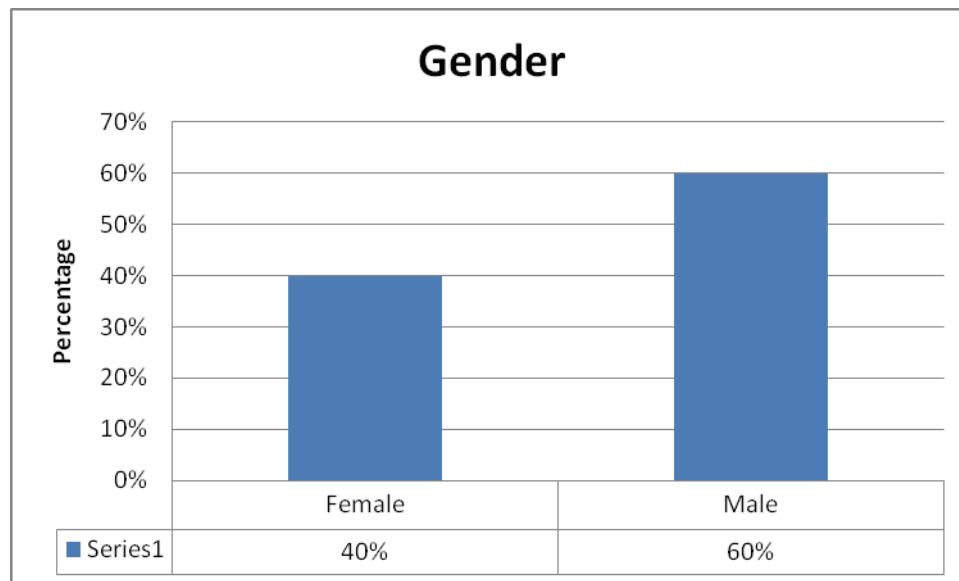


**Figure 7.1**  
**Racial composition of interviewees**

All the interviewees in the taverns and pubs were all black; this reflects the location of these businesses, which is in Soweto, a predominantly black township, and Johannesburg downtown taverns, whose patrons are predominantly black. Africans made up fourteen (97%) of the sample; only one (3%) coloured was interviewed. This finding is line with Light and Karageorgis's (1994) assertions of ethnic economy. The informal economy can be said to be an ethnic economy by the concentration of particular minority ethnicities. The ethnic economy is made up of ethnic self-employed, and of employers who hire co-ethnic employees and have co-ethnic customers. As it can be seen in Figure 7.1, all the shebeens are made up of people who share a similar background in terms of race. As argued in the literature review, the South African ethnic economy is a result of the bifurcated state and the past laws of segregation.

Black South Africans dominate informal employment; this may be due to the fact that blacks make up most of the population and that they were specifically excluded from formal employment and business (Devey *et al.*, 2006). One cannot generalise these results, as non-probability sampling was used.

## 7.2 Gender



**Figure 7.2**  
**Gender composition of interviewees**

It is apparent from Figure 7.2 that males dominate in the sample. This in no way represents the gender dynamics of tavern workers nationally. Nonetheless, taverns and shebeens are not the safest of places to work. For instance, in one of the taverns in downtown Johannesburg, the owner advised me that:

A young woman like you should not be found in these places alone; make sure you do whatever you came here to do quickly and leave. I cannot guarantee your safety (Interview, Tavern 1, 3 September 2007).

The owner of Tavern 1 refused to be interviewed, but she hand-picked two of her workers for me to interview. I did not quite understand what the owner said so I asked the interviewee. The young man confirmed that the men who work and other male patrons here are not very friendly with women (Interview, Tavern 1, 3 September 2007). All the workers in Tavern 1 who worked on the floor (cleaners and security guards) were male. Perhaps the danger of working in the shebeens may be too high a risk for women, particularly big sheebens which are not located within secure neighbourhoods. Most of the women interviewed worked in shebeens and taverns which were situated within their own neighbourhoods. This

may offer a certain level of security, more so than an environment in the middle of downtown Johannesburg.

Most of the women who worked in the shebeens did not have long tenure in these shebeens. The reason may be that shebeens are more of a man's domain than women's. Working in a place where women feel constantly vulnerable may be the primary reason for the small number amount of women workers in the shebeens.

### **7.2.1 Woman worker in the shebeen**

In the formal economy, promotion of women is a strategy all companies are strongly urged to implement as part of the Employment Equity Act. In the shebeens, Mangena and his manager Njabulo do not think so.

*Njabulo: Women are easy; they could run us bankrupt if they get a boyfriend in the shebeen. This kind of work is for men. Men have weaknesses for women but when it comes to money, a man cannot be cheated.*

*M: Well, have you ever tried hiring a bar lady or waitress?*

*Njabulo: No. You must also understand something about the nature of this work. Shebeen or pub work is not glamorous; it is not high status. Picking after drunkards and having to stand them is shit. People always say that you are 'loser' because you do this type of work. Most women around here would not want to have that kind of status.*

*M: You do that kind of job. How do you handle it?*

*Njabulo: I do it because I like this job and I know what I am doing. This is a part-time job for me. I just recently had a baby girl; the mother is young and does not work, so I need this income to support both of them. I have more good reasons to work here, which counters the bad image of the job.*

On my first day at Mangena's Pub, I was approached by a customer who deeply felt for me as the new employee in the shebeen. He felt so deeply for that he decided to sit me down and explain a few life's lessons of survival in the shebeen. Lesedi, usually called Les, said to me, "In this place women are like paper; once you are done using it, you throw it away." I was shocked by this statement.

*Les: Yes, every man that walks through that door and sees you sitting here at the bar thinks you are a piece of meat, ready to eat.*

*M: No, please stop.*

*Les: No, you have to build character in this place. Today its Friday, the best day to learn this lesson. This is not university where you study people; everyone here does not care about your education. They only think of you as something to be used. Even the guys that work with you... They will try to make their moves on you, they have no boundaries. This place has no boundaries; people here drink until they cannot walk, women leave with strange men they just met... Hmmm,and I look at you, with your angel face and I pity you.*

*M: Oh really...*

*Les: Ya. Watch yourself.*

*M: Now how do you suppose I do that given the fact that I am a piece of meat.*

*Les: Hmmm... Tell them (the men) that you are with me. They will back off. I did not get this face from a bad accident. I got this face from fighting. Look at these three front teeth; I got punched in the face and I fell on the street pavement with my face.*

*M: Oh... I am sorry.*

*Les: Don't be. You win some, you lose some.*

This first interaction struck me, but with time I realise that there are different rules for women who work in shebeens. I had to learn to play the role of the woman in the shebeen. I was not allowed to pick up after drunks. I was mostly allowed to work at the bar and converse with customers rather than clean or wait tables. Occasionally, I was allowed to take orders for particular guests. Edwards (1988) speaks of the role of shebeen queens and their female workers. Their main role

was to 'play men' so that they would spend all their wages in the shebeens. Some of these female workers, usually called shebeen queens in Cato Manor, would deliberately give hope of a relationship to male customers and entice them to buy them drinks while they woo them. This way the men would want to show off by buying the most expensive liquor to drink with these beautiful shebeen queens. So in this sense female workers were used to draw in customers and to entice them to spend every single cent they made on liquor and on the women.

Women became shebeen workers as they could not easily enter formal employment. Shebeens offered work for them and allowed them to earn a living. In many instances, shebeen queens emerged as 'mangers' of shebeens owned by men who had daily employment and thus could not run their own businesses. In this situation, being shebeen queen did not denote ownership. Shebeens were always named after the 'mama's' name, never a man's name.

The roles of shebeen queens were that of general supervisors. The shebeen queen would organise various tasks inside the shebeen; she would oversee the brewing of the beer and the distillation process.

...the shebeen queen would 'employ' various young women, who would be responsible for serving, encouraging the purchase of liquor, and the sexual enticement of customers. Such young women could often either be sisters of the shebeen queen or the 'girlfriends' of regular customers (Edwards, 1988: 85).

The criteria for women helpers were very simple and straightforward – the women had to be "nice looking and sophisticated" (Edwards, 1988: 85). In this setting, most of these women were prostitutes, so working in a shebeen offered them a way of establishing temporary or permanent relationships with men who were "better off" (Edwards, 1988: 85).

As a strategy of selling as much liquor as possible, the shebeen queen would establish an environment that was highly sexualised:

Women servers were encouraged to flaunt themselves at customers as a way of charming them into buying more alcohol. Some shebeen queens would be relatively circumspect in controlling the activities of their

women helpers, but it was important that women fraternise with customers and encourage drinking (Edwards, 1988: 89).

My role in the shebeen was similar to that of the shebeen queens and women helpers of Cato Manor. I had to sit at the bar where all the customers buy their drinks. Apparently, when men saw that a woman was present at the bar, they would buy more expensive liquor than they usually did or they would spend more money. Mangena would always tell me to sit at the bar at particular times and help Ruby with his work or to entertain special guests. In all my interactions with male customers, I had to endure physical harassment, sexist statements and uncomfortable, sexually loaded conversations.

Sammy only comes on Sundays and Thursdays. He is a high school teacher by profession, studying part-time in the University of South Africa. He is studying a Masters degree in the profession. He is very skinny, short and bald, and wears black-rimmed glasses. Sammy knows he is educated and he wants the whole world to know that he is above “the typical guy walking down Mashaba Road”. He is the “top of the crop”. He is also very sexist despite his education.

*Sammy: Hey Mary-Mary, tell me something. Do you know why women like intelligent men?*

*M: I think, because an intelligent man can appreciate the same quality in a woman.*

*Sammy: No, you are wrong.*

*M: Then what is your answer?*

*Sammy: Because opposites attract.*

*M: That seems inappropriate for a man with your stature.*

*Sammy: Mary-Mary, don't be so serious about it...haha...let me make it up to you. I will ask one of these guys the same question.*



*He calls Koki and asks him: Why are men attracted to intelligent women.*

*Koki: What?! Men are not attracted to intelligent women!*

*Sammy: Your answer is correct!!!*

These are normal conversations that took place in the shebeen. Sammy was indirectly telling me something that I did not belong there. I was a misfit; women workers must not try to enter a man's space and job. To survive, I had to brush them off lightly and maintain a particular distance without making them feel rejected. Many times I was told to be like other women who frequent the shebeen; I should be submissive. Surprisingly, some women in the shebeen also held this mentality:

*Thoko: Mary-Mary, you must just chill, hang out some more with us. Just let the men do the work. We are women, we must only look good so they can buy us drinks... Do not buy yourself drinks, when they [men] offer; take the offer; that is their job and sitting here is our job.*

In the first place I worked at, Mangena's Pub, I was the only female worker there. The owner, Mangena, told me on the first day the working schedule of the pub and my working hours, which he kept flexible because 'I am woman'. I was surprised by this treatment because I did not think about my gender as a problem that needed special remedy. It was naive of me to assume that men and women are equal at work in the shebeen. Mangena hires four men on a regular basis. He hires two bouncers and another storeroom manager on Fridays and Saturdays. I was introduced to all of them on my first night, a Friday. As the only woman working in the pub, my job was to keep the bar man company and to speak to the other workers at their different stations, just to see how they were. This was the perfect

job for me in the pub as I wanted to know these workers' perception of their work and what their work entails.

Regular customers were introduced to me and told that I was one of them. The first question would be, "Why would a woman want to work in a shebeen?" Gender is an important issue in shebeens, as I found out working in all these establishments. The men are treated on an eye-contact level while I was treated more as woman. Most male customers come to the bar to offer to buy me a drink and chat with me, despite the fact that I told them I was at work. Even the other workers would do the same; some would insist I dance with them or hang out with their friends while they were busy working. I was made to feel like a piece of meat and I had to accept that this was how things work here. For my own protection, Mangena told me to tell the customers that 'cross the line' that I was tied sexually with one of my colleagues as a way of protecting myself against physical harassment. This strategy helped because the men customers would not think of disrespecting the workers there in any way. This kind of working environment can be vicious because, as a woman, you have to look after yourself wherever you go – the toilet, inside the shebeen or leave to go home. You have to constantly check your safety, which is not always guaranteed.

I also understood with time as I spoke to my 'colleagues' that their perception of me was of that of a woman, not a worker, thus their behaviour. They wanted me to see them as men, not as 'colleagues'. In this manner, one can see that working as women in shebeens is very hard; thus shebeens are male-dominated in terms of labour. As shebeens are their space of work and socialising, it is not an easily accessible space for women to enter and have the staying power to last there.

MamLouisa and her daughter Lerato do not hire anyone to help with the shebeen; they work for themselves. All of us were women except for MamLouisa's son. It was very nice and welcoming. It felt more like a family set-up. Getting used to the place was easier and felt more natural and relaxed. The customers did not get too close; they drank outside and we sold from inside the house. Work was mostly done in the house.

Bab’Nkonyana’s shebeen was easier to work in. Everyone who works there is an immediate family member. The set-up is that of the family. I was treated like a family member. I was allocated chores like everyone else. I was the waitress and telephone operator. I juggled between cleaning after customers, ordering drinks for them and attending to the customers from the Vodacom telephone booth. I was quickly assimilated into the family because the family was more than welcoming and willing to help me with my school work. This made it easier for me to access information and feel at ease around the family and their regular customer base. Male customers are harder to work around; this had a lot to do with the fact that I was a woman. Even when Bab’Nkonyana had specifically told them to keep a reasonable distance from me, some would continue to be forceful and disgusting outside Bab’Nkonyana’s radar.

This section shows that gender plays a vital role in the shebeens. In order to make money, the shebeens maintain a highly sexualised environment that entices their male clients to buy alcohol. In this process, women workers are marginalised and objectified for this purpose. Working at the capitalist commodity shebeen is more dangerous for women workers than working in petty commodity production shebeens. In capitalist production shebeens such as Mangena’s Pub, a woman is always working in fear of her safety; she has to tactically know how to behave in order to minimise physical dangers for herself. In petty commodity production shebeens such as MamLouisa’s and Bab’Nkonyana’s, the worker is easily assimilated into the family setting, and those around take the worker’s safety as their responsibility. Bab’Nkonyana took steps to make sure that I was safe at all times by telling his trouble-making customers to stay away from me. Since safety is very important, kinship and family relationships between employers and workers is very important.

The following section deals employment security and how workers in the shebeens access this sort of employment.

### 7.3 Recruitment in Shebeens

The formal economy recruits employees through a formalised and structured recruitment process. The process involves several levels and the employee has to meet the particular needs of the company. The shebeens have a different way of recruitment. The process is informal. Mangena recruited his staff from his homeboys who he grew up with around the neighbourhood. Ruby was recruited by Mangena as the bar man because he grew up with him and he knows that he does not drink, a good characteristic for a bar man. According to Ruby, the last bar man was a good friend of the owner but as his personal life became so hectic he developed a thirst for liquor. The former bar man drank on the job and was always drunk, which cost Mangena dearly. Only after some time Mangena released his friend as the bar man because he was not only becoming self-destructive, he was also destroying Mangena's business. I asked Ruby if Mangena remained friends with this particular friend. Ruby did not hesitate to say:

Yes, they are good friends, like brothers. His friend understood that Mangena was only looking out for him. He had become very destructive and was acting out of character. Everyone here told him. You know, sometimes you have to be cruel to be kind (Interview, Ruby, 22 August 2008).

I asked Ruby how come everyone who works at Mangena's knows each other so well. Ruby said:

Most of us here know each other since we were young. We went to crèche and school together. We know everything about each other and some of us have even dated the same girls ... even our customers we know each other from long ago (Interview, Ruby, 22 August 2008).

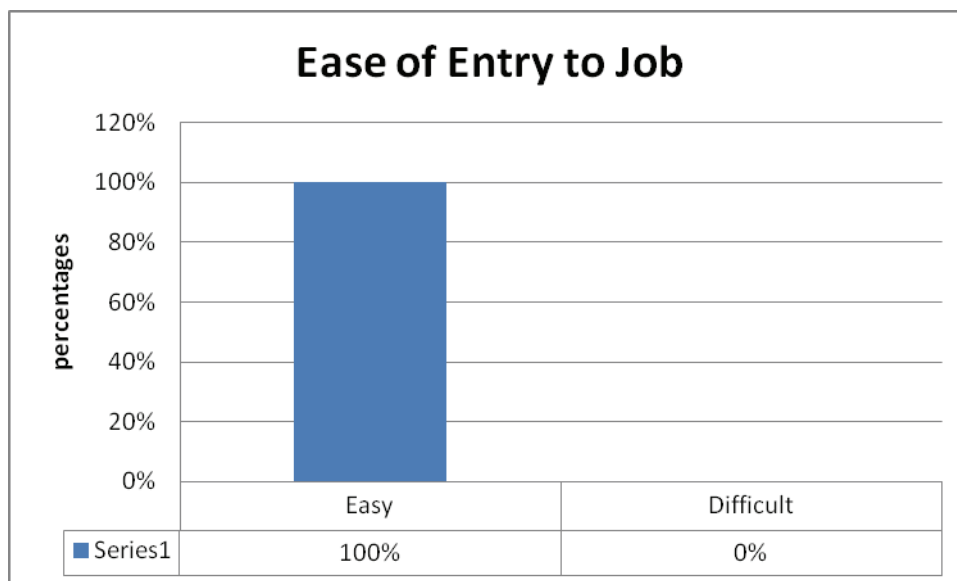
Mangena's regular staff is one bar man (Ruby), one manager (Njabulo), and two storeroom minders/waiters (Asia and Sipho). All these workers grew up together with Mangena. Mangena is older than all of them. Asia and Mangena are next-door neighbours. Ruby and Njabulo lives around the corner. Sipho lives about 20 minutes' walk from the pub. On weekends, when it is busy, Mangena hires two bouncers and Johnny as a storeroom manager because Asia has to help Ruby work at the bar. The two bouncers, Killer and Jozi, are both rugby players, which he got through a regular customer and close friend who is also a rugby player, Stevie.

Mangena got Johnny through a mutual friend who suggested him when he heard that Mangena was looking for a reliable and tough person to check his stock on weekends. The person who used to work for him as the stock manager found employment. In these places, when they say someone has found employment, it usually means they have found formal employment in a company or government. Johnny was fairly new and the only worker who knew no one in the pub. Unlike the others, Johnny is from Zola. He works at a series of informal jobs on different days of the week; every job counts:

“I need this income; it is not much but it makes a difference (Interviews, Johnny, August 2008).

## 7.4 Employment Security

### 7.4.1 How easy is it to find a job like yours?



**Figure 7.3**  
**Ease of entry to job**

All the workers interviewed reported that it was easy to enter their current jobs. The reason for this was based on their familial and kinship relations to the owners

of the shebeens. Most were family and close friends with the owner of the tavern or shebeen.

Various respondent said:

My grandfather owns this place. He thinks I am a hard worker, so he called me to take care of his business (Interview, Respondent 6, 27 August 2007).

The manager is my next-door neighbour and my best friend (Interview, Respondent 7, 7 September 2007).

The owner and I are old neighbours; we grew up together (Interview, Respondent 9, 7 September 2007).

The owner and the manager are my friends and neighbours. We grew up together (Interview, Respondent 10, 7 September 2007).

I am related to the owner via my brother through marriage (Interview, Respondent 11, 23 August 2007).

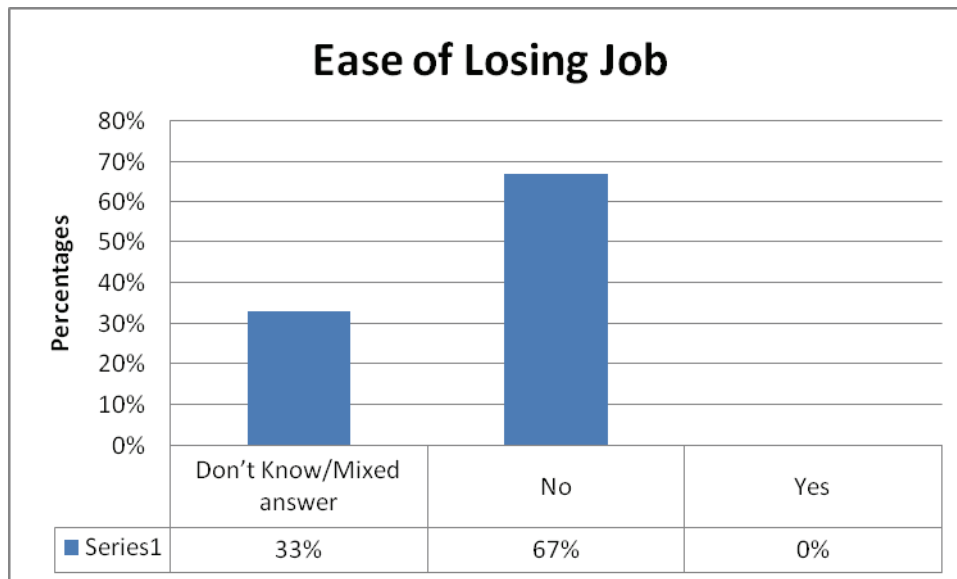
My auntie gave me the job. I was called by my aunt to come work for her, seeing I was unemployed (Interview, Respondent 12, 23 August 2007).

Family labour is central to shebeens. Taverns 1, 2, 4, 5, 6 and 8 use only family labour. Only one shebeen owner, of Tavern 7, relies on non-relational labour. The owner hires workers who are not related to him at all. Only one worker out of five workers is his brother. He specifically said that he does not like using family labour as it becomes problematic with time. Non-relational labour, however, is not easily trusted. The owner of Tavern 7 said that he had a rigorous probation period for all new workers to assess if he could trust them with his business, in particular his money. The owner of Tavern 7 came to work every single day and handled the cashier machine personally. He handles every single cent that comes through his business.

The owner of Tavern 1 only comes once a week when SAB delivers the stock. Her money is handled by the cashiers she has allocated. All her workers are related to her through her family and her husband's family. She is a Swati, and all her workers are sourced from Swaziland. This is a very important difference

between Tavern 7 and other taverns: trust plays an important role in the running of shebeens. Thus, family labour is preferred because family is more likely to look after its own than non-family workers. Family can also be tracked down and disciplined more easily than non-family workers.

#### 7.4.2. *How easy is it to lose a job like yours?*



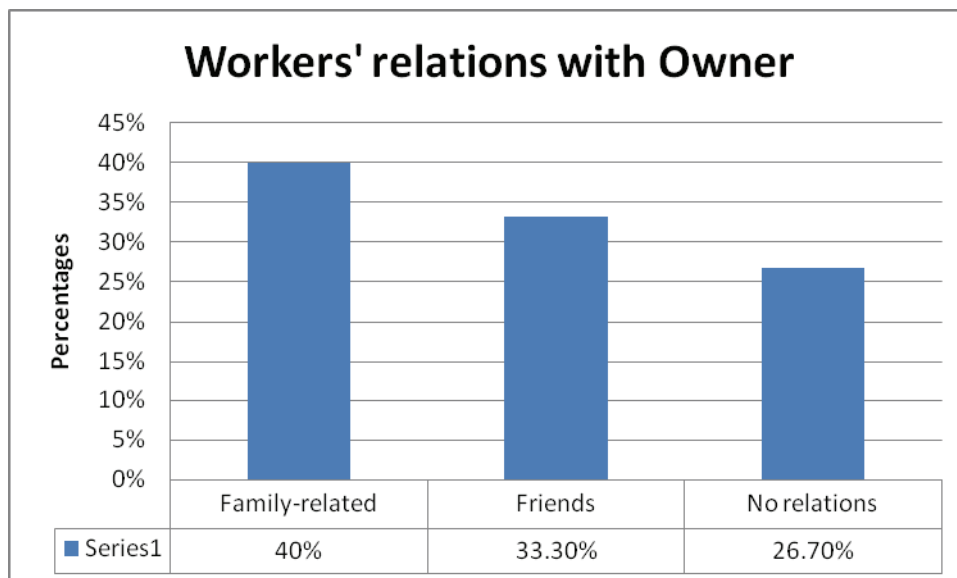
**Figure 7.4**  
**Ease of losing a job**

Sixty-seven percent of the respondents could not answer yes or no for the question, “Would it be easy to lose your job?” The main reason for this is that they are family and have kinship relations with the owners, and this gives them some level of security. Mangena fired one of his friends from his bar, as his behaviour was interfering with his profits. Trust is important when a friend hires his homeboys. He assumes that they will not steal from him. So when this happens, the employment relationship ends, but not necessarily the relationship between them as friends. Fall-outs between friends are also very likely, which can result in one losing one’s employment in the shebeen. The other reason why shebeen workers could not easily lose their jobs is the nature of the job. Shebeen work needs character to deal with money, drunkards and cheaters more than they

need formal skills. If one were to put familial and kinship relations aside, most of the workers would be vulnerable, as no skills are required to do shebeen work.

Thirty-three percent of the respondents felt confident that it would not be easy for them to lose their jobs. Most of these respondents said that the owner ‘trusts’ them. Three workers said that they see themselves as valuable to the owner and the business because they are ‘reliable’. All the workers in Tavern 7 argued that it will not be easy to lose their jobs because they are hard working and reliable workers (Tavern 7 Interviews, 17 September 2007).

### 7.5 Workers’ Relations to the Owner



**Figure 7.5**  
**Workers’ relations with owner**

As it can be seen from Figure 7.5, most of the labour in the taverns is based on relations with the owner of the tavern. If one combines the family-related (40%) and friends (33%) together, then it means that 73% of the labour in the shebeens is based on worker’s relationship with the owner. As witnessed above, the family relationship is a strong form of security for some workers. However, the relationship of workers to the owner, whether through blood or friendship, effects



other forms of securities in such a way that it either advantages or disadvantages the worker.

Taverns and shebeens fit the model of precapitalist enterprises which rely on “fraternal and communal sentiments” (Light and Karageorgis, 1994: 647). Like precapitalist businesses, the hiring of labour in shebeens and taverns is based on “favouritism, nepotism, communalism and exceptionalism” (Light and Karageorgis, 1994: 647). This is not to say that nepotism, favouritism and communalism are restricted to informal businesses such as shebeens. Highly modern and capitalist organisations such as the World Bank are not immune from these acts. Paul Wolfowitz, the former president of the World Bank was accused of nepotism. He was accused of arranging a raise of \$50 000, tax-free, for his girlfriend Shaha Riza (Reid, 2007). The difference between informal and formal organisation regarding nepotism is that in formal organisation there are clear policies and legislation that prohibits this act, and those who are found guilty are punishable. In informal enterprises, on the other hand, nepotism and favouritism are the norm.

Thus, Respondent 6 works in the tavern due to obligation. Respondent 6 is obliged to work in his grandfather’s place without any pay (discussed under income security) or contract of employment because it is expected of him as a grandson.

Another respondent is a young man of 19 years, who works in Tavern 5. He has worked in his father’s spaza shop for as long as he can remember. As he says, “I have been doing this forever” (Interview, Respondent 14, 14 September 2007). Only recently his older brother started selling beer. Respondent 14 stated that it is not easy for him to lose his position in the business and that he did not need a contract because he partly owns the business:

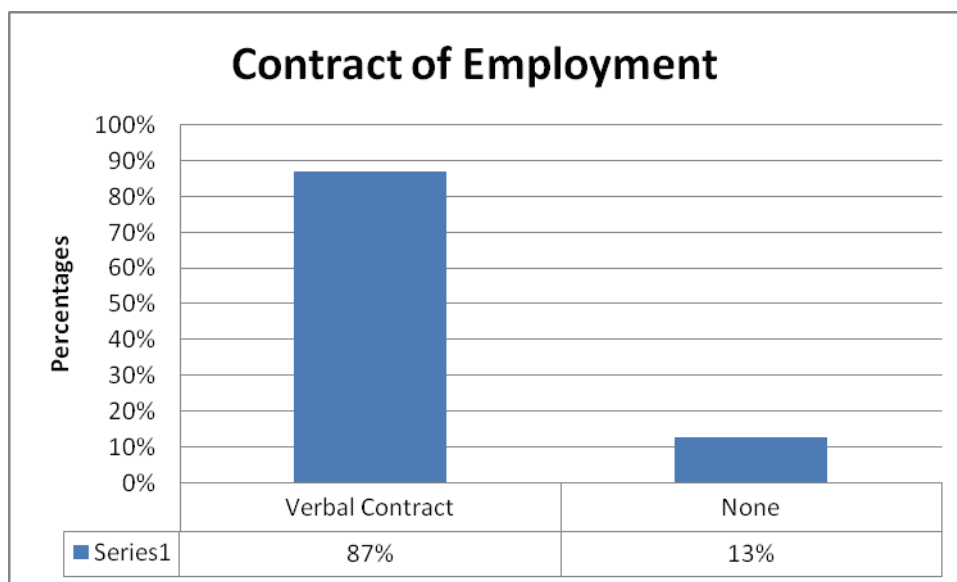
The family including me own the business (Interview, Repsondent 14, 14 September 2007).

At one point he argued that he is basically working for himself and his future. His father left the business to both him and his older brother. Respondent 14 also

argued that he did not receive any pay as other employees; rather he is working for the family and for himself. Respondent 14 then is 'self-employed' as he partly 'owns' the enterprise; he does not need a contract. Despite his 'ownership' his brother rations his part of the profits like an employer. His 'ownership' in this sense is illusory even though he significantly contributes to the household income.

## 7.6 Contract of Employment

### 7.6.1 Do you have a contract of employment (written, verbal and none)?



**Figure 7.6**  
**Contract of employment**

The second level of employment security hinges on contracts of employment. Written contracts are the highest form of security (1.0), verbal contracts are second highest security of employment (0.5), while no contract of employment at all reflects absolute employment insecurity (0.0). As can be seen in figure 7.6, 87 per cent (13) of the workers interviewed had verbal contracts while 13 per cent (2) had no contracts at all. The 13 per cent is an interesting case to look at. The two

respondents were related to the owner of the tavern or shebeen. Respondent 6 stated:

This is my grandfather's place; he told me to take care of his house because I was not working ... this is an obligation of mine and I am glad to do it ... I have never worked before in my life (Interview, Respondent 6, 27 August 2007).

Verbal contracts are very common in the hotel and catering sector (Interview, SACCAWU, 7 August 2008). The union said that the sector which they organise is exploitative, and that there are many workers who have no written contracts, only verbal contracts. The SACCAWU representative said:

... even the most expensive hotels, five stars and four stars, do not give their employees written contracts... Even restaurants in the middle of Sandton... workers there only have verbal contracts. Most have verbal contracts, which are hard to prove when disputes arise or if there is an unfair dismissal. The employer can deny the worker completely and say that he has never seen her before. In those circumstances, we need witnesses that can prove that the worker was an employee at that particular restaurant, tavern or pub. Most co-workers will not volunteer their help because this jeopardises their employment. In this case, then, labour inspectors from the Department of Labour are needed to verify the truth (Interview, SACCAWU, 7 August 2008).

The union said that verbal contracts are problematic because there are no pay slips, so the employer can tamper with the employees' wages, knowing the vulnerability of the employee. According to the union, most of their cases in this sector have to do with proving that a verbal contract between the alleged employer and employee took place. In the labour court, this is very hard to prove. The first thing that the union does when an employee with a verbal contract approaches them, is to get the employee a written contract from his/her employer. While waiting for the contract of employment to be drafted and signed, the union tells the employer to immediately start giving the employee his/her payslip every week or month. This written evidence will prove that the employee is indeed employed by a particular company. In the case of shebeens, the union argued that the above procedure was also applicable.

In the quest to find out the answers regarding the complexity of disguised labour in the shebeens, I asked the union how the union could intervene in a situation

where family members work in the shebeen but are not employed by the family member who owns the shebeen? The union firstly said that there is no such thing as disguised employment; one is either employed or unemployed; one cannot just work for nothing:

If there was ever a conversation that you, my niece, you are not doing anything with your life, you can come and help me out at the shebeen. This statement is a verbal contract. 'Help me out.' To do what? To make money, you are employed. Help me out can be interpreted as denoting hiring! You are helping this person to make money, to sell for profit. It is not like asking a relative to help you clean your house (Interview, SACCAWU, 7 August 2008).

This assertion by the union brings a crucial dynamic to the fore. People who are engaged in work that brings in money or profit are employed, and those who do housework are not employed. Work in the house or in the shebeen is productive. Housework is usually unpaid and helps reproduce individuals in that household. Shebeen work secures income for the household. In some shebeens, like MamLouisa and Noluthando's shebeen, separation of the two is not possible as the liquor is sold out of the house. The cleaning of customer's dishes and household dishes take place in the same kitchen sink. But can one assume that shebeen work is employment and housework is not; after all, domestic workers do housework in return for wages. Can one assume that "help me out in the shebeen" can be interpreted as employment and "help me out in the house" is not employment? Who is to decide what each statement means in each context?

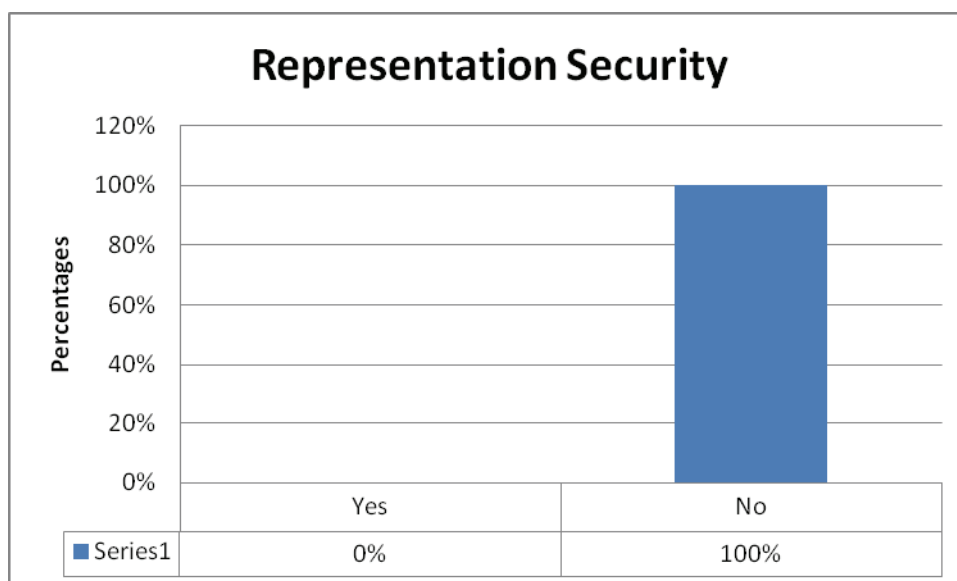
If one takes the position of the union, then one cannot accept Webster, Bezuidenhout and Buhlungu's (2006) broad definition of work based on different reasons and with different outcomes. There is of course a fault in this. One cannot expect monetary reward for helping another person, and it is not socially viable. For SACCAWU, work is employment. Given this argument, employment and work have to be seen as different from each other. Employment involves some kind of exchange (monetary or in kind), and it also includes work. Work, on the other hand, does not involve a contract of exchange between two parties. Others engage in work for different and varied reasons such as volunteering, solidarity and reciprocity, and not necessarily for monetary exchange.

The union did not ascribe to the two-economy distinction used by government; they argued that there is no such thing as informal employment in the informal economy:

There is no such thing as informal employment. Employment in the formal or informal economy is employment according to the LRA [Labour Relations Act]. The definition of employee in the LRA is wide enough to include both workers in the formal and informal economy. SACCAWU does not care about the ‘boundaries’ between economies; there is only one economy, where there are employers and employees covered by the same legal framework (Interview, SACCAWU; 7 August 2008).

Sectoral Determination 14 only includes taverns and licensed shebeens to implement the labour laws. Shebeens that operate under permits are not yet obliged to adhere to this Determination, but will with time.

## 7.7 Representation Security



**Figure 7.7**  
**Representation security**

None of the workers had any form of organisation that represented their interests. The questionnaire had a slight weakness on this variable in that it did not have a

category on whether these workers wanted a representation organisation or not. Nonetheless, one can make the argument that most workers in these taverns had strong family relationships with their employer. In the case where they are not blood relations to the owner, there are kinship relations with the owner, as in Tavern 3. Tavern 7 is the only case in the sample that hires non-relational labour. Relations are important in considering whether or not to join a union. It is illogical to think that relational and kinship labour can organise against their employers, the people they share emotional affiliation and family obligation with.

It does not seem logical, for instance, for Respondent 6 to organise in a union against his cousin to demand to be paid a monthly wage. This will not only get him in trouble with his cousin, it will get him in trouble with his whole family. He may even face exclusion from the family circle, which actually sustains him. It would be like biting the hand that actually feeds and clothes you. The stakes are extremely high and negative for relational labour to organise against their family members.

Of course, there is a strong underlying assumption in the representation security variable. For work to be decent, workers have to have representation security. This variable assumes that lack of representation security is equated with indentured work, while this may not necessarily be the case. Family and kinship labour may be more secure and safer in their jobs than non-relational labour represented by a union in a formal institution. Being related to the owner of the tavern may be the best form of security there is in informal businesses.

SACCAWU (Interview, 7 August 2008) said that it was possible to recruit tavern and shebeen workers but that so far they have been unable to organise township workers. The union said that they have been unionising workers in the hotel and catering sector since the inception of the union. Organising tavern workers is district-based. The union has branches everywhere which organise particular areas.

The union informs and recruits workers through campaigns. Campaigns in downtown Johannesburg are successful because many tavern workers have come

to the union to become members. The union admits that campaigns in the townships have been a dismal failure. The union struggle of organising tavern workers in the township is comparable with the struggle of the South African Transport and Allied Workers Union (SATAWU) to unionise taxi drivers. At the core of this problem are family and kinship relations between employers and their employees. SACCAWU admits that individuals who work for informal enterprises such as the taxi business are mostly recruited through family and kinship lines.

This union between employers and employees is as thick as blood; laws try to break the ties but it is proving to be enduring.... Joining a union, a structure outside the family, is equal to betrayal of one's family, especially in the township. Workers in the Johannesburg pubs are ... freer to join unions because they are not related at all to the owners of these places (Interview, SACCAWU, 7 August 2008).

Despite the difficulty of organising workers in the townships, the union remained optimistic. When asked if it was possible to organise workers who were family members the union said:

Yes, tavern workers are being organised. Workers in hotels and pubs have been organised by SACCAWU since its inception. Family labour can be organised but it is difficult. We unionise family members within a family business, if the workers approach us and want to be members. Yes, there is a lot of bickering and bad blood that flows but the union only intervenes in the employment relationship, not the family relationships which is a private matter, not the unions' business (Interview, SACCAWU, 7 August 2008).

The union argued that joining a union is anyone's right. Refusing to join a union is also one's right according to the Constitution and labour law. The union understands the problems that can ensue with unionising family members against another family member. The unionist interviewed gave a scenario of the difficulty of unionising shebeen workers in Soweto:

We [the union] leave family relations aside; we only deal with the employer-employee issues. If a man comes to us and wants to become a member, we take him on. When he is unfairly dismissed by his Uncle because he joined a union, we exercise the labour law. Theoretically, this process of unfair dismissal is simple but families are complex and they have their own means of disciplining their own. Family members do more than pay their family members a salary; they also give family members

things because they love them... such as a grandmother paying for her grandchildren's school fees, clothing and helping her son's wife to find piece jobs. But when the son immediately takes her to the union for refusing to pay him a salary last month, all those other things that his mother used to do for his children and wife stop. The son only receives the salary; other favours dry up ... and he is left working in a shebeen where neighbours and extended family members come and tell him off ... for disrespecting his mother. Eventually the son will leave work because he cannot stand how he is treated by others around him ... other than your employer, your own mother.

In this case, I admit that family members join the union at a high price. Unlike other workers who are unrelated to the employer ... the union process empowers the worker in the workplace, but this same process will not have the same effect in a family business like shebeens.

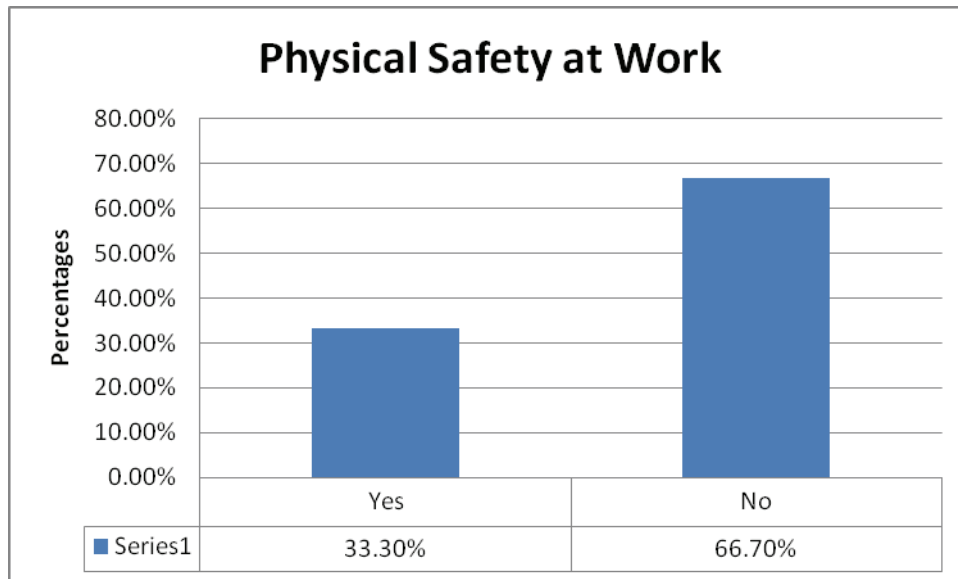
When it comes to family, the issue of exploitation cannot be easily taken up. As a family, members have to be grateful for everything. Family issues should only be discussed within the family. Before joining the union, family members who work in shebeens have to seriously consider their position first before joining. Shebeen workers have to think before joining the union that ... my mother gave me food and paid my living expenses; am I going to take my mother to a disciplinary hearing just because she could not pay me last month? (Interview, SACCAWU, 7 August 2008).

The union is not useful for those who have familial or kinship relations. Joining the union does not necessarily empower all workers; it can actually break the 'unbreakable' blood relationships between family members.

## **7.8 Work Security**

### **7.8.1 *Do you feel safe at work?***





**Figure 7.8**  
**Physical safety at work**

Most of the workers feel relatively safe in working in their environment despite the fact that they work at night. Only 33 per cent (5 workers) of the sample felt relatively unsafe. They feared being robbed:

I am afraid of tsotsis [thieves] (Interview, Respondent 3, 17 September 2007).

I think about my safety; they've robbed here before ... before I came (Interview, Respondent 1, 17 September 2007)

It is not safe to always be working here, where people see that you are making some money (Interview, Respondent 4, 17 September 2007).

I keep myself locked up (Interview, Respondent 6, 27 August 2007).

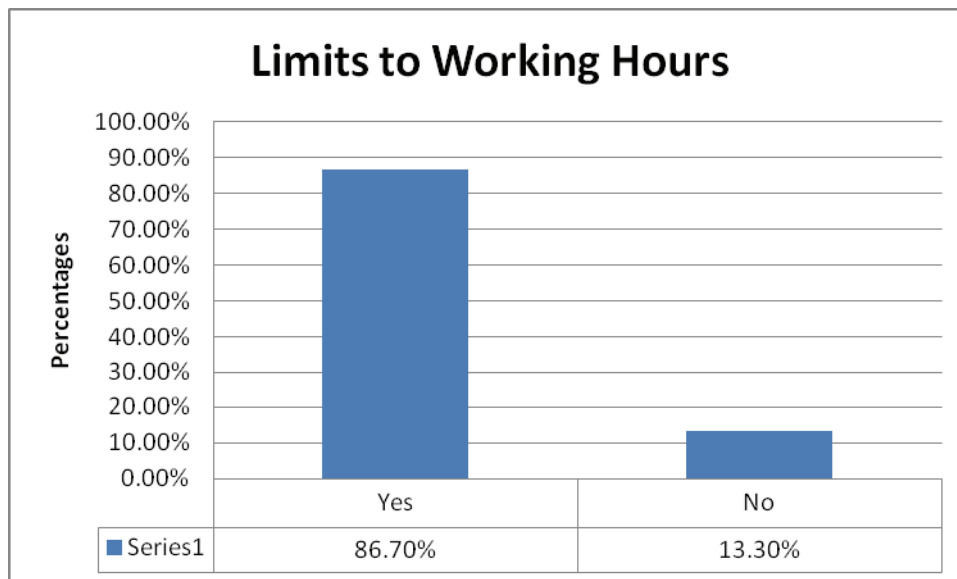
Driving people at night after people drank is hard. I just pray I don't cause an accident (Interview, Respondent 7, 7 September 2007).

Physical safety may also be determined by location of the tavern. Most of the taverns were located within communities. Two owners specifically said that they were part of the neighbourhood watch and that police come now and again to check on them. Some of the fears are not necessarily based on facts, just fear. For

instance, one respondent said that she felt safe because since she has worked there nothing bad has happened or is likely to happen, but she has fears:

Fear of what may happen if tsotsis come; places are unreliable; when you make money, people plan for you (Interview, Respondent 5, 7 September 2007).

### 7.8.2 *Limits to Working Hours*



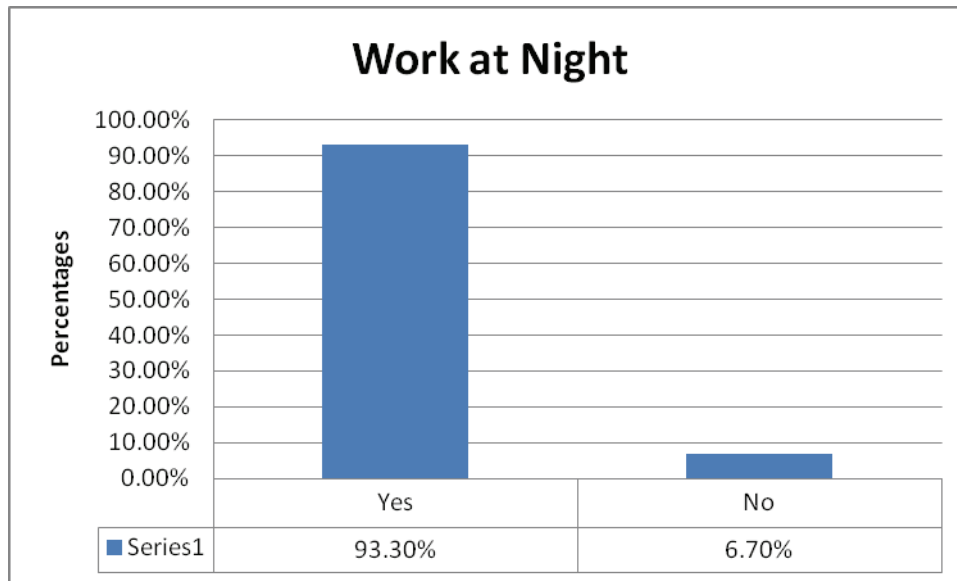
**Figure 7.9**  
**Limits to working hours**

Most of the workers have have a working limit. They start working when the tavern opens, or much earlier (Tavern 7), mainly because there is a spaza shop which opens early for neighbours to buy their morning necessities such as bread and milk. Two workers interviewed said that there were no limits to their working hours.

Repondent 7 who is a driver said:

Every day I work odd hours. Drive people here and there at odd hours, fetch stock for them here and there; depends on days, though (Interview, Respondent 7, 7 September 2007).

### 7.8.3 Do You Work at Night?



**Figure 7.10**  
**Work at night**

Most of these workers work at night. The cleaners at Tavern 2 and Tavern 3 do not work at night, but they clean during the day. The taverners said that they make most of their profits after 4:00 p.m. and on weekends, particularly during weekends at the end of the month. Night work is common in the catering and hospitality sector; most people drink and eat out at night after work. An employer who needs workers to work at night on a regular basis have to communicate this to the employee.

According to the Sectoral Determination, night work is performed after 6:00 p.m. and before 6:00 a.m. the next day (Republic of South Africa, DoL, 2007: 16). According to paragraph 15, an employer can only require an employee to work night work if he intends to compensate him/her with an allowance or a reduction of working hours. The employer has to provide the employee with transportation to the employee's residence at the conclusion of the shift. If the daily costs of transportation of an employee who works night shift is more, then the employer has to subsidise the employee's transportation costs. At all the taverns

interviewed, workers who work at night are provided with free transportation to their residences after night shifts.

Most workers (67%) said they could use the skills gained in their current employment in another job such as using a cashier machine, stocktaking and waiting tables, because these skills are important in most businesses. About 27 per cent had mixed responses. Only one person said no.

Working in shebeens is very hard. The hours are very long and nights are when money is made. During the day, one does not make as much money as at night. In Mangena, 10:00 p.m. to 4:00 a.m. is the peak time during weekends; this is when the pub makes the most of its profits. Fridges are filled every ten minutes during this time. In Bab’Nkonyana’s shebeen 7:00 p.m. to 1:00 a.m. are his most busy hours during weekends. He makes most of his money in these hours. He makes more money in these hours than on two good days during the week. MamLouisa also makes more money during weekend nights than any other night.

The working hours in the shebeens can be very long, depending on which day of the month the weekends fall. During end-of-the-month weekends, working hours are extended; working hours vary on the other three weekends in the month. Mangena starts operating his pub at 6:00 p.m. His workers start work at 7:00 p.m. until very late in the morning. At the end of the month work starts 7:00 p.m. until 6:00 a.m. The working hours at pubs and shebeens are controlled by customers; as long as customers are buying the pub remains open. Mangena opens from the pub at night from Thursdays to Monday. He said that on Tuesdays and Wednesdays he does not make money. In fact, opening the shebeen on these days is a waste of money as he has to hire DJs every night he opens the shebeen.

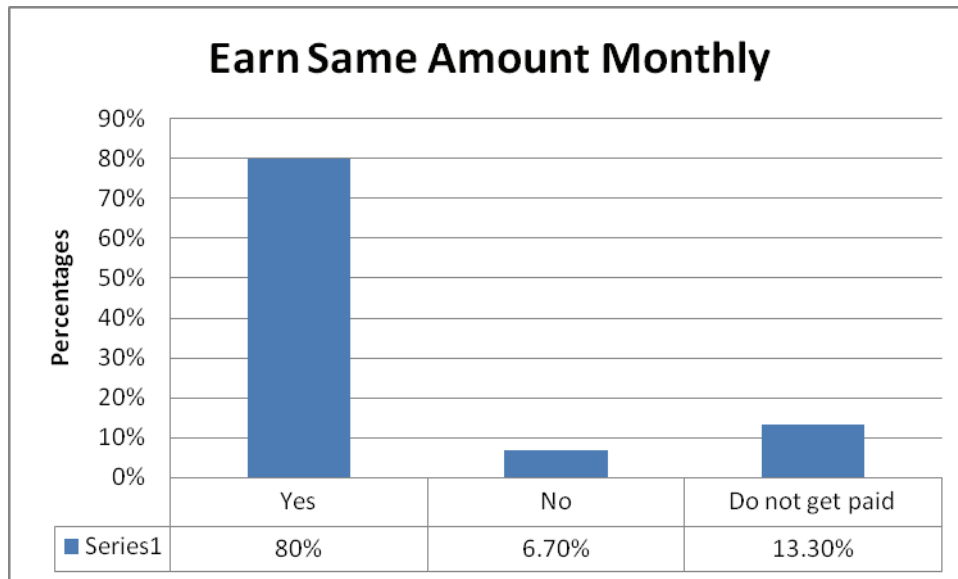
Bab’Nkonyana starts working at 7:00 a.m. in the morning until late at night. His working hours are determined by his customers. He opens early to clean at the back, where only he and his wife are allowed to enter. He also starts packing his fridges with beer from the beer crates. He lets Nomsa in to clean the shebeen and the telephone booth. He officially opens his shebeen for business at 10:00 a.m. and by then he already has a queue waiting to buy liquor. During the week,

Bab’Nkonyana usually closes at 10:00 p.m. This is usually the time when customers have exhausted their pockets and start falling asleep in the shebeen. During the weekends work starts at 7:00 a.m. and continues till 2:00 a.m. That is standard.

MamLouisa and Noluthando are very strict. They start work as early in the morning as possible, as they have to clean the house and the shebeen. The duo does not hire anyone to help them clean the house and the shebeen. They wake up and do the housework and clean the shebeen at 7:00 a.m. They operate their shebeen from 10:00 a.m. to 10:00 p.m. during the week. During the weekends, the duo work from 10:00 a.m. to 2:00 a.m. Sometimes customers insist that they shebeen a bit longer and MamLouisa does not allow this, as she is afraid of the risks of operating outside the prescribed hours. Apparently, when shebeeners operate after 2:00 a.m. during weekends, police are allowed to confiscate the shebeen’s whole beer stock. MamLouisa does not think the risk is worth it as she lives less than a kilometre from the police station; when they start making their night rounds, they start in her street. So shebeen hours are controlled by both the customers and the levels of risks for opening the shebeen after the prescribed hours stipulated by the Liquor Act.

## **7.9 Income Security**

### ***7.9.1 Do you earn the same amount of money monthly?***



**Figure 7.11**  
**Do you earn the same amount monthly?**

Eighty per cent of the workers get paid the same amount of money each month, while 13 per cent do get paid because they are family members. One man said that when things are good they are also good for me, and when things are bad that's how it goes. Another worker was working in the family spaza shop and liquor business (take-aways) was still in school; he works for nothing but his brother takes care of him and the family by giving him what he needs and an allowance.

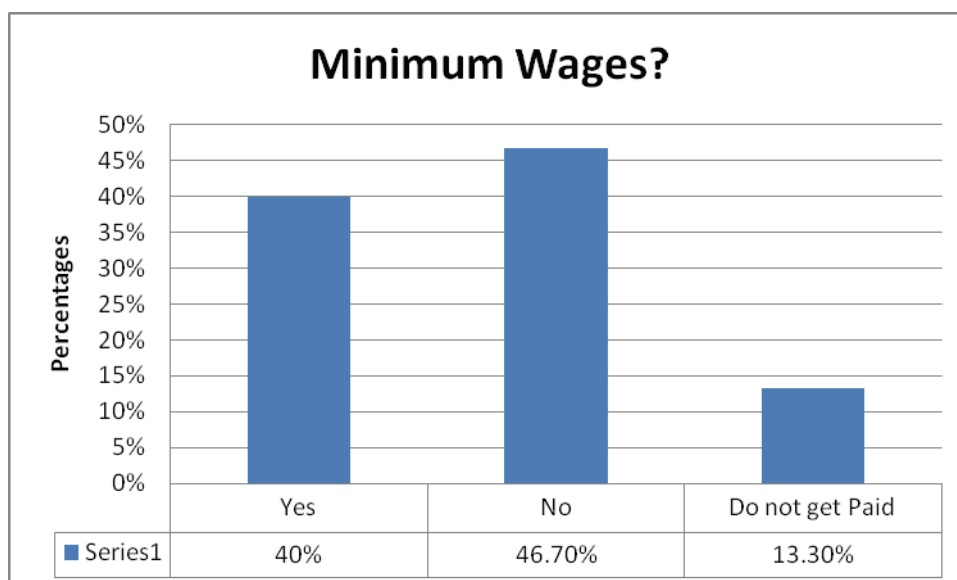
Mangena is the only capitalist commodity production shebeen that hires labour to work in the shebeen. Mangena pays his staff every week, normally on Monday nights. He pays his weekend staff every Saturday night, which is their last night of working. The workers are not all paid the same amount of money. The manager, Thabiso is the highest-paid employee because of his position and his core responsibilities. As the manager, he hires the DJs that have to perform every night, and he makes the orders and the cash payments for the beers and other related issues. The bar man gets paid more money than his colleagues as his work demands more attention to detail in terms of money and customer care. The other workers are paid the same rate because their job descriptions are the same. Asia and Sipho are stock managers and waiters, and they switch between these roles.

Bab’Nkonyana only has one worker that he pays every week. The cleaner, Nomsa, comes in at seven o’clock in the morning. She lives next door to the tavern. When she cannot make it to work, when she has another piece job to go to, her grandmother fills in for her. Apparently this arrangement is very common in the informal economy. Sometimes Nomsa’s mother comes to clean on her behalf. In the formal economy, employees cannot be replaced by their family members whenever they cannot make it to work. There is more flexibility of labour in the shebeens. Bab’Nkonyana can sympathise with Nomsa, as he understands that her family’s only source of income is through piece jobs. He stands in solidarity with his worker when it comes to her being able to increase her income. Nomsa works for exactly two hours every day. She gets paid the same amount of money every week.

Bab’Nkonyana, his wife and Sipiwe, Bab’Nkonyana’s 12-year-old son, do the work in the shebeen and telephone booth. None of them get paid, as they are the owners of the business. They are working for themselves. They are generating a household income, which they all share. Despite the fact that Sipiwe works in the telephone booth and all his earnings go to his father, he is not an employee; he feels that the business is his own and he is not his father’s employee. This issue is further debated in the child labour section later in this chapter.

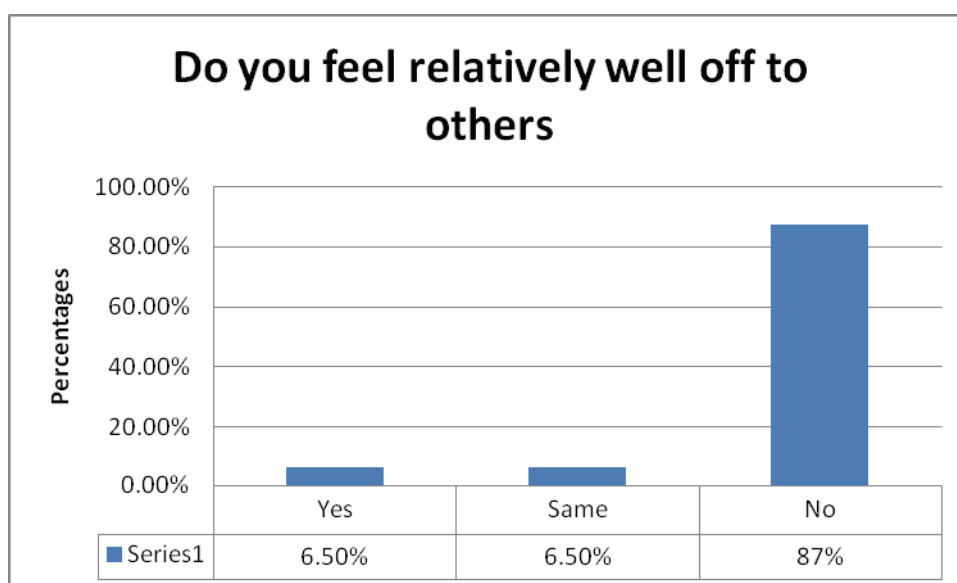
MamLouisa and her children work for themselves. They are generating income for the whole family. In this sense, then, there are no employees. MamLouisa handles all the money in the business. She gives her children allowances every month from the business coffers whenever there is disposable cash.

### **7.9.2 Wage levels**



**Figure 7.12**  
**Minimum wages**

This variable is closely connected with the previous one; 40 per cent said that there was a minimum wage but 46.7 per cent did not know of any minimum wage in the sector and 13 per cent did not get paid at all.



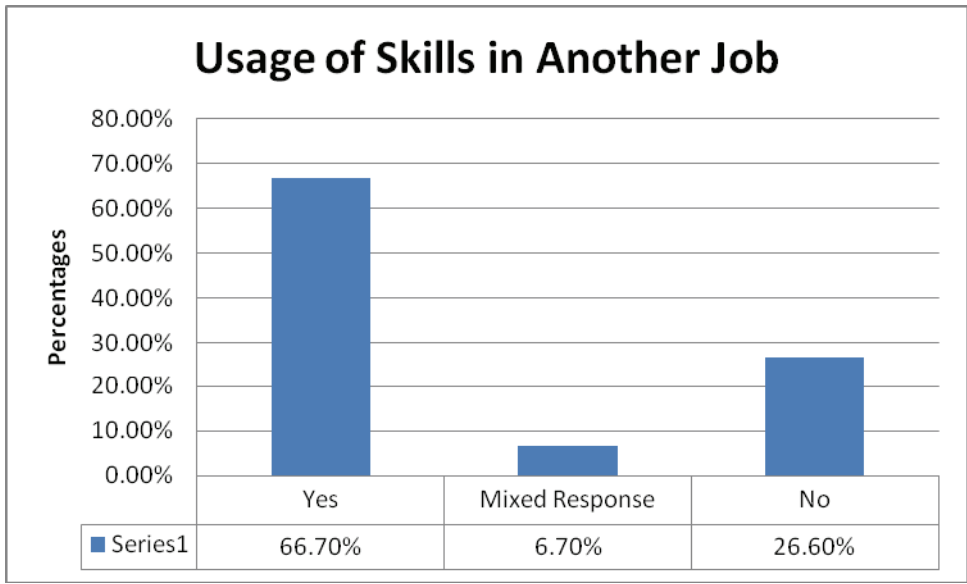
**Figure 7.13**  
**Wage level in comparison to others**



As can be seen from Figure 7.13, most workers do not feel well off compared to others. The question is rather broad. Most of the workers compared themselves with others in their community and not with their co-workers. Eighty-seven per cent of the respondents felt they were not well off compared to others in their neighbourhood because most people in their communities worked at poorly paid jobs. This can also reflect the level of unemployment in Soweto. Those who felt that they were in the same situation as other were at 6.5 per cent, and those who said they were better off were 6.5 per cent.

### 7.10 Skills Reproduction Security

#### 7.10.1 Using skills in another job



**Figure 7.14**  
**Ability to use skills in another job**

Most of the workers (60%) argued that there were opportunities to increase their skills in their estbalishment. Most thought their skills were transferable to other jobs. Waiters and waitresses thought they could transfer their skills to other similar places where there are patrons to serve. The cashier, bartender and the cleaners also agreed. One-third (33%) said there were no opportunities to increase

their skills. These workers argued that the structure of the tavern was flat, in such a way that one was trapped in a job where he could not learn tacit or transferable skills. Only one person was perplexed at the question.

Most of the workers at Mangena did not believe that there was room to improve their skills of selling beer and looking after the business. All the workers believed that they could use their skills to get jobs in other shebeens but not in formal pubs in the suburbs. In fact, most of the workers did not believe that they could use any of their skills in formal jobs. This feeling came more from the inability to enter formal employment. These workers were already in their late 20s and early 30s, and had never worked in the formal economy; they had only worked in the informal economy, doing piece jobs. In fact, most of these workers described their employment in the shebeen as part-time employment.

Njabulo said that he was a full-time hairdresser and a part-time worker as the manager in the shebeen. Other workers said the same thing. During the day, the other workers did other jobs to augment their meagre wages in the pub. Asia was a full-time student at a technical college; he earns extra cash by working in the pub. Ruby was the only person who considered his job as a bar man as his only employment. He sometimes works at the car wash during the day when he desperately needs to make extra cash. It is interesting that despite the hours that these workers work – as long as eight to ten hours a night – they did not consider working in the shebeen as full-time employment. For some of these workers, working in the shebeen is *ho phanda* (hustling). The law would think otherwise, as they work enough hours in the week to be considered full-time workers.

## **7.11 Child Labour**

### ***7.11.1 International child labour conventions***

Child labour is a contentious issue around the world, particularly in developing countries. The International Labour Organisation has two significant conventions in place that countries have to ratify, integrate into their countries' laws, and

enforce. The first convention is the Minimum Age Convention 1973 (No. 138) which states that:

The fundamental convention sets the general minimum age for admission to employment or work at 15 years (13 for light work) and the minimum age for hazardous work at 18 (16 under certain strict conditions). It provides for the possibility of initially setting the general minimum of age at 14 (12 for light work) where the economy and educational facilities are insufficiently developed (ILO, 2005: 30).

The second convention is the Worst Forms of Child Labour Convention 1999 (No. 182):

This fundamental convention defines as a 'child' a person under 18 years of age. It requires ratifying states to eliminate the worst forms of child labour, including all forms of slavery or practices similar to slavery such as the sale and trafficking of children, debt bondage and serfdom and forced or compulsory recruitment of children for use in armed conflict; child prostitution and pornography; using children for illicit activities, in particular for the production and trafficking of drugs; and work which is likely to harm the health, safety or morals of children. The convention requires the ratifying states to provide the necessary and appropriate direct assistance for the removal of children from the worst forms of child labour and for their rehabilitation and social integration. It also requires the states to ensure access to free basic education and, wherever possible and appropriate, vocational training for children removed from the worst forms of child labour (ILO, 2005: 30).

Research carried out by the ILO found that child labour is a violation of fundamental human rights and it has been shown to deter children's development. Labour and heavy workload for children can:

...potentially lead to lifelong physical and psychological damage. Poverty is also linked to child labour. The ILO found evidence that there is a strong link between household poverty and child labour. According to this organisation child labour perpetuates poverty across generations by keeping the poor children out of school which limits their prospects for upward social mobility (ILO, 2005: 30).

According to ILOLEX, the database of International Labour Standards, the Republic of South Africa has ratified Convention 138 and Convention 182. Convention 138 was ratified on 30 March 2000 and Convention 182 on 7 June 2000. In doing so South Africa binds itself to making these conventions part of the countries' laws and to work towards enforcing these laws. Child labour

regulations are reflected in the labour laws. Sectoral Determination 14 for the hospitality and catering sector states that child labour is strictly prohibited.

#### ***7.11.2 Children under the age of 15 years in the shebeens***

The owner of Tavern 8 was living with two children under the age of 15 years; both helped with the household work as well as selling liquor. The living room is also a business space and a space of reproduction. The liquor fridge is in the dining room along with her television and sound systems. As the owner is helping her children with their homework after work, the children and the parent are going back and forth selling liquor; whoever is free at the time helps out with the selling of the liquor. At the same time, dinner has to be prepared so someone has to cook the meals. When asked how she feels letting her young children work in such an environment, the owner of Tavern 8 said:

They are not workers; they are not duty-bound to sell the liquor as children. They are doing so because I am their parent and they feel obliged to sell in my presence or the presence of the older sister. You must also remember that I am teaching them life skills like any other parent, that everything in life is worked for. My mother taught me that value; I am doing the same. If I let them sit and not help out in the house, I am teaching them that it's fine not to be productive and I don't want that (Tavern 8 Interviews, 2007).

The younger children are discouraged from mingling with drinking customers. At all times when they are at home, they should lock themselves in the house and they should only open to family, no one else. The owner's older daughter, who is above the age of 18 years (who is really the legal owner of the shebeen), takes care of customers who are drinking on the premises in another part of the residence separate from the household. The house is where the merchandise resides and where all payments have to be done, but drinking takes place in a designated place as the Liquor Act of 2003 stipulates.

Some may argue that it is child labour. However, taverns are in the reproductive sphere and they cannot be easily separated from the household. As seen above, the children are not employees. They are not given a time at which they should work; if they feel like going to play they can; they are not forced to work as there is

always someone to do that. Paragraph 23 of Sectoral Determination 14 prohibits child labour and forced labour:

- (1) No person may employ a child-
  - (a) Who is under 15 years
  - (b) Who is under the minimum school leaving age in terms of the law, if this is 15 or older
- (2) No person may employ a child in employment
  - (a) that is inappropriate for a person of that age
  - (b) that places at risk the child's well being, education, physical or medical health, or spiritual, moral or social development (Republic of South Africa, DoL, 2007: 16).

However, none of the above stipulations actually say anything regarding the household where shebeens and taverns are to be found. The nature of the situation is such that applying these rules proves difficult, as housework that the children perform at home is intrinsically intertwined with the business. The living room is both part of the home and part of the business; thus when the children clean the living room they do it as part of home chores and for the business as well. Selling beer under described circumstances is compared with cooking dinner; these processes form part of social reproduction and production, and they cannot be separated from each other.

### ***7.11.3 "I want to be a soccer star." says Sippiwe.***

Sippiwe is Bab'Nkonyana's twelve-year-old son. He dreams of becoming a soccer star like the young Motaung in Kaizer Chiefs. He does not play soccer any more. The last game he played in 2006, his team took first place. His gold medal hangs on an old length sugar cane behind the counter in the telephone booth. He told me that he has been minding the telephone booth since he was nine years old in 2006. He was given the telephone business after his older 28-old-years brother bankrupted the business by drinking all the money from the business with his

friends. Bab’Nkonyana had no choice but to let him go. This was when Siphiwe’s father decided to give the business to Siphiwe.

Every day after school he goes home, changes his uniform and immediately runs to the work. He sometimes wishes he could one day stay after school to play soccer, but his father tells him that the business is more important than playing soccer because it provides shelter for the whole family. This reality burdens Siphiwe heavily. Since he cannot play soccer, he has become a staunch collector of soccer players’ posters, newspaper photos and clippings. He sometimes hates his life, especially when the other boys come into the telephone booth to discuss the match they played that afternoon. This excites Siphiwe and breaks his heart at the same time. He is excited to be around people his age, but his heart breaks because he is not able to go and play with them. Siphiwe’s life revolves around his telephone business.

The telephone booth is adjacent to his father’s shebeen, so he is in close proximity to the shebeen customers. His father prohibits him from entering the shebeen whenever there are customers because he fears for the boy’s safety around some badly mannered patrons.

Siphiwe does his homework at work while attending to his customers. His father helps him with his homework. He tells me now and again that his father wants him to get a business degree and grow the family business. This is not his dream but he tells me that it is an admirable profession, becoming the owner, to be your own boss.

According to the Sectoral Determination and the BCEA, Siphiwe should be allowed to live out his dream while he is young. He is not deprived of schooling; in fact, his parents prioritise his schooling. His parents make sure that he has everything he needs to go to school. However, there is more to being a child than going to school. He should be able to live his childhood as a child. Sometimes, Siphiwe feels like his parents are cruel for making him work every day.

Bass (2004) argues that not all child labour is bad. In fact, one in three children between the ages of five and fourteen in Sub-Saharan Africa are economically

active.<sup>7</sup> African countries are among the poorest in the world, thus the need to use every available bit of labour possible to capture a livelihood for households (Bass, 2004). Bass states that we have to contextualise the child labour before we can judge its negative effect:

Child workers in Sub-Saharan Africa generally are defined as children of school age who work and do not attend school regularly. This definition makes sense, but it excludes the many child workers who attend school regularly (Bass, 2004: 7).

Bass argues that the same argument made for women whose housework is undervalued compared to men's work outside the home can be applied to children compared with adults. Gender hierarchy here is analogous to "socially constructed age hierarchy" (Bass, 2004: 7).

Women in some Sub-Saharan countries use their children to enter the economic market. For instance, Hausa women in Nigeria use their children as intermediaries in the market, as women are not allowed to take part in the public sphere. Bass (2004) argues that children's work in that market is an extension of their mother's labour and a very strategic part of household economic strategy:

In this way, much like women's work has been theorized as being a secondary or reserve labour, children compose a tertiary force of even more readily available, easily replaceable, cheap [even free] labour (Bass, 2004: 8).

Poverty is one of the reasons for child labour. Poor households use more child labour than any other households. In the rural areas, agricultural work utilises child labour.

Child labour becomes a social problem when the law and those in power frame it as such. Bass rightly argues that the child labour in Africa is marginalised compared to other regions in the world because of its weak connection to the consumers in Western countries. Children making Nike shoe in Asia is a more popular example than children working on cocoa plantations in Africa. In many African countries, school and work are not mutually exclusive options. Statistics

---

<sup>7</sup> This figure is compared to one in five children in Asia and one in six children in Latin America (Bass, 2004: 4).

in Ghana show this reality. Children attend school full time and work after school. In South Africa, this is also true. Children attend school full time and work after school. For some this work is compulsory. Over 90 per cent of children in Ghana help in household chores. There is a gender gap, however. Boys tend to work in wage labour for longer hours than girls. Girls are more likely to engage in unpaid household work. Household income is a predictor of child labour. The lower the household income, the higher the likelihood of child labour (Bass, 2004).

Bass further argues that the history of schooling in Africa is very important in stating the use of child labour. During apartheid, schooling was voluntary for black African children but compulsory for white children. Bab’Nkonyana said that when he was around 12 years old, his father’s white employer took him and his brother out of school to labour around the neighbourhood to supplement their father’s income as he was not willing to increase his wages. This was in the late 1960s. The white employer did not commit any crime since schooling for black African children was voluntary and they could leave schooling at any time they wished. In this case, they were taken out of school forcefully, but the law did not see anything wrong with this situation (Bab’Nkonyana Interviews, October 2008).

In the case of the new South Africa, schooling is compulsory until the child reaches the age of 16 years. Parents prioritise their children’s education and insist that they work around the house, doing house chores and shebeen work, after school. This can be seen as transmission of life skills:

African societies have a long history of informal education, which has been transmitted through cultural identity and taught life-skills to children (Bass, 2004: 101).

In the informal economy and the market, work is mostly gendered. While men engage in jobs with more tacit skills and higher returns, women engage in selling household products which normally have lower returns. This is gender dynamics.

Bab’Nkonyana and Sipiwe work in the shebeen and the women take care of household chores. Sipiwe works so that his mother can continue doing household chores and rearing his younger siblings. If the mother works, then no one will be left to do the household chores and look after the children. Household work is not



a boy's work, but his mother's work. Working, generating money, is more of the boy's and man's job. By saying that Sippiwe is being groomed for a successful and fruitful future, it undermines his production and his market value (and social value to the family). The real issue is, would he be less of value if he did not work?

Children are integrated into the market through their parents. Sippiwe is able to get access to the market through his father's telephone booth business and through his father's shebeen. The close proximity of the telephone booth to the shebeen serves to elevate Sippiwe's business because his father's customers use his booth to call up friends and family. Rather than resorting to general statements of child labour being exploitative, we need to understand the social construction of child labour in a particular environment:

Children working in urban markets of Senegal were found to bring in U.S. \$1 on average per day, or about U.S. \$300 per year. This is a sizeable income compared with the annual income of U.S. \$500 per capita in Senegal ( Bass, 2004: 141).

Even though the shebeen and the telephone booth are separate, all the receipts from the telephone booth go Sippiwe's father. In this case, there is an element of patriarchal power and control that reverberates within the business and the household; the hierarchical organisation is based on age and sex:

By selling different products in the same boutique, the normative separation of female and male tasks takes on additional meaning because it also delineates and tangibly represents children's and adults' work as different (Bass, 2004: 136).

By attending to different parts of the business, this delineates children's work from adult work. Even in small-time shebeens, children serve and retail the beer to customers but they do not handle the money, stocktaking, ordering stock and redistribution of income within the household. This is despite their productive work in the shebeens that contributes significantly towards income generation. Work does not elevate the child to the status of an adult; the child has to be submissive to his parents. Shebeen work is adult work and telephone booth work is children's work. Age is a critical factor in shaping children's work; the

hierarchy of age status structures the specialisation and separation of children's and adults' work:

Societal definitions and expectations structures through children's status translate into their work being valued for its training value rather than its production or market value (Bass, 2004: 125).

Bass argues that child market labour is mostly seen and organised as training and not as something for which a child may receive pay. The children are given tacit skills that are not easily available elsewhere or provided by anyone else. These skills are regarded as necessary to their lives. All the income generated is given to the household head. Some skills, though, are easily transferable and do not need years of 'training', even for children. An adult would not agree to enter into an unpaid training programme, while children are integrated into these programmes without pay.

Children are monetarily under-remunerated or unremunerated because they are seen as gaining valuable skills. Children are well aware that they get paid less than adults for the same amount of work. The inequality increases dissatisfaction. When children do the same job as adults and work alongside adults, their work is referred to as different.

...societal expectations and work opportunities [are] structured to the age of the child worker. The younger the child is upon beginning work, the lower his or her status as a labourer, which is reinforced by the often fewer years of formal schooling he or she can access (Bass, 2004: 144).

Simphiwe also emphasises that the booth is his business, but he does not pay himself. His parents decide how much they want to give him. He feels that this is unfair as he worked for all the money. As Siphwe knows how much he makes every month, he has placed expensive demands to his parents. He told his parents to buy very expensive shoes, Carvellas, which cost R1 300. Siphwe feels that he deserves these shoes as he is working very hard. He also knows how much his business makes. So he says that R1 300 is very reasonable in relation to how much his business makes per month. His mother disagreed with this. She felt that Siphwe should learn frugality now while he is young. She argued that giving children whatever they want is not right even if they work for that money. This is

not a typical situation between a child and his parents. Looking at this situation, the parents are the employers of Siphiwe; he works but does not receive all the money that he worked for. The money that he makes goes into reproducing the household. In this case the child feels that he should have more control over his earnings.

Even in small-time shebeens, children sell beer in the presence of a family adult. this could be their mother, father, aunt, or older sister or brother. Some of these small-time shebeens are also small-time spaza shops selling bread and milk. In many of these shebeens the beer is placed in the same fridge as the household groceries. At some of these places, shebeens make space in the back-yard garden or just outside the kitchen for customers who want to drink on site. This is the same yard where shebeen owners' children are raised and where these children play. At times some customers call the household children to go inside and buy them more beer, and the children end up serving the customers.

Legally, this is not allowed. However, the children who live in the household do these activities without thinking twice about it. Some parents even demand that their children do these activities daily after school without fail. This shows a particular culture within the townships. Child labour is not seen as bad or illegal; it is seen as part of the children's socialisation process. Being obedient and submissive to one's parents is a respected cultural norm. When one's parents say to work in the shebeen after school, that rule is not questioned by the child. Siphwe does not like working after school; he would rather play with his friends but he does not want to disrespect his parents by refusing to work. Siphwe does not want to be seen as an ungrateful and disrespectful child. Obedience to one's parents is demanded and should never be questioned. In the township, there is no such thing as child labour; instead it is called socialisation of children. Both the shebeen operators and their customers do not see anything wrong with mixing alcohol and their own children, despite the possible psychological problems that could arise from this situation. Children's help around the house is demanded and not requested. Under these circumstances, these children are forced to work, work that is deemed as productive and monetarily remunerated in places like restaurants

and formal pubs, except that in this instance it is not seen as productive but as a part of unpaid household chores. The work that these children perform in the household is worthy of payment. Payment never comes. When the child does not want to comply with the parents say that “the child lacks good manners or is an ungrateful child who cannot respect his/her parents”. Like Bass’s (2004) examples, children who work in shebeens are regarded as being moulded for the future; they are being taught life skills critical to their survival in the future. In this regard, work that children perform is “training”; thus, they do not need to be remunerated for their effort.

But is it child labour if it is not paid? In Asia children are literally employees; there is a verbal contract between them and the employer. They do not get paid as much as adults, but they do receive remuneration for their labour. In the South African case, children work but are not employed. Parents make their children work as part of giving their children skills for the future; it is socialisation.

## **7.12 Conclusion**

Recruitment into jobs in the informal economy is based on kinship relations. Jobs are available through word of mouth. The most important point is the issue of trust. Kinship relations serve a very important role in who to trust and who not to – personal knowledge of the people one hires. It would seem that it is better to recruit and hire family and kinship members as they can be trusted and they know that those individuals have their best interests at heart. Recruiting among family and neighbours keeps money in that circle. It allows the cycle of capital in the neighbourhood and it decreases unemployment in the area.

Representation security is a complex decent work variable that seems difficult to advocate in the informal economy. Unions may actually alienate workers in the informal economy rather than empowering these workers in their workplaces. Joining the union may result in being sanctioned by family and neighbours, which can be devastating for the individual.

Child labour is prevalent in many shebeens. Parents argue that they are providing their children with invaluable skills for the future. In calling child labour 'training', parents underscore the value of their children's labour in the market. Child labour is often just as productive as adult work, but social expectations undermine its productivity in a bid to maintain the age hierarchy in society.

## **Chapter Eight**

### **The Impact of the SAB Value Chain on the Wider Society**

#### **8.1 Creating Employment out of Unemployment**

Unemployment is the primary reason for establishing a shebeen. Mangena is in his early 30s, single and has never worked in the formal economy. He has a senior certificate. He applied 'everywhere' but was unable to land a job. When he could not gain access to employment, he opened a car wash across from his parents' home. This was viable as he lived on a main road used by taxis. Mangena started his shebeen when he was working in his car wash. Some of his customers said that he should open up his garage and sell them beer while they waited for their cars to be washed.

He started small with a few cases of beer a day, which he bought in a nearby liquor store. This was successful and most people preferred his car wash because they could drink and socialise while waiting for their cars to be washed. It was then that he decided to open up a shebeen by getting the right papers. This was when he applied for a permit to sell beer full time.

Bab'Nkonyana is 51 years old, has a stay-at-home wife, and is the father of five. He started his shebeen in his home after being retrenched from his job when the printing company that he worked for was liquidated. He started out selling one case of beer, one case of cold drinks and one crate of bread five years ago. When he started selling more than 80 cases of beer a week, he could no longer operate his business in his home. This was when Bab'Nkonayna and his wife decided to move the business outside their home. He got papers to apply for a shebeen permit, and he started looking for empty plots around the neighbourhood and enquiring about these properties at the local municipality. The municipality

allowed him to open up his business in his street, on a piece of property reserved for business-related enterprises.

MamLouisa and her daughter started the shebeen because Noluthando was unemployed. Nolunthando is 26 years old, is single and has a diploma in music. She plays the saxophone and she is in love with jazz. Despite her tertiary education, Nolunthando has been unable to secure employment, and opening up a shebeen is one way of securing an income. MamLouisa is a strong feature in the shebeen. She is 55 years old, and she has recently retired from her job. She is the mother of two adult children, Nolunthando and Shimi, her 20-year-old son. It was Nolunthando's mother who suggested that she open up a shebeen. When she agreed Noluthando and her mother made enquiries and started the paperwork of applying for a permit. When they got the permit, they contacted SAB to deliver beer directly to them. The place is two years old.

In all the above cases, unemployment was the main reason for operating a shebeen. For most of these shebeeners, lack of formal employment was a key motivator for establishing the business. In opening up their shebeens, they were able to afford their neighbours the opportunity to generate income through informal activities.

SAB claims that their upstream and downstream linkages create over 400 000 jobs, the majority being in shebeens and taverns in the informal economy (FAWU and ILO, 2000). This positive impact of SAB is felt in neighbourhoods through the presence of shebeens.

Most shebeens sell only beer, not food or other items their customers may need. Neighbours fill this gap by providing fast food, airtime, snacks and other lucrative business deals for shebeen goers. Asia's mother, who lives next door to the shebeen, sold pap, chakalaka, salad and roasted chicken. On the other side of the road, two other neighbours took out their braai stands and sold braaied beef, boerewors and pap. Three young men sold airtime, snacks and cigarettes in the informal parking lot across from the shebeen. On some days, usually at the end of the month, small-time hustlers sell clothes, cellphones and other goods out of their

cars in the parking lot. This scenario is similar to what Edwards (1988) found in his study. Outside shebeens there were women who sold food to shebeen customers:

Invariably, outside the shebeen in the streets and pathways women would sit cooking meat on braziers and selling pieces for around a tickey each. Intestines were a popular food among frequenters of the shebeens because they were 'fatty and helped you to drink'. While the various names given to different pieces of meat seemed to imply an active role to the seller: 'selling the way it walks' referred to chicken legs with 'selling the crowing' meaning the head; the relationship between the drinker and seller was more complex and overlaid with sexual innuendo of the shebeen. In advertising their food, the women would 'jokingly' call out 'come to the hot one', with men going up to her and saying "come let me see" and waving your hands in front of her skirt'. Within the shebeen, the relationships between customer and server, alcohol and sex were often even more overt (Edwards, 1988: 88).

A variety of informal employment is created by the presence of Mangena's pub. Neighbours are hired as car guards, bouncers, cleaners and bar men inside the shebeen. During the day Mangena operates a car wash; he allows mostly unemployed and willing young men to wash cars outside his shebeen. Most of the car wash customers order drinks in the pub while waiting for their cars. On a nice hot day, he opens the big wooden garage doors for customers to look across the car wash. This is at his customers' request so they can get a good look at their cars while they are enjoying a cold beer. This is a good opportunity for many unemployed young men around the neighbourhood who want an income. Those who find formal employment are replaced by other unemployed young men in the neighbourhood willing to take up the job. All the people who work in and around the shebeen are neighbours.

Many neighbours respect the owner of the shebeen, Mangena, as he is a role model and an inspiration for many people around him. He is making a real economic difference in the neighbourhood.

On the other side of town, Bab'Nkonyana's shebeen provides his neighbours with the opportunity to make a living for themselves. Small-time shebeeners stock their beer and cold drinks from Bab'Nkonyana's shebeen. Bab'Nkonyana sells each case to his neighbours at the same price as any liquor store, instead of selling it



shebeen price. He says he sells cases like this to his neighbours as he understands and empathises with them, as he was once like them. One of his neighbours, MamMoloi, who lives a few houses away from the shebeen, started selling food on weekends to customers at the shebeen. All the neighbours and Bab’Nkonyana’s regular customers know that on Friday and Saturdays nights and Sunday afternoons there is a place where they can buy a plate for R10 to R15. This has enabled MamMoloi to supplement her income.

MamMoloi’s is a hawker in the neighbourhood, selling snacks such as *makiep-kiep* (coloured popcorn), crisps, sweets and frozen yoghurts. She makes enough to just survive. MamMoloi is from the Free State, Qwaqwa; she ran away from her home town when her husband almost killed her with an axe. She cut many ties with her family, who wanted her to go back to her husband. She is uneducated and the main skill she has mastered since her arrival in Soweto is to survive through piece jobs and hawking. When Bab’Nkonyana opened his shebeen a few houses from her shack, she had the idea of selling food on weekends when the shebeen is very busy. This strategy has supplemented her household income significantly.

These are just a few of the people whose lives have been changed by the presence of shebeens in the area. The formal and informal link between SAB and shebeens provides opportunities and forms of employment for neighbours. For this reason many shebeeners are respected as they increase informal income-generating opportunities for neighbours and allow for the cycle of capital within the area. In this sense, then, shebeens can be said to be redistributive in nature, as the shebeener is not the only one who profits; his neighbours are also able to capture the gains. It can thus be said that the stronger the linkages between formal and informal businesses, the greater the opportunities for neighbours to become employed and engage in businesses that take advantage of the pool of customers coming to the shebeens.

The argument that the private sector is able to create employment and income-generating opportunities for others is true in this case. The emergence of informal businesses like shebeens has resulted in informal employment for neighbours, unlike the jobless growth of the formal economy through interventionist policies

such as the Growth, Employment and Redistribution strategy (1996). In the informal economy, it would seem, there is an abundance of employment opportunities when one is able to create a business out of their unemployment. Given the above scenario, the cycle of capital is kept within the township and enables neighbours who are unemployed or underemployed to subsist. Most of these activities go unrecorded and untaxed; the government finds it hard to recognise these businesses, as Devey *et al.* (2002) have stated. This, however, is not a new phenomenon.

Edwards (1988) argues that shebeens and home brewing in South Africa were in direct conflict with the interests of municipalities. Home brewing and shebeens competed with municipal beer halls. The municipality made huge profits from the beer halls, and the establishments of shebeens in the urban areas posed a threat to these profits. The profits made from shebeens went untaxed. The illegalisation of alcohol to African populations meant that the monopolisation of production and distribution of beer was in the state's hands. African men's money used to be wasted in beer halls. Their wages went back to the government and white business. The formal economy, which then was the white man's economy, profited from the African working class. This meant that there was cycle of development and enrichment in the formal economy, and a cycle of poverty in the informal economy dominated by black Africans. This led to the attraction and resilience of shebeens. Their presence and operation challenged this cycle of capital. Shebeens became the means by which black Africans' wages were distributed within black communities:

Shebeens were a part of a system which served to redistribute money within the society as a whole. Together with co-operatives, stokfels, shackshops, roadside vendors and many other types of entrepreneurial ventures, shebeens formed part of a redistributive cycle of capital referred to by the residents of Cato Manor as 'robbing Peter to pay Paul'. Within a tightly knit community almost totally reliant upon the weekly wage packets of the formally employed workers and having no capital assets, it was necessary for money to be kept within a particular community and for parts of that wage to circulate within the community as fast as possible, so that dependants and those either unemployed or seeking work could subsist (Edwards, 1988: 81).

In the new South Africa, informal and illegal shebeens continue to engage in “robbing Peter to pay Paul”. Many people in the townships feel robbed by the government; they feel that the African National Congress (ANC) government is not doing enough for the people – they do not provide jobs to the poor and the young (Shebeen interviews, August - November 2007 and August to October 2008). The government only looks after its cadres, and in the process they neglect the people who voted them into power. This is a strong opinion shared by most people in the neighbourhood, including the shebeeners, their patrons and other informal workers. Now that the unemployed have created employment for themselves through opening shebeens, the very government that does not provide employment for them wants the money that they have struggled so hard to make. Zaza and his wife (Tavern 6) argue that:

Where was the government when we did not have anything to eat in the house?... when the both of us [she and her husband] did not have any means of income? Now that we have made something for ourselves, they want to share in our gains (Interview, Tavern 6, 20 January 2008).

Mangena, Bab’Nkonyana and MamLouisa share the same sentiments. They always argue that the government has not done enough for the people on the ground yet they want to gain from them. Mangena describes the government as the ‘mafia’ because they take from the needy to enrich themselves:

I have a legitimate business here. I wake up everyday and I try my best and help those around me. The government did not help me... they have all these schemes to help people but I did this by myself because I could not wait for employment ... that the government promised us long ago... (Mangena’s Interviews, August 2008).

In this sense, then, the informal economy becomes a way to redistribute incomes to the unemployed and those who can only subsist through piece jobs. Edwards (1988) contends that when labour was mostly casual and seasonal, there was more of reason for communities to have redistributive networks:

Without being able to intervene in the market cycle of capital, they would be unable to provide for the costs of their own subsistence. Faced with these particular circumstances, the ‘robbing Peter to pay Paul’ system was believed to be a viable way of coping with the needs of both employed and unemployed within a particular community (Edwards, 1988: 81).

At a certain point groups of black Africans would urge their fellow blacks to only buy from black traders and to boycott Indian and white businesses. As blacks earned small wages, it was important to use the money in such a way that it is redistributed within black communities.

The licensing of shebeens is seen as threatening the cycle of capital. The shebeens that eventually become licensed and formalised will have to pay taxes; part of their income will have to go to the government. The current government, unlike the apartheid government, seeks to redistribute power and resources to previously disadvantaged communities. The past government made grants compulsory for minorities; the current government, on the other hand, has nationalised the programme to everyone indiscriminate of racial background. This project, though, needs everyone to contribute towards this social welfare. It can then be argued that the process of licensing shebeens can be understood as a two-fold strategy. First, it is to legitimise black entrepreneurs in the eyes of the law and the wider society. This legitimating of shebeens can be argued to serve as a form of redistribution. Second, the government needs every single cent made in the township to fund the government's projects. Thus, the money that is made and accounted for needs to be captured and taxed.

More recently though, shebeens are being licensed because they provide an employment avenue for the unemployed in the townships; the government may want to own those numbers. For example, if a place like Mangena's is fully formalised, the government can account for it statistically. And since Mangena hires a staff of around seven employees, who are at the moment invisible statistically, they can now be counted and government can own the numbers and claim to have decreased unemployment. Collectively, when informal businesses become formal and everything is accounted for, unemployment rates will go down without necessarily creating new jobs; many people's lives will not be any better.

Shebeens can be seen as resistant to the dominant hegemonic power of the colonial and nationalist state. Even in the new South Africa, shebeens continue to be resistant to formalisation, as discussed above. The real reason lies in the high unemployment rate, the decrease of secure employment and the increase of

precarious employment (Von Holdt and Webster, 2005; Bezuidenhout, Lambert and Webster, 2008).

## **8.2 Forgiveness and Sanctioning of Wrong-doers**

There is an important incident that took place in Bab’Nkonyana’s shebeen that was surprising. It is a story of forgiveness and reciprocity. This incident convinced Bab’Nkonyana that he is not yet ready to hire anyone to help him just yet. He will only rely on his family’s strength. He told me that Nomsa and her seven-year-old son stole from him one morning when he was about to open for her to clean the shebeen. Bab’Nkonyana said:

My son, Siphwe had forgotten to lock one of the windows the night before when we were closing the shebeen and the telephone booth. While Nomsa was waiting for me to open the shebeen, she noticed that one of the windows was not locked. She fetched her son and put him through the window and told him where I hide my money, the big tin where I put all the loose change. I have been saving that money for more than three months. The bucket was very heavy. Nomsa and her son stole my money. When I came back to open the shebeen she pretended like she was just waiting there for me....

When I noticed that I had been robbed I called some of my regulars, Oupa and Ntate Tlhako who are policemen, to help me out. They reported the case to the police station and called one of their police friends to tell me what happened. The police officer told me that I was robbed by a child under the age of ten, who came through the window. There were little footsteps everywhere. The police found the finger prints of an adult on the window and they were not mine.

After a week of investigation, the police told me that Nomsa and her son stole from me... I suspected her but I did not want to believe it. We confronted her and she denied everything... her grandmother came and begged her to tell the truth... She finally confessed and admitted to the crime. Her grandmother was shocked that she could do something so horrible... Her grandmother begged for forgiveness and told Nomsa to apologise and bring back the money... She could not give us the money... The incident crushed Nomsa’s grandmother, as she is a staunch churchgoer... she is a very religious someone with a very kind heart... Everyday she would come and ask for forgiveness on behalf of her granddaughter... Nomsa is old, she is in her 30s but she could not come every day and ask for forgiveness. Her grandmother had to do it on her behalf, what a selfish child to have....

After the incident, Bab’Nkonyana called Nomsa and her grandmother and told them that he had forgiven her and she could come back to work, seeing that the family did not have any means of income because the rumours of her ‘sins’ had spread all over the neighbourhood and neighbours did not want a cleaner that steals from them while they are away. Bab’Nkonyana did not want his money back. He told me:

I really do not care much about Nomsa but I care about the grandmother; she is a wonderful religious woman. She is the first person in the neighbourhood to welcome us and she is always willing to help for nothing in return. If I did not forgive Nomsa for stealing from me, I seriously think that this incident would completely kill her grandmother and I could not bear to do that to such a God-fearing woman

Is this *ubuntu* in practice? Bab’Nkonyana was able to completely forgive his neighbour for stealing from him. He did not ask for his money back. He forgave Nomsa and rehired her. Since she stopped working at the shebeen, her other piece jobs around the neighbourhood dried up. Bab’Nkonyana felt very deeply for the livelihood of his neighbours and felt that it was his duty to show compassion, reciprocity and solidarity. This incident shows that the informal economy use of labour is not based on instrumental means but on genuine solidarity with one’s neighbour. That one is able to show humanity is the grandest of ways. The formal economy, on the other hand, is unable to do this. Theft is a very big thing in the formal companies, one that leads to a disciplinary hearing and firing of the suspected person. The company also reserves the right to open a case against the individual for the crime. There is very little solidarity and forgiveness to go around.

As Portes (1994) has said, the betrayal of trust results in sanctioning by the community. For Nomsa, this was devastating as she could not access employment and earn a living as she made her money in her immediate neighbourhood. Shebeens survive on patronage; they make most of their money from the immediate neighbours. Gentry (2004) argues that this is the same in America, within the areas populated by African Americans. Within these communities neighbours who come and drink have high respect for those who operate these businesses. When someone brings trouble, the neighbours who regularly drink

there, not the owner, punish the culprit immediately. Bab’Nkonyana punished culprits himself and sometimes his regular customers would punish troublemakers in the shebeen. There is communal security in the shebeens. MamLouisa and her daughter know all their customers and knew troublemakers and would warn them when they arrived that they did not want trouble. Usually these troublemakers came with friends who would restrain them to avoid being kicked out of the shebeen or to secure their reputation as good neighbours, as all the customers are neighbours. MamLouisa knows all her customers, as well as their mothers, fathers and relatives. When these young men come and bring trouble, MamLouisa informs their parents and neighbours who will then sanction them from going to her shebeen to drink.

MamLouisa had a similar story of community sanctioning of an individual who vandalised her shebeen. She experienced a financial loss last year when one of her neighbours, a young man, vandalised her customers’ toilets.

*MamLouisa: The young man came in disgruntled that day. He bought a lot of beers and drank them alone in the drinking room. He came alone and drank alone, which was very odd. He usually comes with his friends. I think he came with the motive of damaging my place. I believe it was premeditated. He went to the toilet for a long time and that’s when we heard noises in the toilet. When we got there, he had vandalised the toilet and the washing basin. He broke off the basin and cracked the toilet bowl. We caught him red-handed. He screamed and said very bad words to us and then he ran.*

*I know he blames us for taking away their livelihood. His mother owns a tavern a street away from here, on other side. Her place has been suffering lately; most of her drinkers prefer my place as I have fixed it ... it looks very nice and neat. I provide free music for customers. I provide my customers with good service. His mother does not have a place like ours. I extended my house. I have a separate room for drinkers and customers’ toilets and my yard is big enough to hold functions. His mother does not have the resources to build all these facilities.*

*M: What did you do to him?*

*MamLouisa: I called his parents to come see the damage he did to my place. His parents were embarrassed and disappointed.... I did not blame them. I just put my case forward and told them that I wanted to lay a charge against their son at the police station for malicious damage to property. His parents are very reasonable people.... They pleaded with me not to go to the police station and they promised to pay for the expense of fixing the toilet... . I then insisted that they write that down on an affidavit and have it certified that they promise to pay for my losses.... They hesitated but after a few days they agreed and did as I told them. I had to take out a loan to fix the toilet. I gave them the copies of the receipts. They have not yet paid me. Their son did not even come to apologise; he is probably very impressed with himself. I might in the end file the charge as they have not paid me. Neighbours know about this issue and many have boycotted MaThembi's place because of her son's misbehaviour.*

Sanctioning is a very big part of communities. They sanction individuals who violate the community as a means of punishment. Sanctioning can be debilitating and crippling for the perpetrator and his family. In MamThembi's situation, it can run her business into the ground to the point where she cannot recover. In Nomsa's case, access to piece jobs was barred. These communities can be said to be operating on the basis of trust and *ubuntu*. The fundamental belief is that one will treat his neighbour with respect, and they trust that each member of the community has the best intention for the next person. Portes's (1994) assertion, then, is right – that trust is a very powerful regulatory tool available in the informal economy. When this trust is broken, the community puts in place sanctions against the individual who has violated the community's trust.



### **8.3 Pushing Volumes, Contributing to Drunkenness**

SAB has been able to successfully make money out of exploiting the poor for years, yet they do not want to accept their role in the strikingly high levels of alcoholism and social degradation in townships like Soweto. The company is a proud pioneer of black economic empowerment in townships through the shebeens, but they do not want to receive the medal for the devastating effects of their products on the social fabric of society. As stated before, shebeens make their profits from neighbours:

Customers are primarily from the neighbourhood and known to the owner and other customers. These middle-age and working class friends use the drink house as a place for socialising (Gentry, 2004: 452).

In this sense, then, shebeens are dependent on patronage. Gentry found that the busiest nights were Fridays and Saturdays; the clientele is exclusively black working class and those workers “who work sporadically” (Gentry, 2004: 452).

SAB is preoccupied with increasing their volume share in the market by increasing consumption of their beer in townships. This means the increase of the number of litres of beer drunk per person. There is genuine social danger in this. Customers in the shebeens go there to get drunk and to forget life (Shebeen Interviews, August- October 2008). Shebeen patrons buy the perception sold to them by SAB. Neighbours around the shebeen plan their lives around their drinking. Many of these patrons miss work every Monday because they are too drunk to wake up and go to work.

Bab’Nkonyana’s place was the most devastating site for this culture of drunkenness and alcoholism. Many times, children came to shebeens to beg their mothers and fathers to go home or to give them money for food. Wives sometimes came to the shebeen to beg their husbands for money to pay for the ‘prepaid electricity’ before they drank away everything. Some clever wives and daughters would regularly come and sit outside Siphiwe’s telephone booth and wait for their husbands and fathers between 4:00 p.m. and 6:00 p.m. so they could get money to buy food before the men started drinking.

The sins of the fathers are paid for by the sons, literally when it comes to alcohol. Alcohol control of labour remains prominent in Soweto, but unlike in the past it has become a social norm for workers, both women and men, to go to the shebeen before they go home. Most of the time, the customers say that they are only going to drink just one of bottle of beer. In the end, they have more than five bottles and they have been at the shebeen for more than four hours. Most women normally know when to leave the shebeen, when their children come looking for them in the shebeen. Most men leave when Bab’Nkonyana decides to close the business for the night, when he realises that customers are not buying any more but are falling asleep in the shebeen. These customers have stories to tell of their lives and beer. In some customers’ lives beer is like a close family member; they simply cannot live without it. Homes are broken and negotiated around drinking. In many of these cases, customers would rather buy beer than bread, as it is after all cheaper. Mothers who come to the shebeens neglect their children.

*Nonhlanhla is a single parent of three children and she is in her early 30s. She lives in a small silver-grey shack two streets away from Bab’Nkonyana. She works in a Fish and Chips shop in Johannesburg. She is never sober; she feels like the devil orchestrated her life. She always misses work on Mondays because she is too drunk to go to work. Her children always come to the shebeen to look for her. Bab’Nkonyana always tells her to look after her children and stop drinking but she cannot. On many occasions her oldest child, an 11-year-old girl, comes with her younger siblings to the shebeen to ask their mother for money to buy bread and milk. On many occasions she has had to trade in her three Castle Lager beers to buy food for her children at Bab’Nkonyana’s. Every day, when she comes back from work, her first stop is at Bab’Nkonyana’s shebeen. She tells me every day, to never start drinking, otherwise I would end up with three children and no husband. Her life depresses her; she drinks to numb this part of her life. Her neighbours say she does not know any of her children’s fathers as she goes home with any man she meets at the shebeen.*

In this sense, shebeens are immoral. As much as shebeens can build households in the neighbourhoods, they can also break them. Shebeens are just as guilty as SAB in getting people drunk. Alcoholism is a word that is never mentioned in the shebeens. Every Christian person who comes to the shebeen believes that it is easy to stop drinking. The context of the shebeen also keeps these people in a particular state of mind. This behaviour of drinking and alcoholism is very rife in shebeens and township neighbourhoods; these patterns of drinking are entrenched in South African history around the commodification of beer. Callinicos (1987) argues that the commodification of beer has led to a pattern of drinking among the black population which was different from the traditional drinking of beer before its commodification.

In precapitalist societies, alcohol had a ceremonial value where it was used as a priced drink. It cemented marriages between patrilineages and rewarded labour co-operation within patrilineages.

Alcohol was a symbol of the social wealth that derives from common descent and family membership. Distributed in quantity according to age and social rank ... beer was also a privilege of the esteemed. It was in this sense a symbolic indication of social wealth (Suggs, 1996: 598).

Callinicos (1987) argues that in the past beer served a vital role in the lives of societies in terms of libations and ceremonies and during the harvest season. Women produced the beer and it was primarily drunk by men. Suggs (1996) argues that in this sense this tradition represented not only women's productive and reproductive competencies, but also senior men's power to control and distribute life's blessing. Beer brewing was a seasonal activity, dependent on harvests. Beer was brewed in large quantities at harvest season when grains were abundant. When grains are not as plentiful, brewing of beer becomes less frequent and it eventually stops until the next harvest season (Suggs, 1996). Drinking was routinised in this pattern. Alcohol in traditional societies was used as an incentive to do seasonal labour during the harvest period (Callinicos, 1987; Suggs, 1996).

Suggs (1996) explains that beer brewing was an inexpensive way of diversifying diets, as sorghum beer remains dense and unfiltered and very nutritious.

The commodification of beer corrupted its original and genuine meaning and symbolism. Once beer became commodified, it was used for profit and it lost its traditional meaning. Beer became available every day and accessible to anyone who could afford it:

...beer as a commodity is marketed as a drink to be drunk for drinking sake.... what was symbolic community cooperation is likely to become symbolic of self-achievement, even when it is consumed in groups. This in turn changes the cultural meaning of drinking behaviours (Suggs, 1996: 599).

Suggs (1996) makes an interesting argument by stating that traditionally, seasonal labour was rewarded with alcohol. So in the cash economy, work is done every day and when work is done, labourers drink after work. The nationalist government allowed employers to use alcohol as payment for work done on farms.

Drinking in traditional societies was controlled by the availability of beer. When beer becomes industrially produced it is constantly available; it is open to abuse. The government's beer halls increased the amount of beer produced every year. Beer drinking was good business – good for the municipality and great excise for central government (Callinicos, 1987; Suggs, 1996). SAB is guilty of constantly altering the drinking habits of South Africans. SAB increases its market share by pushing up volumes in the townships, which marginalises the lives of people in the townships. SAB's obsession with increasing volumes in the township market means that people increase their consumption per person; this marginalises the meagre wages that these people earn. SAB is exploiting the poor.

In places like News Cafe, SAB pushes variety. The company provides all sorts of premium beer in dumpies in posh places. In these posh places, SAB never markets quarts. The dumpies are sold in these fancy restaurants for twice the price of the same quarts in shebeens. In these places, then, SAB offers a variety of premium and super-premium beers in small quantities. The drinking patterns of people who frequent these places is different, because the beer is very pricey and offered in smaller quantities than in shebeens where the beer is cheaper and sold in larger quantities. In plush places such as News Cafe, clients are not price-sensitive

because of their age and their class, while shebeen clients are poor and very price-sensitive. In the townships a quart of beer is cheaper than bread, so it is accessible to the poor. SAB in essence is creating a poor and drunk society in townships because the focus is on quantity. In middle-class venues, SAB creates a society that focuses on quality and choice. So in the township SAB plays a more devastating role; it damns the poor.

In these shebeens none of the customers knew of rehabilitation for alcoholism. They felt that the rehabilitation was for white people and not for blacks. The belief is that blacks do not become alcoholics, because they are not susceptible to being addicted to beer like white people (Shebeen Interviews, August- October 2008). This statement feeds into the stereotypes fed to blacks during the apartheid years (Mager, 2004). Mager argues that during apartheid, alcoholism was conceptualised as a disease that affects white men. Later on, coloureds were included in the category.

... 'alcoholism' was understood as a problem of individual liquor abuse and an alcoholic was someone whose drinking habits deviated from accepted social practice (Mager, 2004: 4).

Africans were not included in this bracket as the government called drunkardness the way of the 'African character'. More significantly, by only accepting whites and coloureds as alcoholics, this meant they could be rehabilitated in government centres and state hospitals. The government worked under the Work Colonies Act (1950) to medically treat alcoholism in white and coloured populations:

The subtext of this Act indicated the racial allocation of resources: whites were well provided for, there was little state subsidy for rehabilitation programmes for Coloured (defined as 'a person who is not white or a Bantu') and none for Africans (Mager, 2004: 5).

The apartheid government did not want to fund the rehabilitation of Africans, thus they could not include them in the category of alcoholism. This construction of the African as a drunkard rather than as a sick person suffering from alcoholism made rehabilitation unavailable for African men. Thus, they were not in a position to see their drinking patterns as abnormal or destructive. White and coloured populations were socialised to recognise the disease and seek help for it. This

placed the African population in a cycle of bad drinking habits while the other racial groups were offered a second chance at life through rehabilitation.

During the years of municipal beer halls, black Africans suffered from all sorts of diseases including malnutrition and iron poisoning because African men would spend all their wages on the sorghum beer produced by the government. Unlike traditional beer which was nutritious and which supplemented daily diets, the municipal beer was brewed in such a way that the alcohol content was very strong and devoid of nutritional value. It was from the late 1960s onwards that blacks started suffering diseases and alcoholism from 'European liquor'. This was around the time that white liquor businesses increased their illegal distribution in the townships.

Mager (2004) writes that in places like Tsolo in the Transkei alcohol abuse was so pervasive among the professional and higher clerical grade men that it was called the 'teacher's syndrome'.

The lifestyles imposed on African people placed them at enormous risk of alcohol abuse, the physician said. It was easy for men and women without adequate fuel and cooking facilities to subsist on readily available white bread, white maize and white sugar, 'pure muck concocted by the technological genius' of modern food industry. 'European liquor' and junk food were rational choices for men whose tedious labouring lives encouraged drinking for 'merriment or intoxication because tomorrow will also be a hard day' ( Mager, 2004: 12).

White liquor started destroying black livers. In 1972-1973, 50 per cent of African patients in a Weskoppies hospital suffered from alcohol poisoning or toxic psychosis.

In 1975, the World Health Assembly identified the need for intervention to curb increasing alcohol-related problems in developing countries, pointing out similarities in drinking patterns for all countries with a history of colonialism (Mager, 2004: 14).

SAB is not exempt from this history and its destruction of communities. The apartheid government played an important role in feeding racial stereotypes regarding alcohol. Its effects are felt very heavily in the townships. SAB says that it invests a large amount of money, time and social resources to discourage

excessive drinking. SAB has a strategy called the ‘SAB Responsibility Way’ that campaigns against irresponsible drinking. As they state on their website:

SAB aims to maintain and protect the legitimacy of its products, and the freedom of its commercial communication, while simultaneously promoting responsible marketing and drinking.... SAB fully subscribes to the objectives of the Liquor Act that aim ‘to reduce the socio-economic and other costs of alcohol abuse by setting essential national norms and standards in the liquor industry’, and ‘to promote the development of a responsible and sustainable liquor industry in a manner that facilitates an ethos of social responsibility in the industry’ (SAB, 2008: 1).

This kind of information is not readily available to shebeen customers. None of the shebeens included in this study had signs about the damage that alcohol can do to a person’s health, family and communities. If SAB is committed to responsible drinking, signs demonstrating the dangers of drinking and toll-free numbers for Alcoholics Anonymous should be as readily visible and available to customers in shebeens as the big posters and price boards of their beers.

#### **8.4 Conclusion**

Informal employment and informal income-generating opportunities are created out of unemployment. Three of the shebeens were established by unemployed people in their residential areas. In the process, these shebeens afforded their neighbours the opportunity to make a living where there was none before. Community sanctioning is prominent in the informal economy. Wrong-doers are sanctioned and they unable to access the labour and economic market until they ask for forgiveness for their transgressions.

Alcoholism robs communities. Families are left begging income earners to stop drinking and to take up their roles as family heads and breadwinners. SAB’s actions vis-a-vis its marketing strategies for its beers are stronger by far than its campaigns against excessive drinking. From the above information, SAB is just as guilty as the apartheid government for distorting the traditional meaning of alcohol in black communities, particularly in urban settings. SAB and the government sell beer for profit, and they do not care about the well-being of their

customers or their families. Alcoholism is repeatedly breaking down families. In order to truly redistribute goods the government and liquor producers have to provide free access to rehabilitation centres in poor communities. If they are so willing to claim the price of owning over 95 per cent of the market through targeting townships, SAB should also pay for the rehabilitation to save these communities from its products. In all their articles, SAB and SABMiller say that they support shebeens in the townships as a way of alleviating poverty. However, in the same breath, SAB knows that in fact they are creating poverty in these communities because individuals spend all their money on their beer and neglect their families' needs. The beer industry is at the core of the problems in South African society.



## **Chapter Nine**

### **Conclusion**

The value chain analysis has proven to be an excellent tool for examining the linkages between the formal and the informal economies. Through this tool the links between South African Breweries in the so-called formal economy and shebeens in the so-called informal economy were examined and analysed. The chain is clearly mixed; it is both a buyer-driven chain and a producer-driven chain. It is buyer-driven in backward linkages. SAB sets specific parameters to barley hops growers regarding how they should produce and at what price the company is willing to buy the harvest. The chain becomes producer-driven in the forward linkages, as the lead company owns and controls the key product in the chain and the production processes of the product. In the forward linkages, the company sets parameters of operation for retailers in the chain, as explained in Chapter Five.

Given this, SAB is the lead company, the chain governor which controls all subordinate enterprises linked to it. SAB exercises power in this chain through the use of two types of governance: captive value chains and hierarchy. SAB controls the subordinate enterprises vertically linked to it through governance techniques clearly explained in Chapters Two and Five. The company has strongly aligned itself with subordinate businesses in the chain, such as owner drivers and shebeens. The company makes all the decisions pertaining to production, distribution and retailing of the beer they produce; none of the subordinate enterprises is allowed to make these decisions. The chain is highly captive as it is not easy for subordinate companies to break free from the chain because the company is a monopoly in the beer industry. Brandhouse remains a small brewer because it imports all its goods from Europe, as it does not yet have a brewery in South Africa. Secondly, SAB has placed subordinate companies like owner

drivers in transactional deals that are hard to escape. Shebeens are also in a similar predicament as they work with the brewery on a credit basis, which further entrenches their subordination in the value chain. In essence, the power that SAB exerts in these enterprises reduces them into mere appendages of the lead company. This marginalises the importance of these businesses in the chain. The shebeens play a crucial role in strengthening the position of SAB in the beer market. Through these enterprises, SAB controlled 95 per cent of the market in 2008, up from 93 per cent in 2007.

Historically, the production of beer was forcefully removed from black women and monopolised by white formal businesses and the government. Laws were systematically put in place in order to ensure that the government and the white formal economy were the only producers of beer. The government brewed and sold sorghum beer to the black working class in urban areas. This was a way of controlling labour and ensuring that the state was the Alpha and Omega. Nonetheless, shebeens remained resilient against police raids and oppression. Mager (1999) made the argument that shebeens were a counter-movement against this hegemonic power of the state.

The apartheid state monopolised the brewing and distributing of beer in order to profit from it, thus shebeens posed a competitive threat to the state's beer halls. Shebeens allowed black men's wages to flow within the black population. The removal of shebeens was also politically and economically motivated. The state wanted to control the black population by using alcohol, and the beer halls were meant to hold the black proletariat captive in the cities, to place the black men in a cycle of work and drunkenness.

In the past shebeens served to humanise the black working class, to offer them an outlet where they could just enjoy themselves in the city (Callinicos, 1987). As said before, the state wanted to close down shebeens for purely economic reasons. Shebeens were outlets that were invisible to the state's eye and thus the state could not extract taxes from these operations. The 'stealing from Paul to pay Peter' was very prevalent; the shebeens and other informal and illegal businesses served to cheat the state apparatus that was oppressing the black population. The

formal economy and the government wanted to maintain the cycle for their profitability while simultaneously maintaining the cycle of poverty within the informal economy. In fact, seen in this way, the apartheid government wanted to eliminate the informal economy but in the process of doing so the unintended consequence was that they expanded it through their laws. As Portes (1994) has argued, the more rigid and oppressing the laws the more resilient the informal economy becomes. In the apartheid years, this was an admirable activity, but what about today in the democratic government?

Shebeeners and their customers feel that the current government is unable to provide them with adequate employment and abundant life. Now more than ever, individuals have to make their own employment in order to reproduce and subsist. SAB's motto is that the private sector is the key to reducing unemployment and redistributing wealth, both within the value chain and the overall goal of the country. This trajectory seems admirable but is it happening? SAB's major goal for 2008 is to gain more control of retailers and the places where its beer is consumed.

Control by SAB takes many forms including enterprise development, as clearly demonstrated in Chapter Five. Enterprise development is good but only if it benefits SAB in the end. When it does not, the company cuts off all ties and retrieves its 'free' goods from the shebeen, as clearly demonstrated in Mangena's Pub. As Humphrey and Schimtz (2000) argue, chain governors' control over firms in the chain is mainly to buy loyalty and a perception of mutual and equal benefit for everyone in the chain. SAB has been able to 'buy' loyalty in shebeens, to a point where it plays a 'patriarchal' or almost godly role within these businesses. All the programmes linked to developing shebeens, including assisting with the licensing process, are linked to strengthening the brewery's alignment with these businesses and to boost its market share. Most importantly, the schemes implemented by the SAB are meant to co-opt these businesses into buying into the brewery's overt and covert control within their businesses. As the chain governor, co-optation is key in strengthening linkages in the value chain. This way it is very clear that the linkages between the formal and the informal enterprises are

constant and are there to be maintained. The subordination of the informal economy is calculated by the powerful formal economy.

SAB knows the types of business dynamics and employment dynamics in these shebeens. SAB may claim ignorance of child labour and unpaid labour in these establishments, but these forms of labour make money for both the shebeen and the brewery. The company exempts itself from these responsibilities by only acknowledging the entrepreneur in the whole 'business transaction'. The licensing and formalisation trajectory that SAB has taken up in Sowetan shebeens leads to a conundrum, that of labour laws. Legalisation of shebeens into taverns will lead to the acceptance of the labour framework for the sector. The labour law rightly stipulates the need for intervention in taverns, fully licensed shebeens. Most of these shebeens, like Mangena's Pub, fall into the category of taverns that operate under capitalist commodity production. This means that there are clear employer-employee relationships, and employees receive monetary remuneration for their services. In these circumstances, the law has to intervene to bring decent work to these workers.

The study shows that there is a cycle of insecurity and indecency of work in the informal economy. The workers in the informal economy pursue employment in the formal economy while working in the informal economy. This shows that workers in the informal economy value formal employment and believe that it is decent, and that the informal economy is indecent – hence their efforts to crawl out of the informal economy. SACCAWU explained that there is no such thing as informal employment according to the labour laws. One is either employed or unemployed. The labour law stipulates these boundaries clearly, regardless of whether one works in a formal or informal enterprise. Yes, the workers in the catering sector who work in shebeens are vulnerable as they score very low in terms of the required decent work categories used in the survey. The interview with SACCAWU clearly showed that the catering sector as a whole is insecure, and workers working in formalised restaurants and pubs in the suburbs are just as insecure as workers working in the shebeens because both work on verbal

contracts and are paid low wages. In an attempt to remedy the situation, gaining representation security seems like a step in the right direction.

SACCAWU has clearly explained that this process empowers workers who have no relations with the employer. For workers in shebeens like Mangena's Pub and the workers interviewed through the questionnaire, this solution may be problematic. Unions tend to ignore family and kinship relations; they only deal with the employer-employee relationship. In doing so, workers who bring unions into family businesses will be sanctioned by the family and the community, as this is perceived as a form of betrayal.

The law means well in trying to bring representational security and other benefits that improve the decency of work to workers across the sectors, but blood and kinship relations are proving resilient against these formal methods. Workers in the chain are also marginalised by their position in the chain. Kaplinsky and Morris (2001) argue that the nodes on the value chain which have easy entry have the lowest returns and lowest incomes. As discussed in Chapter Seven, shebeens are easy to establish and to enter employment in; thus, their returns are low and the incomes are also low, especially employee benefits. This is the nature of captive value chains – the subordinate firms cannot easily negotiate a better position within the chain with the lead company.

Informal workers lack a significant amount of information regarding their rights as stipulated in the BCEA and Sectoral Determination 14. For instance, most of Mangena's workers work well over eight hours, five days a week, but they consider themselves part-time workers and not full-time workers as the law stipulates. Clearly, the first place to start is by educating workers in the informal economy enterprises about their labour rights and to leave the decisions to them. As discussed in this report, familial and kinship relations with the employer is a very hard thing for objective organisations such as government and union to break. These employees have to constantly think twice about joining the union as the union can damage life-long relationships with the employer as well as the community. Sanctioning by the community, as Portes (1994) has said and I have clearly proved, can be devastating to individuals. When one crosses boundaries

and betrays the trust of those who have provided access to the labour market, by joining the union or through some other transgression, that person will be punished as well as his/her family. Issues of trust in the informal economy and in the township are very important regulatory tools that supersede the governmental regulatory system.

The issue of child labour is also viewed very differently in communities in the townships. Children are expected to help in household chores and shebeen or enterprise operations. After school, they are expected to work rather than play with friends. This may have psychologically damaging side effects in the long run.

SAB knows very well that by helping these shebeens become legal, they force these enterprises into other legal frameworks. In all the interviews with SAB, the company never admits to this; they only say, “It’s the nature of the business”. SAB profits from the exploitation and illegality of particular labour in shebeens; the company does not admit it but it knows that the shebeens use unpaid family labour in order to reduce their losses. As much as SAB claims to be the largest employer in the country in both the formal and informal economies, the company creates deep-seated ailments in society. The most prominent exploitation of society takes place in the shebeens; they slowly commodify family life and social relations by making families run their lives, dreams and hopes around the shebeen, the selling of beer. The shebeen takes centre stage in the household, the hours are long and strenuous, families are controlled by customers. Shebeen families organise important family events around the running of the business. These shebeeners literally slave away for SAB because in a way they feel that they do not have a choice, as the business is their only source of income.

The fact that the shebeen is their livelihood traps these families in a cycle of exploitation, and SAB exploits this very niche. The company understands how to make money from the poor. SAB knows that these shebeeners are ‘desperate’ to make their shebeens successful, and they con them into taking up their ‘suggestions’ which are more like demands, such as marketing the company’s brands for free in their shebeens and ordering stock on accounts that they do not

want because the SAB reps say that these enterprises need to promote these brands in their businesses. SAB literally experiments with these shebeeners' money; they gamble with their time and money. SAB demands free marketing from shebeeners for new products that the company has just launched.

On particular days, one family member has to be there to meet the SAB rep and accept stock from owner drivers, who can arrive at midnight. Bab'Nkonyana receives his stock every Wednesday of every week. Owner drivers are supposed to deliver at 11:00 a.m. on these days, but they can arrive at 10:00 p.m. or midnight that day to deliver the stock. Bab'Nkonyana says that if he was in bed already, he would have to wake up and open the shebeen to receive the stock. The cycle of family life is adversely and regularly interrupted by the shebeen. Reproduction of roles and social skills to younger family members are negotiated around the shebeen. There is no other way; it is the only way, as the shebeen is the only source of income in most of these cases.

The formal and the informal economy are linked in a continuum, there is always a constant flow of goods, money and power between these economies. The value chain has proven that boundaries between the 'two economies' are indeed non-existent, there is only one economy which is extremely uneven. On the one end of the continuum, formal enterprises have complete control over the key product and thus exert power over informal enterprises that retail the product. Thus, the economy is asymmetrically dependent. This inequality in the economy has direct consequences for shebeeners, their families and employees across the chain. Workers in the formal economy experience better working conditions due to the position of their company in the value chain. Workers in shebeens are severely exploited and insecure in their employment because their enterprise is the very bottom of the value chain. Only by bargaining for a better position with the lead company shebeens will be better able to compensate themselves and their workers.

## Bibliography

- Adams, N. (2007). Minimum Wage Legislation Illicits Mixed Reaction. *Engen Business School- Big News*. October: 12-13.
- African National Congress (ANC). (2004). Discussion Document: Development and Underdevelopment. Learning From Experience to Overcome the Two-Economy Divide. Retrieved 4 October 2005 from <http://www.anc.org.za>.
- Bailey, J.R.A. and Seftel, A. (1994). *Shebeens Take A Bow*. Lanseria: Bailey's African History Archives.
- Bair, J. (2005). Global Capitalism and Commodity Chains: Looking Back, Going Forward. *Competition & Change*, 9(2): 153- 180.
- Bass, L.E. (2004). *Child Labour in Sub-Saharan Africa*. Boulder: Lynne Rienner.
- Bernard, H.R. (2006). *Research Methods in Anthropology* (4<sup>th</sup> ed.). Lanham: Altamira.
- Bezuidenhout, A. and Cock, J. (2007). Commodity Chains and Corporate Power: Impacts on Employment, Society and the Environment. Unpublished report. Johannesburg: Sociology of Work Unit, University of the Witwatersrand.
- Bonnet, F., Figueiredo, J.B. and Standing, G. (2003). A Family of Decent Work Indexes. *International Labour Review*, 142(2): 215-235.
- Bonner, P. and Segal, L. (1998). *Soweto – A History*. Cape Town: Maskew Miller Longman.
- Burawoy, M. (1985). *The Politics of Production*. London: Verso.
- Burawoy, M. (1998). Extended Case Method. *American Sociological Association*, 16(1): 4-33.
- Burawoy, M., Blum, J.A., George, S., Gille, Z., Gowan, T., Haney, L., Klawiter, M., Lopez, S.H., Riain, S. and Thayer, M. (2000). *Global Ethnography: Forces, Connections and Imaginations in the Postmodern World*. Bekerley: University of California Press.
- Bureau for Economic Research (2008). The contribution of The South African Breweries Limited to the South African economy. Unpublished report commissioned by SAB Ltd.
- Callinicos, L. (1987). *Working Life: Factories, Townships and Popular Culture on the Rand - 1886-1940*. Johannesburg: Ravan.
- Castells, M. and Portes, A. (1989). World Underneath: The Origins, Dynamics, and Effects of the Informal Economy. In *The Informal Economy: Studies in Advanced and Less Developed Countries*, edited by A. Portes, M. Castells and L.A. Benton. Baltimore: John Hopkins University Press.
- Chen, M.A. (2007). Rethinking the Informal Economy: Linkages with the Formal and the Formal Regulatory Environment. DESA Working Paper No. 46. (ST/ESA/2007/DWP/46). Retrieved 13 March 2008 from <http://www.un.org/esa/desa/papers>.
- Community News. (2007). MEC calls for renewal of liquor licence. *Joburg East Express*, November 13.



- De Soto, H. (1989). *The Other Path: The Invisible Revolution in the Third World*. New York: Harper & Row.
- De Soto, H. (2000). *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else*. New York: Bantam.
- Devey, R., Skinner, C., Valodia, I. (2002). *The Informal Economy in South Africa: Who, Where, What and How Much?* Paper presented at the Conference on Labour Markets in South Africa, Johannesburg.
- Devey, R., Skinner, C., Valodia, I. (2003). *Informal Economy Employment Data in South Africa: A Critical Analysis*. Paper presented at the TIPS AND DPRU FORUM, The Challenge of Growth and Poverty: The South African Economy since Democracy, 8-10 September 2003, Johannesburg. Online. Retrieved 13 June 2008 from <http://www.wiego.org/publications/devey%20skinner%20valodia%20Informal%20Economy%20employment%20data%20in%20ZA.pdf>
- Devey, R., Skinner, C., Valodia, I. (2006). The State of the Informal Economy. In *The State of the Nation: South Africa 2005-2006*, edited by Buhlungu, S., Daniel, J., Southall, R. Lutchman, J. Pretoria: HSRC.
- Doke, L. (2008). Swoosh is Coolest *Top Brands*, *Sunday Times*, August 17: 3.
- Dunaway, W.A. (2001). The Double Register of History: Situating the Forgotten Woman and Her Household in Capitalist Commodity Chains. *Journal of World-System Research*, VII(I): 2-29.
- Edwards, I. (1988). Shebeen Queens: Illicit Liquor and the Social Structure of Drinking Dens in Cato Manor. *Agenda*, 3: 75-97. Online. Retrieved 9 September 2008 from <http://www.jstor.org/stable/4065723>.
- Ehlers, T. and Lazenby, K. (2007). *Strategic Management: Southern African Concepts and Cases*. Pretoria: Van Schaik.
- Food and Allied Workers Union (FAWU) and International Labour Organisation (ILO). (2000). High Performance Work Research Project: The South African Breweries, plc. Retrieved 29 July 2008 from <http://www.ilo.org/public/english/employment/skills/workplace/case/case7.htm>.
- Formby, H. (2008). "SABMiller: No small beer empire", in *Financial Mail*, 15 Feb. vol. 195, no.6, pp. 31-38.
- Gauteng Legislature. (2003). *Gauteng Liquor Act*, Act 2 of 2003.
- Gentry, C.S. (2004). A Place of Gathering: Carolina Drink Houses. *Journal of Black Studies*, 34(4): 449- 461. Online. Retrieved 11 September 2008 from <http://www.jstor.org/stable/3180890>.
- Gereffi, G. (1994). The Organisation of Buyer-Driven Global Commodity Chains: How U.S. Retailers Shape Overseas Production Networks. In *Commodity Chains and Global Capitalism*, edited by G. Gereffi and M. Korzeniewicz. Westport and London: Praeger.
- Gereffi, G. (1999). International Trade and Industrial Upgrading in the Apparel Commodity Chain. *Journal of International Economics*, 48: 37-70.
- Gereffi, G., Humphrey, J. and Sturgeon, T. (2005). The Governance of Global Value Chains. *Review of International Political Economy*, 12(1): 78-104. Gereffi, G. and

- Korzeniewicz, M. (eds.). (1994). *Commodity Chains and Global Capitalism*. Westport and London: Praeger.
- Geyser, Y. (2007). Get Measured at SAB. *HR Highway*, July: 6-8.
- Ghai, D. (2003). Decent Work: Concept and Indicators. *International Labour Review*, 146(2):113-145.
- Gillingham, A. (2007). No longer king of the brand castle. *Top Brands, Sunday Times*, August 17: 20.
- Gilmour, C. (2006). Logistics is about efficiency. *Journal of Marketing*, February/March: 22-23.
- Guha-Khasnabis, B., Kanbur, R. and Ostrom, E. (2006). Beyond Formality and Informality. In *Linking the Formal and the Informal Economy: Concepts and Policies*, edited by B. Guha-Khasnabis, R. Kanbur and E. Ostrom. New York: Oxford University Press.
- Hammersley, M. and Atkinson, P. 1995. *Ethnography: Principles in Practice* (2<sup>nd</sup> ed.). London: Routledge.
- Hart, K. (2006) Bureaucratic Form and the Informal Economy. In *Linking the Formal and the Informal Economy: Concepts and Policies*, edited by B. Guha-Khasnabis, R. Kanbur and E. Ostrom. New York: Oxford University Press.
- Hart, K. (2007). The Urban Informal Economy in Retrospect. *Habitat Debate*: Special Issue on the Informal Economy.
- Hove, S.R. (2000). The Challenges to South African Breweries Posed by Competition, Liquor Policy and Legislation. Unpublished report. University of the Witwatersrand, Johannesburg.
- Humphrey, J. and Schmitz, H. 2000. Governance in Global Value Chains. Retrieved 20 December 2008 from [www.inti.gov.ar/candenasdevalor/HumphreySchmitz.pdf](http://www.inti.gov.ar/candenasdevalor/HumphreySchmitz.pdf).
- ILOLEX Database of International Labour Standards. (2008). *Ratification of the Fundamental Human Rights Conventions by Country in Africa, International Labour Organisation*. Online. Retrieved 20 April 2008 from <http://www.ilo.org/ilolex/English/docs/declAFpr.htm>.
- International Labour Organisation (ILO). (2005). *Rules of the Game: A Brief Introduction to Labour Standards*. Geneva: International Labour Organisation.
- Kaplinisky, R. and Morris, M. (2001). *A Handbook for Value Chain Research*. Ottawa: The International Development Research Centre. Online. Retrieved 17 July 2008 from <http://www.inti.gov.ar/candenasdevator/manualparainvestigation.pdf>.
- Light, I. and Karageorgis, S. (1994). The Ethnic Economy. In *Handbook of Economic Sociology*, edited by N.J. Smelser and R. Swedberg. New Jersey: Princeton University Press.
- Lund, F. and Nicholson, J. (2006). *Tools for Advocacy: Social Protection for Informal Workers*. Thailand: WIEGO and Homenet.
- Mager, A. (1999). The First Decade of 'European Beer' in Apartheid South Africa: The State, the Brewers and the Drinking Public, 1962-77. *The Journal of African History*, 40(3): 367-388. Online. Retrieved 3 July 2008 from <http://www.jstor.org/stable/183619>.

- Mager, A. (2004). White Liquor Hits Black Livers: Meanings of Excessive Liquor Consumption in South Africa in the Second Half of the Twentieth Century. Retrieved 8 August 2008 from [http://www.sciencedirect.com/science?\\_ob=ArticleURL&\\_udi=B6VBF-4BM69R22&\\_user=1378557&\\_rdoc=1&\\_fmt=&\\_orig=search&\\_sort=d&view=c&\\_version=1&\\_urlVersion=0&\\_userid=1378557&md5=d266490566603e0939927ccb4c15a272](http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6VBF-4BM69R22&_user=1378557&_rdoc=1&_fmt=&_orig=search&_sort=d&view=c&_version=1&_urlVersion=0&_userid=1378557&md5=d266490566603e0939927ccb4c15a272).
- Mager, A. (2005). 'One Beer, One local, One Nation, One Soul': South African Breweries, Heritage, Masculinity and Nationalism 1960-1999. Past and Present Society. *Project Muse*, 188: 163- 194.
- Mawson, N. (2007). Profit on tap, on right side of the law. *Business Day*, July 2: 7.
- Moerdyk, S. (2008). How this survey was compiled. *Top Brands, Sunday Times*, August 17: 3.
- Mosoetsa, S. (2005). Urban livelihoods and intra-household dynamics : the case of Mpumalanga and Enhlalakahle townships, KwaZulu-Natal, South Africa. Unpublished report. University of the Witwatersrand, Johannesburg.
- Mueller, A.W. (2005). A Value Chain Analysis of Cardboard Collection in Inner City Durban, South Africa. Unpublished report. University of KwaZulu-Natal, Durban.
- Ndebele, G. (2007). There's a Fly in This Soup. *Sunday Times, Metro*, December 9: 1-2.
- Neuman, W. L. (2000). Social Research Methods: Qualitative and Quantitative Approaches. Boston: Allyn and Bacon.
- Obregon, A.Q. (1980). The Marginal Pole of the Economy and the Marginal Labour Force. In *The Articulation of Modes of Production: Essays from Economy and Society*, edited by H. Wolpe. London: Routledge & Kegan Paul.
- Philip, T. K. (2006). Enterprise Development on the Margins: Making Markets work for the Poor? Unpublished report. University of the Witwatersrand, Johannesburg.
- Phitidis, K. (2007). *SAB Case Study for the Sustainable Business Handbook* (4<sup>th</sup> ed.). Retrieved 5 November 2008 from <http://www.socialinnovations.co.za/Downloads/SAB%20case%20study.pdf>.
- Portes, A. (1994). The Informal Economy and Its Paradoxes. In *Handbook of Economic Sociology*, edited by N.J. Smelser and R. Swedberg. New Jersey: Princeton University Press.
- Prahalad, C.K. (2006). *The Fortune at the Bottom of the Pyramid*. Upper Saddle River: Wharton School.
- Prahalad, C.K. and Hart, S. (2002). The Fortune at the Bottom of the Pyramid: Strategy and Business. In *The Fortune at the Bottom of the Pyramid*, edited by C.K. Prahalad. Upper Saddle Rive: Wharton School.
- Reality Research Africa. (2004). *Study of the liquor industry in South Africa*. Unpublished: Report prepared for the Department of Trade and Industry.
- Reid, T. (2007). Wolfowitz Resigns Over Girlfriends' Pay Rise, *Times*, May 18. Retrieved 1 February 2008 from [http://www.timesonline.co.uk/tol/news/world/us\\_and\\_americas/article1805960.ece](http://www.timesonline.co.uk/tol/news/world/us_and_americas/article1805960.ece).
- Republic of South Africa. (1997). *Basic Conditions of Employment Act*, Act 75 of 1997. Pretoria: Government Printer.

- Republic of South Africa, Department of Labour (DoL). (2007). Basic Conditions of Employment Act, No. 75 of 1997: Sectoral Determination 14: Hospitality Sector, South Africa Regulation Gazette, No. 8685. *Government Gazette* Vol. 503, No. 29885. Pretoria: DoL.
- Rogerson, C. (2000). *SMME Infrastructure and Policy in South Africa*. In *Infrastructure Mandate for Change 1994-1999*, edited by Khosa, M. Pretoria: Human Sciences Research Council (HSRC).
- Rosnow, R.L. and Rosenthal, R. (1996). *Beginning Behavioural Research*. Englewood Cliffs, NJ: Prentice Hall.
- SABMiller plc. (2007). *Annual Report - 2007*. Sandton: SABMiller.
- SABMiller plc. 2008a. *Annual Report – 2008*. Sandton: SABMiller.
- SABMiller. 2008b. *Fact Sheet 2008: From Informal to Formal*. Sandton: SABMiller.
- Samodien, L. and Kalipa, S. (2007). New law will drive shebeens underground. *Cape Argus*. Online edition. Retrieved 22 July 2007 from [http://www.iol.co.za/index.php?set\\_id=1&click\\_id=15&art\\_id=vn20070722083818334C430086](http://www.iol.co.za/index.php?set_id=1&click_id=15&art_id=vn20070722083818334C430086).
- Singleton, R.A., Straits, B.C. and Miller Straits, M. (1993). *Approaches to Social Research* (2<sup>nd</sup> edition). Oxford: Oxford University Press.
- Skinner, C. (2002). *Understanding Formal and Informal Economy Labour Market Dynamics: A Conceptual and Statistical Review with Reference to South Africa*. CSDS Research Report (50). Durban: School of Development Studies (Incorporating CSDS), University of Natal.
- Smith, J., Wallerstein, I. (1992). Households as an Institution of the World-Economy. In *Creating and Transforming Households*, edited by Smith, J., Wallerstein, I. Cambridge: Cambridge University Press.
- Smith, J., Wallerstein, I. (1992). Core-periphery and Household Structures. In *Creating and Transforming Households*, edited by Smith, J., Wallerstein, I. Cambridge: Cambridge University Press.
- South African Breweries Limited (SAB). (2006). *Submissions to the Gauteng Liquor Board*. Sandton: Legal documentations emailed to the Gauteng Liquor Board by SAB in 2006.
- South African Breweries Limited (SAB), Communications Department - Corporate Affairs. (2007). *A Quick Guide to the South African Breweries Limited - Pamphlet*. Sandton: SAB.
- Standing, G. (1997). Globalisation, Labour Flexibility and Insecurity: The Era of Market Regulation. *European Journal of Industrial Relations*, 3, 1, 7-37.
- Standing, G., Sender, J. and Weeks, J. (1996). *Restructuring the Labour Market: The South African Challenge*. Geneva: International Labour Organisation.
- Strydom, J.F. (1985). Privatisation and the Sorghum Beer Industry. Unpublished report. University of the Witwatersrand, Johannesburg.
- Suggs, D.N. (1996). Mosadi Tshwene: The Construction of Gender and the Consumption of Alcohol in Botswana. *American Ethnologist*, 23(3): 597- 610. Online edition. Retrieved 11 September 2008 from <http://www.jstor.org/stable/646354>.

- Tomlison, M. (2007). *Are title deeds a silver bullet for accessing credit?* Graduate School of Public and Development Management (P&DM) and Development Bank of Southern Africa (DBSA) Occasional Paper Series No. 1. Johannesburg: P&DM and DBSA.
- Van Onselen, C. (1976). *Randlords and Rotgut 1886-1903. Oxford History Workshop: A Journal of Socialist Historians.*
- Van Onselen, C. (1982). *Studies in the Social and economic History of the Witwatersrand 1886-1914.* Johannesburg: Ravan.
- Von Holdt, K. (2005). 'Saving Government from Itself': Trade Union Engagement with the Restructuring of Spoornet. In *Beyond the Apartheid Workplace: Studies in Transition*, edited by K. von Holdt and E. Webster. Pietermaritzburg: University of KwaZulu-Natal Press.
- Von Holdt, K. and Maserumule, B. (2005). After Apartheid: Decay or Reconstruction in a Public Hospital?. In *Beyond the Apartheid Workplace: Studies in Transition*, edited by K. von Holdt and E. Webster. Pietermaritzburg: University of KwaZulu-Natal Press.
- Von Holdt, K. and Webster, E. (2005). Work Restructuring and the Crisis of Social Reproduction: A Southern Perspective. In *Beyond the Apartheid Workplace: Studies in Transition*, edited by K. von Holdt and E. Webster. Pietermaritzburg: University of KwaZulu-Natal Press.
- Wallerstein, I., Hopkins, T. K. (1982). *World-systems Analysis: Theory and Methodology.* Beverly Hills: Sage.
- Weber, M. (1978). Chapter XI: Bureaucracy. In *Economy and Society*, Vol. II, edited by G. Roth and C. Wittich. Berkeley: University of California Press.
- Webster, E. (2005). New Forms of Work and the Representation Gap: A Durban Case Study. In *Beyond the Apartheid Workplace: Studies in Transition*, edited by K. von Holdt and E. Webster. Pietermaritzburg: University of KwaZulu-Natal Press.
- Webster, E., Bezuidenhout, A, Buhlungu, S. (2006). *Work and Organisations.* Cape Town: Oxford University Press.
- Webster, E., Buhlungu, S. and Bezuidenhout, A. (2003). *Work and Organisations.* Cape Town: Oxford University Press.
- Webster, E., Lambert, R., Bezuidenhout, A. (2008). *Grounding Globalisation: Labour in the Age of Insecurity.* Oxford: Blackwell Publishing.
- Wield, D. and Chattaway, J. (2000). Unemployment and Making a Living. In *Poverty and Development in the 21<sup>st</sup> Century*, edited by T. Allen and A. Thomas. Oxford: Oxford University Press and The Open Society.
- Wolcott, H.F. (1999). *Ethnography: A Way of Seeing.* Walnut Creek: Altamira.
- Wolpe, H. (1980). *Introduction.* In *The Articulation of Modes of Production: Essays from Economy and Society*, edited by H. Wolpe. London: Routledge & Kegan Paul.

### **South African Breweries Interviews**

SAB Interview 1. 22 August 2007, took place at SAB Headquarters in Sandton.

SAB Interview 2. 26 October 2007, took place at SAB Headquarters in Sandton.  
SAB Interview 3. 2 November 2007, took place at SAB Headquarters in Sandton.  
SAB Interview 4. 2 November 2007, took place at SAB Headquarters in Sandton.  
SAB Interview 5. 14 November 2007, took place at SAB Soweto Depot in Southgate.  
SAB Interview 6. 20 November 2007, took place at SAB Soweto Depot in Southgate.  
SAB Interview 7. 26 November 2007, took place at SAB Alrode Brewery in Alberton.  
SAB Interview 8. 26 November 2007, took place at SAB Alrode Brewery in Alberton.  
SAB Interview 9. Lenny Ndlovu, 2 October 2008 at SAB Gauteng Regional Office in Isando.  
SAB Interview 10. Joshua Mnandi, October 2008 at SAB Gauteng Regional Office in Isando.

NAMES CHANGED TO RESPECT CONFIDENTIALITY OF RESPONDENTS

### **Tavern Interviews**

Tavern 1- Interviews - 23 August 2007  
Tavern 2- Interviews - 27 August 2007  
Tavern 3- Interviews - 7 September 2007  
Tavern 4- Interviews - 14 September 2007  
Tavern 5- Interviews – 14 September 2007  
Tavern 6- Interviews – 14 September 2007 and 20 January 2008  
Tavern 7- Interviews – 17 September 2007  
Tavern 8- Interviews- 21 September 2007

### **Liquor Board Interviews**

Liquor Board Interview 1- 4 October 2007, in their offices, Johannesburg.  
Liquor Board Interview 2- 4 October 2007, in their offices, Johannesburg.

### **Shebeens where participant observation took place from August to October 2008**

Mangena's Pub in Dobsonville, worked for 16 days in the shebeen.  
Bab'Nkonyana's Shebeen in Silvertown (sometimes referred to as Snake Park in the text), worked for 10 days.  
MamLouisa's shebeen in Dlamini, worked 7 days.

NAMES CHANGED TO RESPECT CONFIDENTIALITY OF RESPONDENTS

## **Appendices**

## **Appendix 1**

### Liquor Acts

Liquor Act No. 30 of 1928

*(C) Supply to Natives, Asiatics and Coloured Person*

#### **Native Prohibition.**

94. Save as is otherwise specially provided by this Act, no person shall supply or deliver any liquor to any native, and no native shall obtain or be in possession of, any liquor: Provided that save in any area proclaimed by the Governor-General as an area to which this proviso shall not apply, a native may on written order dated and signed by his *bona fide* employer, and setting forth in legible characters such employer's full name and address, obtain the delivery of liquor for conveyance to such employer, if such employer is not a person to whom it is unlawful to supply liquor.

#### **Restriction in Transvaal, Orange Free State and Natal.**

95. Save as is otherwise provided in this Act –

(a) in the Provinces of the Transvaal and Orange Free State no person shall sell or supply or deliver to any Asiatic or coloured person, and no Asiatic or coloured person shall obtain or be in possession of liquor; and

(b) in the province of Natal no Asiatic shall be supplied with or obtain liquor save for consumption on premises licensed under this Act for the sale of thereof, or be in possession of liquor off such premises:

Provided that save in any area proclaimed by the Governor-General as an area to which this proviso shall not apply, an Asiatic or coloured person may on a written order dated and signed by his *bona fide* employer and setting forth in legible characters such employer's full name, and address, obtain the delivery of liquor for conveyance to such employer, if such employer is not a person to who, it is unlawful to supply liquor.



### **Supply of Liquor Native, Asiatic, or Coloured Employees by Employers.**

96. (1) Save as provided in sub-sections (2) and (3) and in section *one hundred and twenty-seven* no person shall supply any liquor or kaffir beer to any native, Asiatic or coloured person in his employment, whether such supply be given gratis or purports to be, or is in fact, given as, or as supplementing, the employee's wages or remuneration, or as a reward, and whether or not there exists under this Act or under its authority any prohibition or restriction in respect to the supply of liquor or kaffir beer to such employee.

(2) In the Province of the Cape of Good Hope any adult *bona fide* employing in farming operations any native, Asiatic or coloured person, being a male of or over the age of twenty-one years, may on any one day supply gratis to such native, Asiatic or coloured person one and one-half pints of unfortified wine or..." (Republic of South Africa, 1928: 507).

Many amendments to the liquor act were made following this Act:

"Liquor Act, No. 30 of 1928, as amended by Acts No. 41 of 1934, No. 46 of 1935, No. 39 of 1937, No. 20 of 1943, No. 38 of 1945, War measure No. 59 of 1946, Acts No. 14 of 1951, No. 5 1952, No. 12 of 1954, No. 62 of 1955, No. 35 of 1956, No. 61 of 1956, No. 58 of 1957, No. 72 of 1961, No. 63 of 1962, No. 88 of 1963, No. 85 of 1964, No. 6 of 1965, No. 70 of 1965, No. 98 of 1965, No. 62 of 1966, No. 70 of 1968, No. 23 of 1969, No. 17 of 1970, No. 92 of 1970, No. 80 of 1971, No. 102 of 1972, No. 62 of 1973, No. 94 of 1974, No. 56 of 1975, No. 58 of 1975 and No. 44 of 1977.

Liquor Act, No.87 of 1977, as amended by Acts No. 82 of 1978, No. 55 of 1979, No. 48 of 1980, No. 117 of 1981, No. 61 of 1983, No. 57 of 1984, No. 31 of 1985, No. 12 of 1986, No. 97 of 1986, No. 50 of 1987, No. 9 of 1989. This Act was repealed by the Liquor act No. 27 of 1989.

Liquor Act No. 27 of 1989, amended by acts No. 60 of 1989, No. 44 of 1993, No. 105 of 1993 and No. 57 of 1995. This Act was repealed the Liquor Act No. 59 of 2003.

“The Liquor Act, No. 59 of 2003 establishes national norms and standards in order to maintain economic unity within the liquor industry; provides for essential national standards and minimum standards required for the rendering of services; and provides for measures to promote co-operative government in the area of liquor regulation” from the Preliminary Note of Statutes of the Republic of South Africa- Intoxicating Liquor.

## Appendix 2

### Trading hours of different licences

Type of Licence	Trading Hours
Catering or Occasional licence	10:00-02:00
Club licence	10:00-02:00
Dance Hall licence	10:00-02:00
Gaming licence	10:00-02:00
Hotel liquor licence	10:00-04:00
Night club licence	18:00-02:00
Pool club licence	10:00-02:00
Pub licence	10:00-02:00
Restaurant licence	10:00-02:00
Shebeen Permit	10:00-02:00
Sorghum Beer licence (on-consumption)	10:00-02:00
Sports ground licence	10:00-02:00
Tavern licence	10:00-02:00
Theatre licence	10:00-02:00
Grocer's wine licence	08:00-20:00      Sundays:09:00-15:30
Liquor Store licence	08:00-20:00      Sundays:09:00-15:30
Micro-manufacturer's licence	08:00-20:00      Sundays:09:00-15:30
Sorghum Beer licence (off-consumption)	08:00-20:00      Sundays:09:00-15:30
Wholesale licence	08:00-20:00      Sundays:09:00-15:30

Table adopted from the Gauteng Liquor Act of 2003:

[www.finance.gpg.gov.za/NewTradingHours.html](http://www.finance.gpg.gov.za/NewTradingHours.html)

### Appendix 3

#### The old and the new view of the informal economy

Old view	The new view
The informal sector is the traditional economy that will wither away and die with modern industrial growth.	The informal economy is ‘here to stay’ and expanding with modern industrial growth
It exists separately from the formal economy.	It is linked to the formal economy – it produces for, trades with, distributes for and provides services to the formal economy.
It is only marginally productive.	It is a major provider of employment, goods and services for low-income groups. It contributes a significant share of GDP.
It represents a reserve pool of surplus labour.	Much of the recent rise in informal employment is due to the decline in formal employment or to the informalisation of previously formal employment relationships.
It is comprised mostly of street traders and very small-scale producers.	It is made up of a wide range of informal occupations - both ‘resilient old forms’ such as casual day labour, in construction and agriculture as well as ‘emerging new ones’ such as temporary and part-time jobs plus homework for tech industries.
Most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation.	It is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation, and most informal wage workers would welcome more stable jobs and workers’ rights.
Work in the informal economy is comprised mostly of survival activities and thus is not a subject for economic policy.	Informal enterprises include not only survival activities but also stable enterprises and dynamic growing businesses, and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.

Adopted from Chen (2007).

## Appendix 4

### South African Breweries (SAB) fridges in a shebeen



## Appendix 5

### Decent Work Index Questionnaire

***Introduction:*** I am a student from the University of the Witwatersrand. I am doing research on the kind of work that you do and what your working conditions are. This interview is voluntary and you can stop me at any point during the interview if you wish to do so. The information that you share with me will be kept confidential and anonymous.

**Respondent's name:** \_\_\_\_\_

**Date and place:** \_\_\_\_\_

#### 1. *Employment history*

1.1) What is your job? \_\_\_\_\_

1.2) How long have you been doing this job for? \_\_\_\_\_

1.3) Where have you worked before and for how long? \_\_\_\_\_

---

---

---

---

---

---

---

1.4) When have you been unemployed and looking for a job, and for how long?

---

---

---

---

## 2. *Demographics*

2.1) Race (by sight): \_\_\_\_\_

2.2) Gender (by sight):

Female	
Male	

2.3) Age: \_\_\_\_\_

2.4) Education level:

Primary	
Secondary (until Std 8)	
Secondary (matric)	
Tertiary	

2.5) Where do you live?: \_\_\_\_\_

2.6) Where were you born?: \_\_\_\_\_

2.7) What is your home language? \_\_\_\_\_

### 3. *Labour Market Security*

3.1) 3.1.1) How difficult is it to get a job like yours?

Easy	
Difficult	

LMS 1 ☐

3.1.2) Why? \_\_\_\_\_

---

---

### 4. *Employment Security*

4.1) 4.1.1) Would it be easy to lose your job?

Yes	
No	

ES 1 ☐

4.1.2) Why? \_\_\_\_\_

---

---

---

4.2) 4.2.1) Do you have a contract of employment?



Written	
Verbal	
None	

ES 2□

4.2.2) If you do have a contract, what does it say? \_\_\_\_\_

---



---

### 5. *Job Security (career)*

5.1) 5.1.1) Do you think you have a good future in this job?

Yes	
No	

JS 1□

5.1.2) Why? \_\_\_\_\_

---



---



---

5.2) 5.2.1) Have you increased your income over the last five years?

Yes	
No	

JS 2□

5.2.2) How? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

5.3) 5.3.1) How easy is it for someone else to take over your job?

Easy	
Difficult	

JS 3□

5.3.2) Why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## 6. *Work Security*

6.1) 6.1.1) Do you feel safe at work?

Yes	
No	

WS 1□

6.1.2) Why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6.1.2) Are there any regulations that make it safer? \_\_\_\_\_

---

---

6.1.3) 6.1.3.1) Does the work you do have any negative effect on your health?

Yes	
No	

WS 2 ☐

6.1.3.2) If yes specify. \_\_\_\_\_

---

---

6.1.4) 6.4.1.1) Are there limits on your working hours?

Yes	
No	

WS 3 ☐

6.4.1.2) Specify \_\_\_\_\_

---

---

6.4.1.3) Do you work at night?

Yes	
No	

WS 4 ☐

7. *Skills Reproduction Security*

7.1) 7.1.1) Did you get formal training for this job?

Yes	
No	

SRS 1 ☐

7.1.2) Elaborate: \_\_\_\_\_

---

---

7.2) Could you use your skills in this job for another job?

Yes	
No	

SRS 2 ☐

7.3) Are there opportunities to increase your skills?

Yes	
No	

SRS 3 ☐

## 8. *Representation Security*

8.1) 8.1.1) Are there any organisations that represent your work interests?

Formal	
Informal	
None	

SRS 4 ☐

8.1.2) Elaborate \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

### 9. *Income Security*

9.1) 9.1.1) Do you earn the same amount of money monthly?

Yes	
No	

IS 1 ☐

9.1.2) If not, why? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_ 9.2)

Is there a minimum wage for your work?

Yes	
No	

IS 2 ☐

9.3) How much money do you make a week for this job? \_\_\_\_\_

9.4) What hours do you work a week? \_\_\_\_\_

IS 3 ☐

9.4) Do you have any benefits?:

-End of year bonus

-Medical aid

-Funeral benefits

-Pension fund

-Long leave: sick leave, paid leave

-Housing subsidy

-Transport allowance

-Other: \_\_\_\_\_

IS 4 ☐

9.5) 9.5.1) Do you feel relatively well off compared to other people living and working around you?

Yes	<input type="checkbox"/>
Same	<input type="checkbox"/>
No	<input type="checkbox"/>

IS 5 ☐

9.5.2) Why? \_\_\_\_\_

\_\_\_\_\_

9.6) 9.6.1) How many people are dependent on you? \_\_\_\_\_

9.6.2) Elaborate \_\_\_\_\_

\_\_\_\_\_

IS 6 ☐

9.7) How many people living with you, other than yourself, have an income?

---

9.8) 9.8.1) Is there any way that you increase your household income?

Yes	<input type="checkbox"/>
No	<input type="checkbox"/>

IS 7 ☐

9.8.2) How? (E.g. Renting out rooms, growing vegetables, taking on other jobs)

---

---

9.8.3) How much money do you earn from this extra income? \_\_\_\_\_

---

9.9) Which social grants do you or the people living with you receive? \_\_\_\_\_

---

\_\_\_\_\_ 10.

*Improving work conditions*

10.1) Which of your work conditions could improve and how? \_\_\_\_\_

---

---

10.3) Has there ever been an inspector from the Department of Labour coming to your workplace to check on your working conditions?

Yes	
No	