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Study finds group does not promote local economic development.

FOOD and furniture retailer the Shoprite Group has been rapped on the knuckles by nongovernmental organisation Bench Marks Foundation for running outlets that do not give back to the local economy.

CEO John Capel said this week that a study in Malawi, Swaziland and Zambia last year found Shoprite was not promoting local economic development.

It was found that Shoprite jeopardised local businesses, did not include local farmers in its supply chain, was doing well on HIV/AIDS projects, underpaid staff and did not report on social investment projects in Southern African Development Community countries other than SA.

"Shoprite must go beyond the soup kitchens and Women of the year awards. These are just public relations exercises," said Capel.

The Bench Marks Foundation is an ecumenical agency set up to serve churches and monitor corporate conduct. Archbishop Desmond Tutu launched the Foundation in 2001, and an office was established in 2003.

Capel said that in Zambia, for example, state-owned stores went out of business when Shoprite moved in as they could not compete, resulting in next to no net jobs being created.

In the countries surveyed, particularly in Zambia, local farmers and producers complained about Shoprite, and said they were losing out to big supermarket chains.

The farmers alleged that this was because either they did not meet Shoprite supply standards or they could not compete with Shoprite imports. Sustainable economic development was not taking place, leaving host communities angry and poor.

The study also alleged that Shoprite paid wages far below what was required for staff to survive. "If they are paying such low wages, how are they contributing to the sustainability of that economy?"

Capel accused the company of casualisation, saying it was "just a matter of language". He said labour regulations were implemented according to the law of the land, but standards were well below those of SA's labour laws.

The report found that local producers were not supported. Of the 19 breakfast cereals found on shelf in Zambia, 14 were from SA, and 10 of the 13 baby foods were also from SA.

The foundation's concern was that if all the profits were repatriated to SA, the company was not aiding sustainable economic growth, "which goes to the heart of being responsible corporate citizens", said Capel.

He said Shoprite entered a country, offered lower prices and paid less in wages, but "what are they actually contributing to the growth of countries"?

Shoprite owns Shoprite Checkers supermarket group, which has 385 Shoprite supermarkets, 129 Checkers supermarkets, 24 Checkers Hypers and 139 Usave.

Bench Marks chairman Bishop Jo Seoka said the foundation wanted to see "a demonstration of corporate governance policies that balance the interests of managers, employees and shareholders with those of communities and are based on ethical values such as inclusivity, integrity, honesty, justice and transparency".

Capel said the Bench Marks did not have easy access to staff, which limited the study and meant in some cases that only former employees could be interviewed. So the examples in Swaziland and Malawi were smaller than that of Zambia.

Shoprite, however, questioned the "methodology of the research and the scientific value thereof".

A spokesman said "some of the comments are based on assumptions, and are not based on thorough research".

"The fact that the result of the research is based on interviews with ex-employees brings the scientific objectivity of the research in question."

Shoprite said the company had been commended for placing great emphasis on HIV/AIDS awareness and its efforts to combat discrimination and stigmatisation of employees infected and affected by the epidemic.

Capel said while Shoprite had improved its stance on HIV/AIDS, it could do more in that area. Previously, initiatives had come from outside groups, he said.

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