Proposal for the Research Programme on an Integrated Approach to Unemployment and Employment in South Africa

Mapping the distribution of risk, value and power in retail supply chains: the implications for job creation.

(Proposal for the R25 000 incentive grant)

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1.   **The Topic**

    Title: Mapping the distribution of risk, value and power in retail supply chains: the implications for job creation.

The proposed research paper aims to contribute to the following research question, which has been identified by the Research Programme as one of its research focus areas.

    The optimal role of labour market regulation and other employment-related policies in the formal *and* informal economies, specifically: **Labour market institutions: what should which institution do?** I am interested in **Private sector preferential procurement** (pt 3 (e) of proposal).

The topic of the proposed research paper addresses the policy challenge of determining the appropriate regulatory responses to stimulate small businesses to create jobs. Several regulatory initiatives (such as B-BBEE Act and Codes of Good Practice; Competition and Procurement legislation and regulations) aim to facilitate 'effective', 'meaningful' participation by small businesses and 'equitable redistribution of income' in local supply chains. The research paper will be based on empirical work and aims at mapping the distribution of risk, value and power in retail supply chains.

The agri- and fine food sectors lend themselves to the inclusion of unskilled workers as the barriers to becoming factory workers are low, and these sectors are characterised by new (SMME) market entrants. I intend to examine the terms on which Small, Medium and Micro Enterprises (SMMEs) are included in retail supply chains in these two sectors - the distribution of power, gains, costs and risks - and, using the optic of the ILO's 'decent work' agenda, the kind of work SMMEs generate for unskilled, marginalised people. In other words, do the above-mentioned market institutions facilitate substantive participation by SMMEs (and indirectly by their workers) in the formal economy, as envisaged?

2.   **Data and Research methods**

The research paper will include both a desk-based literature review, as well as analysis of an empirical study.

2.1.   **Literature review**

The research paper will contextualise the study within a discussion of the South African (food) retail sector in the global context and examine the global and national legal/institutional matrix within which supply chains are operate.

The main theoretical lens of the paper will be value chain analysis (VCA). Value chain analysis (VCA) is (a) a methodological approach to understand the international division of labour that is characteristic of the new global economic order, and (b) an analytical tool whereby a particular supply or value chain is analysed from the inception of a product until its final destination, to map the relationships between different actors in the chain, the governance structures, the

distribution of value added (and extracted) by each firm and the distribution of power among firms.

'Global' references the spatial character of value chains – different links to the chain are frequently spread over the globe – and serves as a reminder that national supply chains are usually embedded in global value chains (sturgeon 2008) 'Value' represents both the processes that create value at each link in the chain and how this value is distributed in the chain, in other words, which actors appropriate what share of the value created (Gibbon et al 2008) The second facet is deeply imbricated within the governance structure of the particular chain and the market power of the respective actors.

'Governance' is a particular focus area for GVC scholarship. In broad terms, value chain governance theory is concerned with analysing the power relationships in chains, which 'determine how financial, material, and human resources are allocated and flow within a chain' (Gereffi et al in Bair 2005). Specifically, it refers to three aspects of the relationship between firms: (1) who decides which products should be produced, the buyer or the producer? (2) how should products be produced – that is, what are the terms of production, including the industry standards or specifications, environmental standards and working conditions that are incorporated into the supply agreement? And (3) how the value that is added should be distributed?

Key to a discussion of governance is an analysis of power relations. As GVC empirical studies show, the market power of the lead firm is often such that it structures the entire value chain and undermines the autonomy of other firms in the value chain , including that of suppliers. The suppliers' circumscribed autonomy may impact on the type(causal/permanent/part-time/full-time) of work generated and the attendant rights and benefits for its workers.

I am particularly interested in CVC theorists that adopt a political economy perspective and who explore the mutual constitutive relationship between corporations and institutions, (such as regulatory systems, governance commitments by corporations, consumer pressure for ethical trade, but also commercial incentive structures).

2.2. Empirical study

The empirical study will include interviews with 25-40 suppliers who supply large retailers with agri- or fine food products, interviews with retailers and ethnographic data.

Sample of suppliers

The sample will include members of the Western Cape Fine Food Initiative, as well as suppliers identified by retailers. Suppliers are likely to be in the Western Cape unless funding is secured to cover travel and accommodation costs associated with interviewing suppliers in other regions of South Africa. Skype interviews will be explored. Snow Balling will be relied on as a method to identify suppliers, as suppliers identify other suppliers.

Survey instrument and nature of analysis

The centre for Actuarial and Statistical Services at the University of Stellenbosch (the Centre) has agreed to provide support for the statistical analysis of data. The survey questionnaire will be checked with the Centre prior to piloting it. The survey instrument will be a semi-structured questionnaire, which will allow for both quantitative and qualitative analysis. The Centre will assist with quantitative analysis - both with descriptive statistics and with correlations.

Stages of research

In broad terms, I envisage the following stages for the empirical work:

- Design of questionnaire (based on prior interviews with suppliers and in consultation with the Centre);
- Submission to the ethics committee in the Law Faculty, UCT (where I am based)
- Piloting questionnaire
- Interviews
- Data capture
- Analysis of data

3. Expected outputs

The expected output is two-fold: A journal article published in a peer-reviewed journal, as well as forming he basis for a doctoral thesis, "Corporations as 'private governments': Toward new forms of governance in South African supply chains".

4. Time-frame/sequencing and prioritisation

Apart from designing the questionnaire and seeking ethical clearance, I will only start on this research in August 2013. I have a full-time teaching load and plan to submit a second proposal to the Research Programme on an Integrated Approach to Unemployment and Employment in South Africa relating to 'a critical review of policy initiatives in the post-apartheid period with regard to employment generation and the persistence of unemployment'. I propose to submit the critical review of policy initiatives to a journal sometime in 2013 (depending on whether the proposal is accepted) and to start the field work for this research paper in August 2013 and submit a paper to a journal by latest November 2014.

5. Other funding

I have no other funding for this research at the moment. As I will be on unpaid sabbatical from July 2014, I will need to apply for other funds to enable me to do the field work.