

# THE CONTRIBUTION OF DUTCH PRIVATE ENTERPRISES TO LOCAL EMPLOYMENT GENERATION IN SOUTH AFRICA

---

*The role of Dutch enterprises in local employment generation in light of worldwide growing pressure for responsible business practices*



Marlise van der Plas - 3846415

August 2013

Msc International Development Studies – Utrecht University

Supervisor: Prof. Dr. Annelies Zoomers

## TITLE PAGE

---

Master Thesis International Development Studies

By Marlise van der Plas

20 August 2013

Student number: 3846415

E-mail: m.vanderplas@hotmail.com

University Utrecht, Geography Department

Msc International Development Studies

Supervisor: Prof. Dr. Annelies Zoomers

Host organisation: SANEC, Johannesburg



## ACKNOWLEDGMENTS

---

This thesis is the end result of six months of reading, travelling, interviewing, analysing, writing and re-writing in South Africa and in the Netherlands. I had the pleasure and luck to spend my four months in South Africa in the two amazing but very different cities of Johannesburg and Cape Town. It has been an interesting and fun experience, but I am very glad and proud that it is done.

This thesis looks at the contribution of Dutch private enterprises to local development in South Africa. It aims to examine the importance of responsible business practices in developing countries. An important question to pose is whether responsible business practices can ensure a more equal distribution of resources instead of the current growing worldwide inequalities.

I would like to thank my friends and family for their support and advice during this experience and for their belief in me during the finalisation of this thesis. Most of all, I have to thank them for offering me tempting distractions during a warm summer, which have introduced me to new dimensions of procrastination and discipline which I had not met before. Special thanks also goes out to Ine Cottyn and Sanne van Laar, who have been of great help in South Africa both in the start-up and during the research. I would also like to thank my supervisor Annelies Zoomers for her critical and honest feedback.

Last but opposite from least, I would like to thank the respondents of this research who granted me their time and personal stories, which made this thesis into what it is today. The people in South Africa have surprised me with such haste-free friendliness and openness which I experienced as a pleasant deviation from the world at home. This research has taught me to think critically about certain issues and most of all it has taught me that there are always multiple sides to one story. The last six months were a combination of a lot of fun and hard work during which I have learned a lot about myself, South Africa and many more useful and not-so-useful issues. I hope this thesis mostly covers the useful ones.

Thanks and enjoy the read!

Marlise van der Plas

## EXECUTIVE SUMMARY

---

In the last years, the importance and effects of official development assistance have been largely debated. More belief is being placed on the private sector in meeting current developmental challenges. Globalisation has ensured that developing countries are increasingly becoming part of global value chains. Foreign investors can stimulate local development in various ways, as employment generation, technology transfers and knowledge sharing. Globalisation has simultaneously increased consumer awareness on the origin of their products. This has led to a growing popularity of the notion of Corporate Social Responsibility (CSR). CSR of enterprises can contribute to local, sustainable development by considering the natural and social environment in which they operate.

South Africa has experienced rapid growth since the ending of the apartheid era. However, this rapid growth has been matched with an increase in inequality levels. In post-apartheid South Africa, the government is determined to redress historical imbalances and is also quite strongly involved in the regulation of the private sector. However, a large part of the population still lags behind and poverty is especially widespread in rural areas. The agricultural sector holds great potential in providing employment and food security in the country. Nevertheless, a recent wage increase of 52% has greatly driven up labour costs, and enterprises have to work hard to maintain their competitive position.

This thesis aims to examine the contribution of Dutch enterprises to local employment generation in the agricultural sector in South Africa. Additionally, this research aims to draw a conclusion on the level of CSR in which the enterprises engage in, and the consequent impact on employment. The data of this research has been collected through quantitative and qualitative research methods. Dutch enterprises, their employees and other relevant stakeholders in the agricultural sector have been interviewed to gain complete knowledge of the current situation.

In general, employees at the researched enterprises were treated well. This is due to strict labour legislation and monitoring of the Department of Labour, as well as increased demand for certification standards from the consumer side. The enterprises at least complied with the basic legislative requirements for employees. Dutch enterprises therefore make a valuable contribution to employment generation in the country. CSR behaviour of the enterprises is mainly expressed in the form of non-monetary benefits, such as housing and transport. Also, a large part of the enterprises used to pay a wage higher than the legislative

minimum. However, the recent wage increase has an adverse effect on responsible business practices, as employers indicate it is becoming too expensive to provide the benefits.

The enterprises which do consciously engage in CSR behaviour argue that the investments in their employees are reciprocated with higher productivity levels. This research therefore provides support for the theory that CSR can result in a win-win situation where employees enjoy good working conditions and employers receive higher productivity levels in return. Open communication and mutual respect between employer and employee are an important condition for this relationship to hold.

CSR can therefore not only greatly improve the living conditions of low-paid employees, it can also improve the productivity and health of an enterprise. While foreign investors have generated large amounts of employment and economic activity in developing countries, globalisation has resulted in winners and losers. Responsible business practices have the power to solve this paradox of globalisation by creating a sustainable win-win situation for both the employer and the employee.

## TABLE OF CONTENTS

---

Title page.....	1
Acknowledgments .....	2
Executive summary .....	3
List of figures and tables .....	7
Chapter 1: Introduction .....	8
1.1 Background and justification .....	8
1.2 Aim of this thesis .....	11
Chapter 2: Literature Review .....	13
2.1 Private Sector Development .....	13
2.2 Globalisation and Employment Creation.....	14
2.3 Minimum Wage Increase and Impact on Employment .....	16
2.4 Corporate Social Responsibility .....	19
2.5 CSR and the Impact in Developing Countries .....	20
2.6 CSR and the Impact on Employment.....	21
Chapter 3: Research Design .....	24
3.1 Research Objectives and Questions .....	24
3.2 Conceptual model .....	25
3.2 Operationalisation of Variables .....	26
3.3 Methodology .....	27
3.4 Limitations to the research.....	29
Chapter 4: Institutional Context .....	31
4.1 When the Dutch came to town.....	31
4.2 Demographics .....	32
4.3 Economy South Africa.....	35
4.4 Labour Market .....	36
4.5 Agriculture .....	37
Results .....	40
Chapter 5: Agricultural labour market .....	41
5.1 Labour Legislation for farmworkers .....	41
5.2 Wage increase .....	43

5.3 CSR in South Africa .....	45
5.4 Drivers for CSR behaviour .....	48
Chapter 6: Characteristics Enterprises .....	50
6.1 Location of the research population.....	50
6.2 Classification enterprises .....	51
6.3 Ownership and founding year .....	53
6.4 Characteristics of the Respondents .....	55
6.5 Turnover.....	56
6.7 Value chain activities .....	58
Chapter 7: Characteristics Labour.....	62
7.1 Basic Characteristics Employees .....	63
7.2 Basic labour rights for farmworkers .....	68
7.3 Employee results .....	73
7.4 Additional Issues Around Labour .....	76
Chapter 8: CSR Behaviour.....	83
8.1 Level of CSR behaviour.....	83
8.2 Challenges to CSR behaviour .....	84
8.3 Drivers and outcomes of CSR behaviour.....	90
Chapter 9: Discussion.....	92
9.1 Part I: Contribution of Dutch enterprises .....	92
9.2 Part II: Responsible business .....	93
9.3 Recommendations for the future.....	96
Conclusion.....	97
References .....	99
Appendices .....	103
Appendix 1: Questionnaire for enterprises .....	103
Appendix 2: Questionnaire for employees .....	113
Appendix 3: List of Interviews .....	117

## LIST OF FIGURES AND TABLES

---

### FIGURES

---

Figure 1:	Thesis outline
Figure 2:	Carrol's CSR Pyramid
Figure 3:	Principles of the Global Compact
Figure 4:	Conceptual model
Figure 5:	Map of South Africa
Figure 6:	Agricultural regions of South Africa
Figure 7:	Priorities and outcomes of DWCP
Figure 8:	Map of Gauteng province
Figure 9:	Map of Western Cape province
Figure 10:	Flower grower Gauteng area
Figure 11:	Ownership enterprises
Figure 12:	Founding year of enterprises
Figure 13:	Turnover of enterprises
Figure 14:	Turnover enterprises per category
Figure 15:	Total number of employees
Figure 16:	Average number of employees per class
Figure 17:	Gender division in all enterprises versus flower growers
Figure 18:	Future turnover and labour growth

### TABLES

---

Table 1:	Categories of Dutch enterprises
Table 2:	Research methods
Table 3:	Labour legislation of farmworkers
Table 4a:	Minimum wages before March 1, 2013
Table 4b:	Minimum wages after March 1, 2013
Table 5:	Classification of enterprises
Table 6:	Owner characteristics
Table 7:	Value chain activities per enterprise
Table 8:	Summary of labour-related characteristics (N=22)
Table 9:	Summary of employee results (N=29)
Table 10:	Further employee results
Table 11:	Reactions to wage increase
Table 12:	List of interviewed respondents

## CHAPTER 1: INTRODUCTION

---

---

### 1.1 BACKGROUND AND JUSTIFICATION

---

In the last decades, the importance and effects of official development assistance have been largely debated. The debated results of development cooperation have led to a move away from this topic, towards an increased importance being placed on the role the private sector can fulfil in developmental issues. This thinking has been illustrated by more belief being placed on the private sector to meet current development challenges. In addition to this new thinking, the process of globalisation ensures that enterprises can source and produce on a worldwide scale. This has led to a massive increase in foreign direct investments in developing countries, where enterprises have found opportunities to use the cheap labour supply for the production of cost-competitive products.

Through the process of globalisation, developing countries have increasingly become part of global value chains. This has provided these countries with great opportunities to increase their economic growth and develop new industries. Manufacturing industries in South-East Asia have been booming and India's service sector is one of the most known in the world. The private sector has stimulated development by providing people with a job and has facilitated the diffusion of new technologies all over the world. A higher level of jobs can lead to more and higher income for the local population. Moreover, the creation of jobs can be accompanied by employment benefits for the local population, as for example better health benefits, education opportunities and support for housing. However, these positive issues have simultaneously been matched with critical remarks. Images of sweatshops for the production of shoes and clothes in Asia are well-known and have instigated great criticism on the working conditions of labourers in developing countries. Workers in developing countries are often not only dealing with low wages, but also with long working hours under hazardous working conditions. Local development is not generated just by providing people with a job; it is also dependent on the quality and remuneration of that job.

Consumer awareness on this topic has been growing in the past years. Consumers want to know where their products come from and under which conditions these have been made. This has led to a growing demand for responsibly produced goods in the world. There are numerous certification standards which ensure that products are of a certain standard and are made under good working conditions. Enterprises can voluntarily decide to adhere to these certifications and codes of conduct in order to improve their business practices.

However, it becomes clear that customers are increasingly forcing enterprises to comply with these certifications and codes of conduct as they place a higher value on responsibly produced goods.

This has also led to the growing popularity of Corporate Social Responsibility (CSR). This concept entails that enterprises are behaving responsibly; in other words, that they actively monitor their compliance with ethical standards and norms. Enterprises which have incorporated CSR into their business strategy are expected to do more than just profit-making: they also consider the natural and social environment they are working in. CSR is mainly about voluntary initiatives which are focused on improvements in environmental management systems, improved health and safety standards and an increase in social investment in community projects. Companies realise they need to take responsibility for their actions in order to minimise any negative impacts and to secure sustainable production.

CSR has also gained attention in the developmental context: it is argued that CSR can play a large role in social and economic progress in developing countries. Enterprises which engage in responsible business practices can create workplaces of high quality and can stimulate economic growth in a sustainable way. The private sector can, for example, invest in the well-being of its workers through training and education. Furthermore, enterprises which carefully manage their environmental impacts secure sustainable growth without harming a country's natural resources. CSR can also have a positive impact on the productivity levels of employees, as they value the reputation and behaviour of an enterprise. It can therefore result in a win-win situation where both the enterprise and its employees reap the benefits.

Hence, in a world where countries are increasingly becoming part of global value chains, CSR can have a positive impact on social development and environmental protection. An example of a country which has rapidly become part of global value chains is South Africa. During the apartheid period, this country has long been isolated from the rest of the world, which was both due to its inward-looking economic policy and the sanctions from other countries. In post-apartheid South Africa, the government moved towards an open-market economy and focused on the attraction of foreign investments. The relatively cheap supplies and transparent legislation made South Africa an attractive place for foreign investors and the country experienced rapid growth in the last two decades. South Africa is now classified as an upper middle-income country and is performing well compared to the rest of the continent.

Although South Africa is often being praised because of its attractive business environment, the private sector is increasingly facing challenges to remain competitive on the

global market. Prices of food, petrol, labour and electricity are increasing rapidly, placing a greater cost burden on the private sector. Furthermore, competition from other African countries which can produce at lower costs is growing.

While the country has experienced a lot of growth and development, the growth in income has been matched with a growth in inequality. South Africa's Gini coefficient – which measures the extent to which the income distribution in an economy deviates from a perfectly equal distribution – was 63.1 in 2009 (World Bank, 2013). Whereas the country has a rapidly growing middle class, a large part of the population is lagging behind and cannot meet their basic needs. Since the ending of the apartheid era, the government has made it a prime goal to redress the historical inequalities and to compensate those which have been disadvantaged in the past. This has led to massive investments in public services as housing, access to drinking water and education, especially for the black population. It is fundamentally important to ensure an equal distribution of goods and income for all the population groups in the country.

The goal to redress historical imbalances has also ensured that the government is quite heavily involved in the regulation of the private sector. After the ending of apartheid, the government introduced its policy on broad-based black economic empowerment, shortly known as BEE. This essentially is a growth strategy which aims to reap the country's full potential, while integrating all its citizens into the economy. A part of this growth strategy is focused on employment equity and private enterprises are stimulated to generate employment for black people in particular. More than in other countries, the private sector is thus expected to behave in a certain, responsible way with regard to employment generation.

Another policy aimed to redress historical imbalances has focused on the topic of land reform. Post-apartheid South Africa was left with a largely unequal distribution of land, where approximately 10% of the country's whites held 90% of the land. In 1994, the government pledged to transfer 30% of white-owned agricultural land to black farmers. The suppression of black people to own land during the apartheid period has left them with little knowledge and experience in commercial agriculture. The agricultural sector therefore holds great unlocked potential which can stimulate local development. As poverty is largely concentrated in rural areas, the agricultural sector is an important provider of employment and food security.

Foreign investors in the agricultural sector can therefore play an important role in stimulating local development. Employment generation can provide the most poverty-stricken people in non-urban areas with job and food security. Furthermore, knowledge sharing and technology transfers in the agricultural sector are highly valuable in the country due to the

limited knowledge on commercial farming for the black population. Dutch private enterprises in the agricultural sector in South Africa can thus greatly contribute to local development. The Dutch agricultural sector is among the most advanced in the world and carries high-end knowledge on farming practices and technologies.

Furthermore, the notion of Corporate Social Responsibility is well-known among Dutch enterprises, partly due to the growing attention of the Dutch government for this topic. The government has recognised the potential of CSR both on a national and international scale and stimulates private enterprises to engage in CSR behaviour. It can therefore be expected that labour standards at Dutch enterprises are high, which ensures that the enterprises can make a valuable contribution to employment generation in South Africa.

---

## 1.2 AIM OF THIS THESIS

---

This thesis aims to provide more knowledge on the above described issues by examining the contribution of Dutch agricultural enterprises to local employment generation in South Africa. Employment is seen as one of the most important instruments to lift people out of poverty in developing countries. In the agricultural sector in South Africa, employment generation is especially valuable due to the higher levels of poverty in non-urban areas.

Additionally, the level of CSR in which the enterprises engage in with regard to labour is examined. Dutch enterprises which engage in responsible business can have an even bigger positive impact on their workforce, since they will invest in the well-being of their employees and families. Responsible business practices will improve the quality of workplaces and can improve the wages of low-paid labourers. Also, a higher level of CSR can have a positive effect on the productivity of the employees. This can ensure a better competitive position for the enterprises, which is important due to rising costs and increasing competition in the country. As the working conditions and wages of low-paid labourers in developing countries are a largely-debated issue, this thesis aims to contribute to this debate by examining the role responsible business practices can play in developing countries.

The first aim of the thesis is to draw a complete picture of the Dutch agricultural enterprises present in South Africa and their characteristics regarding labour-related issues. The thesis will focus on the amount, but also the quality and duration of the generated employment. These results will allow to draw a conclusion on the contribution which the Dutch enterprises make to employment and income security in certain areas of South Africa.

The second aim of this research will be to examine the level of responsible business the Dutch enterprises engage in with regard to labour-related issues. These results can

examine which labour conditions are good and which ones need improvement. Furthermore, this thesis will examine what the drivers and the barriers are for this CSR behaviour.

The figure below describes the outline of this thesis. The first part will focus on the literature, creating a theoretical basis for the research. After this, the research design will be discussed. In the following chapters, the results will be discussed in line with the four topics on the right of the results block. The thesis will end with a discussion and a conclusion with recommendations for future research.

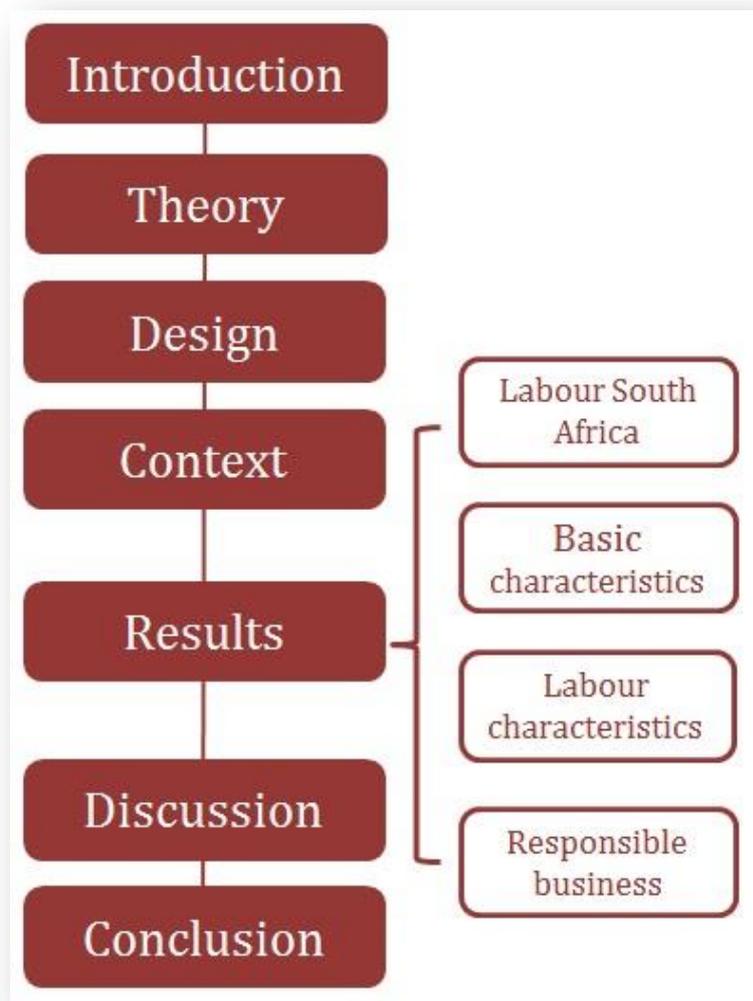


Figure 1: Thesis outline

## CHAPTER 2: LITERATURE REVIEW

---

---

### 2.1 PRIVATE SECTOR DEVELOPMENT

---

In the past decades, development thinking has seen various paradigms around the best way to create and stimulate development. In the 1980s, the development thinking moved away from the central role of the state, towards a larger role for the private sector in meeting developmental challenges. The private sector was believed to be more efficient, more productive and more resilient to the dynamics of the economy than the state (Schulpen & Gibbon, 2002). The main focus was placed on privatization of state-owned enterprises, the strengthening of market forces and the increase in competitiveness (Schulpen & Gibbon, 2002). Donor countries increasingly opted for new policies aimed at this Private Sector Development (PSD).

At the end of the 1990s, it was argued that economic growth is central to development, which is best achieved through the private sector. Private enterprises are the largest source of employment and investment and are a large source of tax revenues (World Bank Group, 2000b). The role of the government is to create favourable conditions for the private sector to flourish and to ensure that economic growth contributes to poverty reduction (Schulpen & Gibbon, 2002). The role of the state therefore was transformed into an enabling one which should not be in the way of the functioning of the private sector.

In this developmental debate, the role of small and medium sized enterprises (SMEs) has also been praised, with the World Bank Group and other international aid agencies providing assistance to these enterprises to accelerate growth (Beck, Demirguc-Kunt & Levine, 2005). The favouring of SMEs above larger enterprises is based on three arguments. The first argument holds that SMEs stimulate competition and entrepreneurship, which has a benefit on the efficiency level of the economy. Secondly, it is argued that SMEs are more productive than large firms as they are forced to be on top of their game since they are more vulnerable to competition than larger firms. The third argument is related to the levels of employment: SMEs are believed to be more labour-intensive and therefore create relatively more employment than larger firms (Beck et. al, 2005). These arguments support the reasoning that SMEs are better placed to effect local economic development.

---

## 2.2 GLOBALISATION AND EMPLOYMENT CREATION

---

A basic assumption in international trade theory is that trade liberalisation can lead to an increase in exports in developing countries since these have a cost-competitive advantage in the production of certain commodities – often labour-intensive. This assumption is partly based on the Heckscher-Ohlin model of comparative advantage. In this model, the two Swedish economists argue that traded commodities are bundles of factors like land, labour and capital (Leamer, 1995). In a free trade environment, countries will export commodities which are most intensive in their abundant factor. For example, countries which are labour-abundant will produce and export products which are relatively labour-intensive. In this way, these factors of production can be moved from locations where the factors are abundant to locations where they are scarce (Leamer, 1995). Countries can take advantage of their comparative advantage by specialising in the commodities which require their abundant production factor. According to this model, a rise in trade raises the demand for labour-intensive products in poor, labour-abundant countries, which results in employment growth in developing countries. Developing countries which have opted for trade liberalisation and have become part of the globalised world are thus expected to experience more economic growth, export growth and employment creation.

The H-O model seems to hold some accuracy. Globalisation in developing countries can lead to more accessible markets, lower transport costs and easier access to technology and capital (Lall, 2002). These developments can all lead to more exports, which can boost employment levels. The export products from developing countries do tend to be labour-intensive and foreign enterprises have greatly expanded to developing countries due to the low wages there. Developing countries can largely benefit from the increase in employment opportunities, as this is critical to the transition out of the vicious cycle of poverty (World Bank Group, 2000a). An increase in the level and quality of jobs offers an opportunity for upward mobility in the lives of poor people. Jobs give people a stable income through which they can build up their lives. In addition, people can learn a certain skill at their workplace or invest in their own education, which provides them with better opportunities in their lives (World Bank Group, 2000b). A stable income can also ensure that people invest in their medical care and the education of themselves and their children.

As globalisation seems to have the potential to stimulate economic growth and development in developing countries, trade liberalisation and the opening up of economies might be the answer to promote employment and growth. This equates with the neoliberal

economic thinking where it is believed that the public sector should withdraw from intervening in markets. The private sector should play the largest role and therefore economic liberalisation, free trade, open markets and privatisation are necessary to stimulate economic growth.

However promising these theories may sound for economic growth and employment creation in developing countries, in practice the benefits of globalisation are not as clear-cut. This is due to the fact that these theories are based on simplifying assumptions which are hardly ever met in the real world. The H-O model assumes that there is perfect mobility of capital and labour between countries, and that all countries have access to the same production technologies. In reality, transferring production factors amongst countries is a costly activity, and exports and imports are accompanied by transaction and transporting costs.

It therefore becomes clear that the relationship between globalisation and employment in developing countries is difficult to define and measure (Lall, 2002). In every country, there are different social, cultural and legal circumstances, which influence the economic processes in a country. A generalizable relationship between globalisation and employment in developing countries as a whole may therefore not even exist (Lall, 2002), rather, this relationship is context-specific, dynamic and changing over time.

Foreign direct investments can generate employment in receiving countries in various ways. Enterprises which move to another country can generate direct employment by employing people in their organisations. Furthermore, investing enterprises may stimulate growth at local suppliers and customers, leading to indirect employment creation in other enterprises. Initial investors can also attract other foreign investors to the country, which will lead to more indirect employment generation as well (Lall, 2002). Lastly, foreign investments increase a country's income and in turn will result in higher consumption, savings and investment in that country. This economic growth will also add to employment creation since demand for products increases with increasing incomes.

However, foreign investments can also lead to a loss of employment in developing countries. This is often the case when foreign investors compete local firms out of business due to their advanced knowledge in technology or business practices. This will not only result in a decrease of employment at local enterprises, it will also mean a loss in local entrepreneurship. This can be detrimental to local knowledge with regard to technologies and skills.

What largely determines the long-term effect on employment generation are the national capabilities of a country. The ‘Tiger’ economies in Asia, for example, did not opt for complete liberal trade, rather, they used interventions in trade, capital and technology flows to promote their competitiveness (Lall, 2001). Through this strategy, they were able to adapt to the changing composition of their economy. However, if a country imposes too many regulations it tends to scare off foreign investors. There is therefore no clear consensus on the best way to expand employment opportunities in developing countries (Harrison & Leamer, 1997).

Nevertheless, it is clear that in an increasingly globalised environment, a country should design policies in order to stay competitive and strong against influences from abroad (Lall, 2002). Foreign direct investments can increase the competitiveness of a country and may lead to a rapid restructuring of the economy. A country and its industries should be able to support and move along with these restructurings in order to keep up with the changing economy. If local industries are not aware of new technologies, they will not be able to withstand the global market forces. This will eventually result in the destroying of local enterprises, which can harm sustainable employment generation (Lall, 2002). The relationship between FDI and employment generation strongly depends, as an ever-true wisdom in social studies, on the context in which it takes place.

---

### 2.3 MINIMUM WAGE INCREASE AND IMPACT ON EMPLOYMENT

---

Another interesting relationship to discuss here is the impact of a minimum wage increase on employment generation in developing countries. Basic economic theory would predict a decrease in jobs with a minimum wage increase: the demand for a good decreases when the price increases. Although a minimum wage increase in developing countries can secure a better livelihood for the employees, it leave a number of employees without a job. A wage increase therefore seems to translate into a trade-off between employment and wages. As producing in developing countries is often attractive due to the low wages, a minimum wage increase may harm this cost-competitive advantage.

A minimum wage increase not only has an effect on employment levels, it also changes the wage composition of an enterprise. Employees which receive the minimum wage are often the lowest skilled ones, whilst employees with more experience and skills receive a higher wage. A minimum wage increase will lift the lowest-skilled employees to a higher wage level. Enterprises often cannot afford to offer the same relative wage increase to their higher skilled workers. This results in a whole change of an enterprises’ wage scale and

narrows the gap between low-paid and high-paid jobs. Since the employees with higher-paid jobs often carry more responsibility, it can be challenging to keep these employees motivated when they are rewarded relatively less.

Lemos (2006) observes that the literature on changes in minimum wages in developing countries is limited and that most evidence is based on case studies from the US. Furthermore, the available literature does not point to one direction. Some authors claim that a minimum wage increase compresses the wage distribution and only has a small adverse effect on employment levels (Lemos, 2006). Conversely, others contend that a minimum wage increase can have a sharp adverse effect on employment opportunities (Maloney & Mendez, 2000). Nevertheless, the impact of minimum wages in developing countries differs from developed countries, as the relative number of employees which work for the minimum wage lies much higher. Also, as stated above, various industries in developing countries have built their cost-competitive advantage around low wages, which can be threatened by a sudden increase of the minimum wage.

Equally important in this debate is the existence of both a formal and an informal labour market in developing countries. A minimum wage increase may fuel a move towards employment in the informal sector, which causes employment in the formal sector to decrease (Harrison & Leamer, 1996). As labour conditions and regulations in the informal market are often worse, this would not be a beneficial consequence of a minimum wage increase. Whilst a minimum wage increase carries the potential to reduce poverty and foster economic growth, the secondary impacts of stricter labour legislation and the potential decrease in employment may offset these gains (Maloney & Mendez, 2000).

Existing literature on the impact of minimum wage increases on employment levels fails to point to one direction. Consequently, the assumption that minimum wages reduce employment levels has not received strong support in the last years. Neumark and Wascher (2007), however, disagree with the assertion that recent minimum wage research fails to support the view that minimum wages reduce employment levels. In their review of minimum wage research since the early 1990s, they find that most of the studies do indicate negative employment effects of minimum wages (Neumark & Wascher, 2007). More importantly, the authors conclude that adverse employment effects are especially strong in the case of low-skilled groups.

This effect can partly be explained by the wage elasticity of labour demand. The impact of a minimum wage increase is influenced by the wage elasticity levels in a particular industry. If the wage elasticity of demand for labour is high, enterprises will be highly

responsive to a change in the wage levels. Wage elasticity levels are higher for low-skilled labourers since these can more easily be substituted or replaced by other factors of production. A minimum wage increase will therefore have stronger adverse employment effects on the low-skilled groups.

The Development Research Policy Unit (DRPU) in South Africa has also examined the relationship between minimum wages, employment and household poverty (2008). This study reviewed actual minimum wage shocks in South Africa from 2002 to 2008 and presented rather sombre results. The study found that, in line with the argument above, employment losses will be limited at low wage elasticity levels. However, this causes firms to increase their commodity prices in order to alleviate the increased production costs. An increase in commodity prices causes real incomes to decline, which will offset the income gains of minimum wage workers. In turn, this will result in a decline of overall demand as prices become too high. The consequent decrease in production will eventually have an adverse effect on employment levels (DRPU, 2008).

The DRPU also finds that employment losses for low-skilled workers will be higher with high wage elasticity levels. An important conclusion here is that the lowest-skilled workers are most likely to lose their jobs, while workers with some skills have a higher chance to retain their jobs. A minimum wage increase can therefore cause the already worst-off to fall into poverty further, while the relatively better off among the poor may benefit. In addition, the ones that lose their jobs become part of the unemployed outsiders and will struggle to find employment again due their low skills.

Bhorat, Kanbur and Stanwix (2013) have also studied the impact of minimum wages on employment levels, for the specific case of agriculture in South Africa. In line with the above described theories, these authors also find a negative employment effect after a minimum wage increase in the agricultural sector. Furthermore, the probability to find employment as a farmworker has fallen. Bhorat et al. (2013) indicate two limitations to the study which relate directly to the agricultural sector. First, the impact on non-monetary income received by farmworkers, as housing, transport and food cannot be captured by the study. A wage increase may be offset by a decrease in these non-monetary benefits. Secondly, farmers may increasingly make use of casual labourers. Casual labourers are less certain of their income and more often work without legal contracts in place.

---

## 2.4 CORPORATE SOCIAL RESPONSIBILITY

---

The vast literature on Corporate Social Responsibility (CSR) depicts the growing interest in this concept. For many enterprises, it has now almost become a necessity to make CSR part of their business strategy (Lindgreen & Swaen, 2010). Although many have taken it up as part of their strategy, it is by no means the same for everyone, and the lack of a common definition further complicates this issue. The first and often-quoted definition of CSR stems from Archie Carrol (1991). In his pyramid of CSR, he depicts four responsibilities for enterprises, being economic, legal, ethical and philanthropic (see figure 1). Economic responsibilities are defined as the basic economic notion that enterprises are profit-maximizing organizations. Without this aspect, enterprises cannot survive in a competitive world, and therefore all other responsibilities are built upon this economic dimension. The legal responsibilities entail that enterprises are expected to abide the law while they engage in their profit-maximizing activities. The next layer, ethical responsibilities, expects that enterprises also pursue their activities in a fair and just way, by operating in a way which is expected by society. The top layer, philanthropic responsibilities, goes one step further and includes those actions which promote human welfare or goodwill (Carroll, 1991). The difference from ethical responsibilities is that these actions are more voluntarily: society does not deem the firm as unethical if it does not engage in philanthropic responsibilities. To summarize, the economic and legal responsibilities are socially required, ethical responsibilities are socially expected, and philanthropic responsibilities are socially desired.

**The Pyramid of Corporate Social Responsibility**

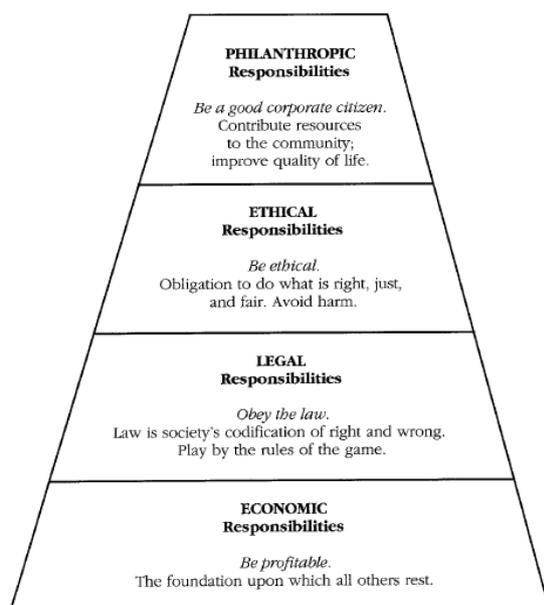


Figure 2: Carrol's CSR Pyramid (Source: Carrol, 1991)

In his revisit to Carrol's CSR pyramid, Visser (2006) argues that the ordering of the pyramid's layers is different when applied to Africa, i.e. that some responsibilities receive higher priority in that continent. According to Visser (2006), economic responsibilities still come first, but philanthropic responsibilities are second, followed by legal and ethical responsibilities. The higher position of the philanthropic layer is explained by the fact that the socio-economic needs in African societies are significantly greater than in Europe and the US. Philanthropy is therefore an expected norm for enterprises in African countries (Visser, 2006). In addition, the legal infrastructure in many African countries is still under-developed, which explains the lower priority assigned to legal responsibilities.

These two contrasting views already illustrate the difficulty – if not impossibility – to find a single, global definition of CSR. Kotler and Lee (2005) use the following definition of CSR:

*“Corporate Social Responsibility is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”*

With this definition, this research wants to emphasise that CSR is seen as something an enterprise does on top of activities which it is legally or morally obliged to comply with. It will therefore be a voluntary decision which the enterprise makes, through which it can contribute positively to the well-being of the community (Kotler & Lee, 2005).

---

## 2.5 CSR AND THE IMPACT IN DEVELOPING COUNTRIES

---

While the private sector is increasingly being given a role to help address development challenges, this shift in thinking should be viewed with caution. CSR has been adopted as an approach to international development, but it remains unclear who exactly benefits, and how and why (Newell & Frynas, 2007). As CSR is also being used as a strategy for enterprises to create a positive image, the understanding of its actual developmental impacts is necessary to move CSR from being a ‘feel-good’ thing towards becoming a ‘good thing’ (Blowfield, 2007).

Critics of CSR have voiced concerns regarding the fact that CSR does not sufficiently take into account the varying contextual circumstances in developing countries. The notion of CSR originated in the North, which highlights that while it might be a feasible strategy in the developed countries, conditions in developing countries are different and often not that favourable for CSR to flourish (Idemudia, 2011). Additionally, the debate on CSR has mainly

focused on whether policies can or cannot be successful in contributing to development. This has resulted in the current knowledge that CSR sometimes works in certain places, and sometimes it does not – i.e. a focus mostly on outcomes instead of processes leading to these outcomes (Idemudia, 2011). In his conclusion, Idemudia (2011) argues that in order to make CSR practices more in harmony with the realities in developing countries, research should not only focus on the outcomes, but should also integrate the context, processes and responses of all stakeholders involved. This should result in a better understanding of the circumstances under which developmental impacts are most probable to occur.

---

## 2.6 CSR AND THE IMPACT ON EMPLOYMENT

---

Sounds and images of sweatshops and other industries with bad working conditions have instigated a movement towards more socially responsible labour practices. Enterprises engaging in CSR behaviour are believed to treat their employees fairly and to pay them a decent wage, which has a positive impact on the lives of employees. Enterprises which behave responsibly will offer their employees a safe working environment and will monitor the working conditions. In developing countries, this can make a large difference in the well-being of employees and their families.

A lot of varying codes of conduct on labour practices emerged, to which enterprises and countries can voluntarily adhere to. The United Nations Global Compact is one example, which was launched in July 2000 (Standing, 2007). This is an initiative to promote responsible corporate citizenship amongst enterprises all over the world. Companies which choose to adhere to the UN Global Compact are expected to commit themselves to ten principles which can make globalisation a more stable and inclusive process (see figure 3). Of these ten principles, four are labour-related:

- 1) Businesses should give their employees the right to collective bargaining,
- 2) All forms of forced and compulsory labour should be eliminated,
- 3) Child labour should be abolished and
- 4) Discrimination in respect of employment and occupation should be abolished.

These principles are directly derived from fundamental principles of the International Labour Organization (ILO). The ILO already works for decades to strive for decent employment opportunities and promote rights at work. The ILO brings together governments, employers and workers to set labour standards and develop policies and programs. The agency has

played an important role in the launch and promotion of the UN Global Compact, to encourage participation from the private sector.

#### THE TEN PRINCIPLES OF THE GLOBAL COMPACT



Figure 3: Principles of the Global Compact (Source: UN Global Compact, 2013)

As consumers throughout the world place an increased importance on socially responsible produced goods, enterprises are forced to incorporate CSR into their business activities. This has led many enterprises to search for benefits which may be accompanied with the investments in responsible business practices (Brammer, Millington & Rayton, 2005). Much research has focused on the link between an enterprises' performance on social issues and the overall financial success of the firm (Peterson, 2004). These have found, among other things, that the implementation of CSR can differentiate an organisation from its competitors and can build a better image and reputation (Fombrun & Shanley, 1990), which in turn creates consumer goodwill. These considerations have resulted in CSR activities being seen as 'win-win' scenarios for both the organisation and its community (Lindgreen & Swaen, 2010).

In a more specific matter, research has also been done on the impact of CSR behaviour of an enterprise on their employees. The outcomes of these researches have argued that socially responsible enterprises are more attractive to potential employees, since employees place an increasingly high value on the reputation and social performance of the company they work for. This finding translates into the fact that enterprises which engage in socially responsible behaviour have a larger pool from which they can source their employees (Greening & Turban, 2000). This relationship is important for enterprises in attracting the best workers, as enterprises are increasingly realising their success is dependent on the quality of their workforce.

Another strand of research argues that there is a positive relationship between the perceived level of CSR by employees and their commitment to the organisation (Peterson,

2004). In other words, employees which perceive their company as behaving in a responsible way, have a higher worker motivation and lower level of absenteeism. Brammer et al. (2005) therefore stress that it is important for an enterprise which engages in CSR, to also communicate the how and why behind these investments to their employees. A better understanding for employees behind the reasoning why their company decides (not) to invest in certain projects can improve their perception of the company – and with that, their commitment to it.

An explanation for this mechanism is offered by Rupp, Ganapathi, Aguilera, & Williams (2006), who argue that employee perceptions of CSR positively influence the emotions, attitudes and behaviours of those employees. These attitudes and behaviours are influenced by how fair employees consider their organisation to be, since individuals attach importance to fair treatment of themselves and others. This is based on the theory of organisational justice: employees place value on the social concern which is rooted in an organisation's actions. Furthermore, employees find it important how individuals, both within and outside the organisation, are treated as a result of the organisation's actions (Rupp et al., 2006).

Organisations which engage in responsible behaviour can show employees that there is also concern for them and their interests (Rupp et al., 2006). Furthermore, better relationships between employees and the organisation can also have positive effects: feelings of trust and organisational support improve the social relationships and in turn can translate into higher levels of performance. Employees may attach more security and importance to their job position and create the feeling that they belong to the organisation. As also mentioned earlier, the quality of the relationship between employee and organisation does depend on the communication of CSR-related decisions to employees and how well they understand and agree with them (Rupp et al., 2006).

## CHAPTER 3: RESEARCH DESIGN

---

This chapter will focus on the design of the research in order to provide a clear structure before the presentation of the results. First, the research objectives will be discussed to clarify the goals of the research. The objectives will be followed by the research questions. Some concepts used throughout this research will be clarified, which will be followed by the research methodology. The chapter will end with some limitations to the research.

---

### 3.1 RESEARCH OBJECTIVES AND QUESTIONS

---

The *main* objective of the research is to examine the contribution of Dutch enterprises to local employment in the agricultural sector of South Africa. As the private sector is increasingly seen as a stimulator for economic growth and employment generation in developing countries, it is important to examine what the real strengths and weaknesses of the sector are in terms of developmental issues.

In accordance with the research objectives, the research questions are designed as follows:

#### **Main research question**

*What is the contribution of Dutch agricultural enterprises to local employment generation in South Africa and how is this influenced by the level of and increased demand for Corporate Social Responsibility?*

#### **Sub research questions**

1. *What are the characteristics of the current agricultural labour sector in South Africa?*
2. *What are the characteristics of the Dutch enterprises present in South Africa?*
3. *What are the characteristics of labour-related issues at the Dutch enterprises?*
4. *On what level do the Dutch enterprises engage in CSR behaviour and what are the main drivers, challenges and outcomes of this behaviour?*

In order to answer the research questions, the thesis will discuss the results in three parts.

- 1) The first part of the research aims to present a complete background of this research by discussing the institutional context of South Africa with regard to the current agricultural

labour sector of the country, thereby answering sub-question 1. This part is built up from existing literature and from the results of interviews with relevant stakeholders.

- 2) The second part will look at the general characteristics of the Dutch enterprises and their labour-related issues. This part of the thesis aims to provide a clear basis of the participating enterprises and to examine the exact contribution of the enterprises to employment generation. Sub-questions 2 and 3 will be answered in this part of the results. The results in these chapters are all built up from both quantitative and qualitative data collected during the research.
- 3) The third part of the thesis will focus on the level of Corporate Social Responsibility at the participating enterprises. This section will discuss the challenges to CSR behaviour for Dutch enterprises and will also discuss the outcomes of this behaviour, thereby answering sub-question 4. The data for these results come from the qualitative parts of the interviews with the enterprises and with the relevant other stakeholders.

---

### 3.2 CONCEPTUAL MODEL

---

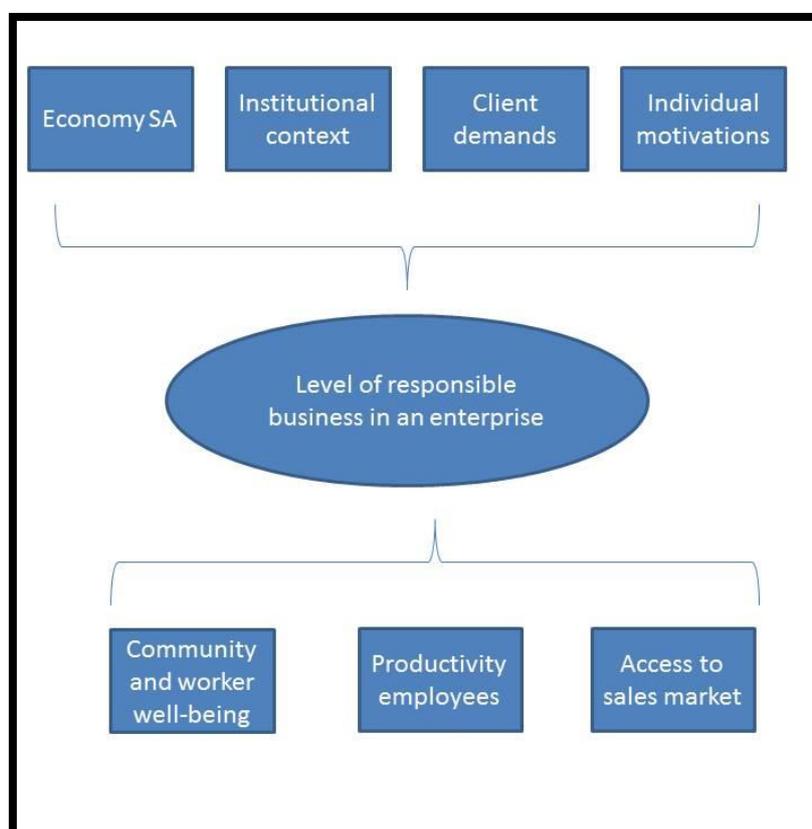


Figure 4: Conceptual model

In the conceptual model shown above, the level of responsible business of an enterprise is placed in the centre. This level is influenced by various factors, and in turn has an influence on other factors itself. The economy of South Africa, the institutional context, consumer demands and individual motivations of entrepreneurs have an influence on the level of responsible business in which these enterprises are engaged. In turn, this level influences the well-being of employees and communities, the productivity of employees and the ease of access to enterprises' sales markets.

---

### 3.2 OPERATIONALISATION OF VARIABLES

---

In the research questions and throughout this thesis, some words and concepts are used which need a clear definition in order to avoid confusion. This section will be used to define those concepts with the aim to provide a clear structure of the research.

#### *Dutch enterprises*

In South Africa, a fair amount of enterprises can say they have Dutch influence since the Dutch have played a large part in their history. However, for the research a stricter definition of a Dutch enterprise was used. An enterprise was classified as Dutch when:

- The (part) owner is first- or second-generation Dutch: this meant that either the current owner or its parents are/were carrying the Dutch nationality. The bulk of respondents fell in this category.
- The enterprise is or used to be managed by a Dutch person. For the enterprises which used to be managed by Dutch people, this was not longer than twenty years back.

<b>Category</b>	<b>Number of enterprises</b>
1 <sup>st</sup> or 2 <sup>nd</sup> generation Dutch owner	18
Current or previous Dutch manager	4

Table 1: Categories of Dutch enterprises

#### *Agricultural sector*

An enterprise was deemed agricultural either if it was involved in growing and harvesting crops, or if it was involved in a sector which supported these activities. Supporting activities could range from financial support services to the provision of machinery for agricultural purposes.

*Local employment generation*

The concept local employment generation is measured by the amount of workplaces which Dutch enterprises offer, as well as the quality of these workplaces. Local employment generation can contribute to local development, however the quality of the job is also an important determinant of this contribution.

*CSR behaviour*

As already described above, CSR is:

*“a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.”*

In other words, this research classified CSR behaviour as something which an enterprise does *on top* of the requirements enforced by law in order to improve the wellbeing of its employees. With regard to labour issues, responsible behaviour could, for example, translate in better benefit schemes or higher wages. In this research, the terms CSR, responsible business practices and responsible behaviour are used interchangeably and all denote the same meaning as described above.

---

### 3.3 METHODOLOGY

---

*Research techniques*

The research combines both quantitative and qualitative data and thus makes use of a mixed methods approach. The Dutch enterprises were all analysed according to a questionnaire with both closed and open questions. Furthermore, unstructured interviews were held with organisations and governmental departments in order to gain additional knowledge on interesting and relevant topics.

*Identifying respondents*

The main starting point of the research was to identify Dutch enterprises in South Africa. Before the research commenced, another researcher had already been working on the topic and composed a list with enterprises which were expected to be Dutch. Through this list, appointments were made for interviews with enterprises which actually proved to be Dutch. After this, the snowball technique was used to gather more information on other possible Dutch enterprises. 12 enterprises cooperated in the Gauteng province and 12 enterprises

cooperated in the Western Cape province. As two of those enterprises did have some Dutch influence in the past, but did not qualify for a Dutch enterprise as defined in this research, it was decided to exclude these enterprises from the main research sample. The results are therefore drawn on 22 Dutch enterprises in the agricultural sector.

In order to cross-check the enterprises' responses, the research also wanted to gather some information from the employees. The focus was mostly on those enterprises which employed low-skilled and low-paid employees. The owners of these enterprises were asked for permission to talk to a few of the employees. If permission was granted, the employees were interviewed either separately or at their workplace about their working conditions. A total of 29 employees participated in the research, spread over 8 enterprises.

In addition, organisations and government departments which could be of interest to the research were addressed to ask whether these had time for an interview. A total of 6 of these organisations were interviewed. In addition, the two enterprises which did not qualify as a Dutch enterprise were added to this list, as their comments on general issues were of use to the qualitative analysis.

<b>Research method</b>	<b>Number of respondents</b>
<i>Quantitative:</i>	
Questionnaire for Dutch enterprises	22
Questionnaire for employees	29
<i>Qualitative:</i>	
Interviews with relevant stakeholders	6
Open questions from interviews with Dutch enterprises	22
Non-Dutch agricultural enterprises	2

Table 2: Research methods (Source: Fieldwork South Africa, 2013)

### *Interviews with enterprises*

The respondents were asked for permission to record the interview before the start of the interview. Furthermore, the respondents were told that if an interviewee did not wish to answer something, a question could be skipped. The respondents were also told that the results would be handled in a confidential way.

The questionnaire of the enterprises was already designed by earlier researchers of the University of Utrecht. Some questions were added which were deemed of interest to this research, specifically in the employment part of the questionnaire. The questionnaires were filled out by means of a semi-structured interview. This created the possibility for respondents to elaborate on certain answers and for the researcher to ask more explanation about them. At the end of the interview, the interviewees were given the possibility to add details to their story and to ask any remaining questions.

#### *Interviews with organisations*

The interviews with the organisations commenced in a similar way: first, the respondents were asked permission to record the interview. A standard topic list for organisations was designed with questions and topics which were of current interest to the research. Furthermore, specific questions for every organisation were made as preparation for the interview.

#### *Interviews with employees*

The interviews with the employees started with a short introduction of the interviewer and the research. Furthermore, the employees were assured that any questions which they did not want to answer could be skipped. All of the interviews were held in English, with exception of one which was held in Afrikaans.

---

### 3.4 LIMITATIONS TO THE RESEARCH

---

#### *The search for respondents*

The first limitation to the research was the search for respondents. In South Africa, there is no complete list available with all Dutch enterprises in the country. This makes it hard to identify the correct respondents, let alone create a representative sample. Furthermore, many enterprises had some Dutch influence, due to the large presence of the Dutch in South African history. It was therefore sometimes difficult to determine which enterprises would fit in the research samples, and which ones only had minor Dutch influence a few centuries back. In the Western Cape, almost all enterprises look Dutch as they are carrying an Afrikaans name.

### *Representativeness of sample*

As described above, since there was no complete list of the Dutch enterprises, it was not possible to use a specific sampling method. All the enterprises which proved Dutch were asked for an interview. As the respondents are either based in the Gauteng or Western Cape province, the results may be biased towards occurrences in one of these two provinces of South Africa. Additionally, all enterprises participated on a voluntary basis. Some enterprises chose not to participate in the research. This can also bias the results, as enterprises which engage in good business practices might be less hesitant to participate in the research. Also, for some sectors, the research period coincided with their harvesting season. Some enterprises therefore indicated they were too busy at that time. This may bias the results towards a certain industry, as the harvesting season tends to apply to all enterprises in one sector at the same time. The thesis can therefore not generalise the results to represent the standard in South Africa. However, it may be interesting to look for significant differences between the two researched provinces.

Similar limitations can be identified with regard to the sample of employees. The employees which participated in the research are from 8 different enterprises only. The other enterprises either did not have suitable employees for the research or did not want their employees to participate. Additionally, the enterprises which did give permission for their employees to be interviewed often chose which employees could participate in the research. These employees may well be those which perform well and are satisfied with their job, whilst employees which are unsatisfied did not participate.

### *Time and accessibility*

Another limitation to the research was the combination of time and accessibility. As South Africa is a large country and Dutch enterprises were spread throughout the country, some enterprises were too far to visit. Also, as described earlier, some enterprises indicated they did not have time due to the harvesting season.

## CHAPTER 4: INSTITUTIONAL CONTEXT

---

---

### 4.1 WHEN THE DUTCH CAME TO TOWN

---

The early inhabitants of South Africa were Stone-Age hunter-gatherers, known as the Khoikhoi and San tribes, also collectively known as the Khoisan. These tribes had a pastoralist lifestyle herding sheep and cattle (Government Communications, 2011/12). Until the late 15<sup>th</sup> century, Portuguese seafarers were the only Europeans who regularly visited the country on route to India to stock up on supplies. In 1652, the Dutch East India Company (VOC) landed at the coast of South Africa and set up camp to supply passing ships to India. Although this settlement started fairly small and peaceful, the demands of the Dutch were growing fast and they soon started encroaching on the living territory of the indigenous Khoisan tribes.

In 1795, the British also caught eye of the Cape and decided to occupy the land as a strategic base against the French. After some battles with the Dutch, the British retook the Cape in 1806 and integrated the Cape Colony into the international empire of Britain (Government Communications, 2011/12). The British believed in ‘free’ labour and eliminated slavery around 1838. However, many ex-slaves remained servants and were continually exploited. They were grouped together as the ‘coloured’ people and were discriminated against. This already marks the beginnings of the Afrikaner nationalist ideologies present in the country. The earlier Dutch colonists, known as the Boers, started to extend their territory north of the Cape because of the limited opportunities alongside the British. This movement is known as The Great Trek.

The discovery of diamonds in the late 17<sup>th</sup> century led to massive developments in terms of infrastructure and many people moved to the diamond areas in search of economic opportunities. It also led to imperialist battles, with Britain annexing more provinces where the minerals were discovered. The battles led to the Anglo-Boer war between 1899 and 1902, which was mainly a white man’s war. Initially the British were at disadvantage because the Boers knew the territory and had good skills in shooting and horse riding. However, the British started a scorched-earth policy where they burned farms and placed thousands of Boer women and children in concentration camps (Government Communications, 2011/12).

In the early 20<sup>th</sup> century, black Africans increasingly participated in the country’s economic life and political initiatives. It was in light of these developments that segregation and apartheid ideas took shape. The government introduced laws which reserved the skilled

and better jobs for whites and forced blacks into exploitative jobs under white employers. Meanwhile, an unsatisfied Afrikaner class was emerging, which consisted of Afrikaners who were disadvantaged and poor after the Anglo-Boer war. After the Second World War, the country was dealing with post-war difficulties and the National Party (NP) won the elections, marking the beginning of the apartheid period. The NP wanted to maintain white domination in the face of increasing black protests, improve the position of poor Afrikaners and eliminate the remaining colonial ties.

The apartheid regime aimed for a segregation of different races in all facets of life. Millions of black and coloured people were resettled and vast slums developed which could be used as 'dumping grounds'. The central government took control over black people's lives in spheres ranging from housing to health care and saw black people as those who were welcome in white South Africa to fulfil the needs of their rulers. The international community soon expressed their disapproval through sanctions and South Africa became increasingly isolated from the rest of the world. Inside the country, resistance was also growing, and many important black leaders were imprisoned. After the 1960s, black protests became more violent and townships became largely ungovernable. In the mid-1980s, the government was under increasing pressure from both within and outside the country, with sanctions and boycotts from the United Nations. When FW de Klerk became President in 1989, he announced the release of several political prisoners, among whom Nelson Mandela. As the Afrikaner nationalism had also changed for many people, the change of the system was inevitable and many apartheid laws were abolished.

The first democratic elections in 1994 were won by the ANC, which was led by Nelson Mandela. The ANC went on a quest to pursue democratisation and socio-economic change and wanted to improve the lives of many poor South Africans. In addition, their objective was to form unity in the previously divided society, which proved not to be easy. Many ideas and prejudices were firmly rooted in people's minds, and mistrust amongst different races was and still is a difficult issue.

---

## 4.2 DEMOGRAPHICS

---

South Africa is the southernmost country of Africa and is bordered in the north by Namibia, Botswana, Zimbabwe and Mozambique. In addition, the two small countries Lesotho and Swaziland are almost entirely surrounded by South Africa.



classified as a middle-income country, some parts or sectors of the country are still very much developing.

Another legacy of the apartheid era in South Africa is the extreme focus on someone's skin colour. A divide is made between blacks, coloureds, whites and Indians/Asians, and this 'labelling' is still widely used today. Approximately 80% of the population is black, 10% is white, 9% is coloured and the rest is Indian/Asian (CIA Factbook, 2013). After the apartheid regime, an almost obsessed focus has developed in order to prevent the disadvantaging of any population group against others. This has also led to recognition of eleven official languages: the most spoken are IsiZulu (24%) and IsiXhosa (18%), of which the last one has the very difficult tongue-click additions.

The largest part of South Africa's population is young: almost 50% of the population is aged under 25. This can be explained by the high prevalence rates of HIV/AIDS, which have been growing rapidly in the last decades. The exact rates are difficult to measure, since the rates are high in rural areas and people are still reluctant to get tested because of the large stigma attached to the disease. There is also a large difference in infection rates amongst provinces, with very high rates in Limpopo and Gauteng provinces and lower rates in the Western Cape province. On average, it is believed that between one in four and one in five people are infected with HIV/AIDS. The average life expectancy in South Africa is 53 years (World Bank, 2013a).

South Africa is a republic, with Pretoria being the capital. It is comprised of 9 administrative divisions which are all the provinces of the country. Their legal system is based on a mixed legal system with both Roman-Dutch and English influences (CIA Factbook, 2013). The constitutional legislative and institutional framework in terms of political, economic, social and cultural rights is generally regarded as comprehensive (Hanks, Hamann & Sayers, 2007). The current president is Jacob Zuma of the African National Congress (ANC, well known as Nelson Mandela's party), who is regularly featured in the news regarding controversial issues (during this field work project, he was renovating his house with government money for him and his fourteen wives). Complaints and sounds about corruption are also well-known and the country has been ranked 69 out of 176 countries in Transparency International's Corruption Perception Index of 2012 (Transparency International, 2012). Many people are critical on the government and criticise the growing inequality in the country.

---

### 4.3 ECONOMY SOUTH AFRICA

---

During the apartheid regime, the South African economy was characterised by inward-looking policies focused on industrialisation and import substitution. Local industries were able to grow because of subsidies and protection from international competition and market pressures (Hanival & Maia, 2008). Due to economic sanctions from the international community as a response to the apartheid policy, the economic growth and investment in South Africa slowed down significantly. In 1994, the new government faced extreme challenges: poverty was widespread, unemployment rates were high and access to public services was low (Hanival & Maia, 2008). While these domestic issues had to be tackled, the country also faced the challenge of integrating into a rapidly globalising world economy.

After 1994, financial sanctions by the international world were eliminated and trade in South Africa increased rapidly. The country opened up their borders and transformed from a state-led economy into an open-market, liberal economy. Although the Rand deflated significantly in the first years, the country was able to integrate into the global market quickly and keep economic growth and inflation at relatively stable rates.

The growing investment and entrepreneurial climate in South Africa have ensured that the country has the highest GDP per capita of the continent by far. The growth in GDP has been positive since 1994 (Hanival & Maia, 2008). In recent years, this growth has mainly been driven by a growth in the service sectors such as financial and real estate services. This can be explained by the fast-growing black middle class, which fuels a growing consumer demand.

The Doing Business report of 2013 has ranked South Africa 39 out of 185 countries on the ease of doing business in the country, with a regional average of 140 (World Bank, 2013b). The government of South Africa is welcoming foreign investments and this is supported by investor-friendly policies. Additionally, the legal and business environment is favourable and reliable and the constitution ensures that everyone enjoys equal rights. Banking systems are at a high level and the country has the 15<sup>th</sup> largest stock exchange worldwide (CIA Factbook, 2013). The South African exchange rate in combination with their institutional standards makes it a relatively cheap country for foreigners to do business. Their infrastructure is good, with various large ports and airports. This makes the country an attractive gateway to the rest of the continent. In the last decades, the country has worked hard on its international relations and has established trading relationships with over 200 countries and territories.

---

#### 4.4 LABOUR MARKET

---

The labour market statistics in South Africa are measured through the Quarterly Labour Force Survey, by Statistics South Africa. Their review of the third quarter of 2012 found an unemployment rate of 25.5% (Statistics South Africa, 2012). This is the part of the labour force which does not have a job, but does not include those people which are discouraged in looking for a job. If these people were included, the official unemployment rate would be around 37% (Statistics SA, 2012). Additionally, approximately one in five people work in the informal sector, which involves dangerous working conditions and low wages (Hanks et al., 2007). The unemployment rate for women was 4.6 percentage points higher than the unemployment rate for men in the third quarter of 2012 (Statistics SA, 2012).

The structural unemployment problems of South Africa are mainly driven by poor education standards in the country: the largest chunk of the unemployed people is unskilled (Statistics SA, 2012). Furthermore, youth unemployment is high, with approximately a third of the youth aged between 15-24 years not being in a job, education or training in the third quarter of 2012 (Statistics SA, 2012). This translates in unmotivated youths which are inclined to turn to informal jobs and criminality. Although the government has given the improvement of the education system much attention, the number of people actually finishing their secondary education is low. Being a labour-intensive and rural industry, agriculture is an important sector which can provide jobs and support poverty alleviation in South Africa. The largest part of employment however, is created in the service sector and agricultural employment constitutes around 8.5% of the country's total labour force (Vink & van Rooyen, 2009).

##### BOX 4.3: BLACK ECONOMIC EMPOWERMENT

In response of the large racial divide after the apartheid era, the government introduced a Broad Based Black Economic Empowerment Act (BBBEE or BEE shortly) in 2003. The government noticed the still persisting inequalities between white and black people. This act was aimed to economically empower all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse socio-economic strategies. This Act aimed, among other things, at increasing the number of black people which manage, own and control enterprises and productive assets and at achieving equitable representation in all levels of the workforce. It is basically aimed at promoting economic transformation in order to promote meaningful participation of black people in the South African economy.

---

## 4.5 AGRICULTURE

---

During the apartheid regime, the government invested heavily in the development of white commercial agriculture (Vink & van Rooyen, 2009). Simultaneously, a range of measures were put in place to suppress black farmers, both in commercial agriculture as well as subsistence farming. In 1994, the distribution of land was highly racially skewed: 87% of the land was owned by white farmers and 13% by black farmers (Ministry of Agriculture, Nature and Food Quality, 2010). The government introduced a policy of land reform in 1997, which consisted of three pillars: land restitution, land redistribution and tenure reform (Vink & van Rooyen, 2009). Land restitution aimed to restore or compensate people for land rights they lost due to socially discriminatory laws. Land redistribution intended to provide poor people access to land for residential and productive use to improve their livelihoods. Lastly, tenure reform focused on the ways in which people own or occupy land. Although the policy was well-formulated and received much attention from the government, the land reform is a controversial issue: progress has been slow and the net effects are limited (Vink & van Rooyen, 2009).

The agricultural sector in South Africa only comprises about 12% of GDP (SA Government Information, 2013). This is partly due to the large growth in the services sector in the country. It is however an important sector in providing employment and earning foreign exchange (WWF, 2010). The country has a dual agricultural economy, both with smaller-scale communal farming and large commercial farms. The last sector makes up the largest part of total agricultural produce (Ministry of Agriculture, Nature and Food Quality, 2010). This emphasises the inequalities in the country yet again: the millions of farmers in the communal areas own less than 15% of available farm land in the country (Vink & van Rooyen, 2009). Furthermore, less than 2500 commercial farmers produced over half of the total agricultural income in 2002.

The soil in South Africa is varying and is suited for a large range of vegetation types. Most of the land surface (69%) is suitable for grazing, making livestock farming the largest agricultural sector in the country (WWF, 2010). Other large sectors are vegetables, fruits and flowers. Agricultural exports contribute to approximately 6,5% of total exports, and exports increased from 5% (1988) to 46% (2009) of agricultural production (SA Government Information, 2013). The largest export goods are wines and deciduous fruits as grapes, apples, pears and citrus.

## Agricultural regions of South Africa

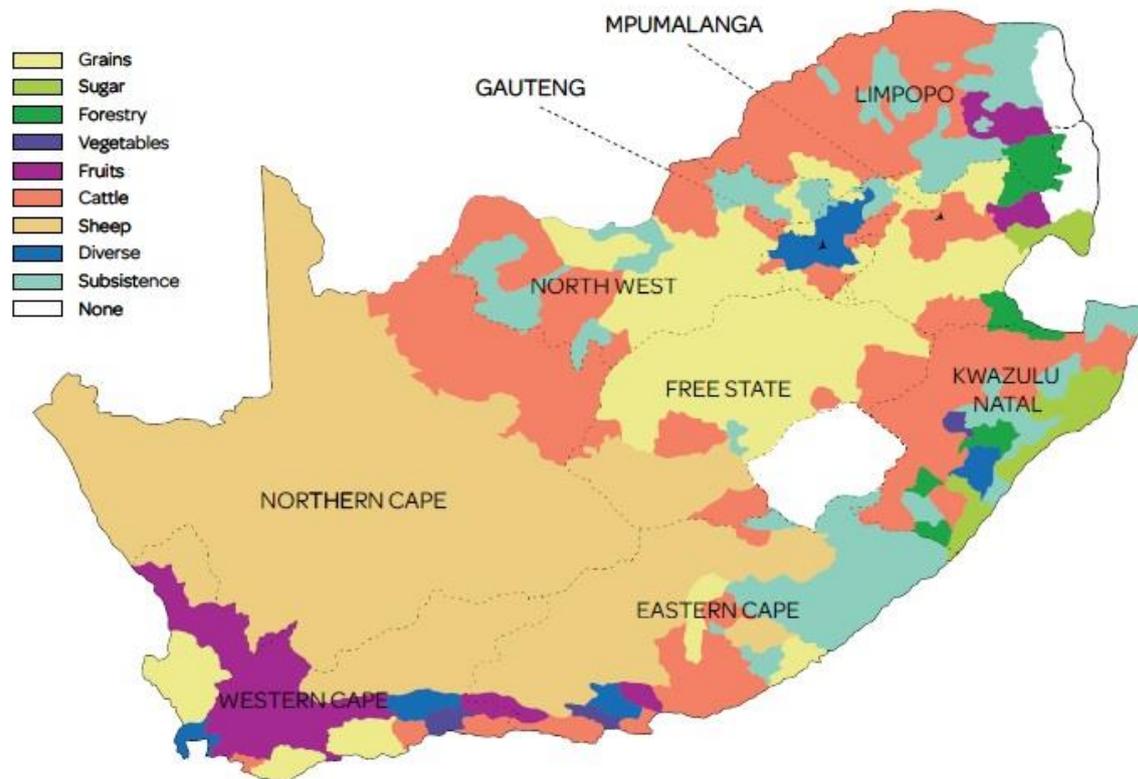


Figure 6: Agricultural regions of South Africa (Source: FAO)

The sector is highly dependent on weather occurrences and is constrained by the availability of water (Vink & van Rooyen, 2009). This is caused by heavy droughts in the last years because of climate change, but also because other sectors in the economy are demanding higher amounts of water (WWF, 2010). South Africa is one of the most water-scarce countries within the region. Furthermore, rainfall is very variable both geographically and over time.

This has led to a shift towards more intensified agriculture, where farmers increase their irrigation, fertiliser, mechanisation and genetically modified inputs. Through these mechanisms, farmers try to increase their productivity with the same amount of land available. Meanwhile, the sole energy provider in South Africa, Eskom, is struggling to keep up with the increased demand for electricity. In 2007, the company started to experience a lack in capacity in their infrastructure (Ministry of Agriculture, Nature and Food Quality, 2010). The electricity supplier has been widely criticised for their lack of maintenance in existing power stations and their lack of planning for future demands. The supply of electricity is unreliable and often suffer from power cuts. A lack of electricity for only a few

hours can have devastating effects on the crops of farmers. Eskom has been largely increasing the electricity prices, which feeds into a lot of discontent amongst the population. The price increase resulted in a doubling of the price of electricity in less than two years (Ministry of Agriculture, Nature and Food Quality, 2010).

Since the end of the apartheid-era, South Africa has experienced large social and economic changes (WWF, 2010). The economy became more open and market-oriented and led to an integration of the country into the globalised world. Although this has offered the country many opportunities for trade and investments, it has not proved easy for South African farmers to compete on the global agricultural market. After deregulation of the market, the prices for field crops adjusted downwards to world market levels, which resulted in a lower income for South African farmers (Vink & van Rooyen, 2009). Agricultural marketing boards were closed and import and export controls were phased out. South African farmers nowadays do not receive any form of subsidy, and this makes it very difficult to compete against the highly subsidised European farmers (WWF, 2010). Also, competition from other African countries as Tanzania and Kenya is growing rapidly. These countries enjoy a more favourable agricultural climate and their labour costs are lower. The agricultural sector as a whole is no more than marginally competitive in the global market (Vink & van Rooyen, 2009).

Although agriculture's share of total GDP is small, the Department of Agriculture, Forestry and Fisheries (DAFF) of South Africa emphasises that the sector is vital to the economy in providing food and employment opportunities to the population (DAFF, 2012). In the Integrated Growth and Development Plan, published in 2012, the Department aims to provide a long-term strategy for the sustainable growth and development of South Africa's agricultural sector. In this way, agriculture can ensure national and household-level food security, social and economic growth through employment and rural socio-economic development (DAFF, 2012).

## RESULTS

---



CHAPTER 5: AGRICULTURAL LABOUR MARKET

CHAPTER 6: CHARACTERISTICS ENTERPRISES

CHAPTER 7: CHARACTERISTICS LABOUR

CHAPTER 8: RESPONSIBLE BUSINESS

## CHAPTER 5: AGRICULTURAL LABOUR MARKET

### 5.1 LABOUR LEGISLATION FOR FARMWORKERS

The labour market in South Africa is governed by the national Department of Labour. The main legislative act is the Basic Conditions of Employment Act, which applies to all employers and workers and regulates leave, working hours, employment contracts etc. The Department of Labour also published a summary of the Basic Conditions of Employment Act, and all enterprises are obliged to display a copy of this summary at the workplace. This also functions to inform employees about their basic rights.

In addition, the labour legislation in South Africa is built up from various sectoral determinations. A sectoral determination is a legislative document which holds all rights and other specifications which employees of a certain sector are entitled to. Sectoral determinations exist for varying economic sectors, ranging from domestic workers to taxi drivers. The Department of Labour regularly reviews the sectoral determinations, to monitor the rights and conditions of the employees.

The rights of farmworkers are taken up in sectoral determination number 13. The determination applies to all workers on a farm, including domestic workers and security guards. It protects farmworkers from unlawful working conditions and also ensures that farmworkers are informed about their own rights. The Department of Labour is strict in monitoring and makes regular announced and unannounced visits to farms. The first version of sectoral determination 13 was published in 1997, and has since been adjusted with additional legislative amendments. A few important topics are summarised below.

Topic	Legislation
Minimum wage	R105.00 daily
Working hours	Maximum of 45 hours per week
Overtime	Maximum of 15 hours per week
Annual leave	3 weeks per year
Sick leave	6 weeks per every 3 years
Maternity leave	4 consecutive months
Child labour	No employment <15 years

Table 3: Labour legislation of farmworkers (Source: Sectoral Determination farmworkers)

Farmers in South Africa can decide to provide accommodation to their employees, which is quite common in South Africa. Farmers either have small houses or compounds on their property, in which employees can live alone or with their families. The farmworkers which live on farm property are often the permanent workers which have worked there the longest. Alternatively, housing can be offered to employees which have to travel a long way or which work at night or during the weekends. Enterprises often also subsidise water and electricity to employees which live on the farms. As the alternative for farmworkers often translates into a shack or small house in a township, this provided housing can be of great value for the employee.

Employers are allowed to deduct a maximum of 10% of the wage for accommodation, provided that the housing is of a certain quality. The house must have a proper waterproof roof and glass windows which can be opened. Moreover, the house should have electricity, safe drinking water at a maximum distance of 100 metres and a flush toilet or pit latrine inside or close to the house. The employer can also charge the employee for electricity, water and other services. Compared to the housing conditions in townships, the demanded quality of these houses is relatively high.

Another benefit which sometimes is provided to employees is subsidised transport. Farmers can use trucks or buses to pick up their employees which come from towns or communities which are further away. Alternatively, enterprises can pay a certain amount per day to subsidise the transport.

#### *Permanent and seasonal workers*

In agricultural enterprises in South Africa, it is customary to employ both permanent and seasonal workers. Seasonal workers are hired during the harvesting seasons to support these busy months. The seasonal workers often perform the most low-skilled, basic tasks whereas the permanent workers carry more responsibility. Seasonal workers regularly travel large distances to get to the farms every year and farms often see workers return every season. There is a difference in the treatment between these seasonal and permanent workers: permanent workers are more often seen as part of the enterprise and highly valued, while seasonal workers are more easily substituted.

The provision of contracts for seasonal workers is often indicated as an area of non-compliance for the agricultural sector. NGOs and government both stress that seasonal workers are the most vulnerable and are treated worse than the permanent workers. Seasonal

workers are also not aware of their rights and are afraid to dispute issues since employers can easily substitute them for someone else.

---

## 5.2 WAGE INCREASE

---

The agricultural labour market in South Africa is experiencing instabilities with regard to wages and working conditions. In August 2012, mining workers at the Marikana mines went on strike to protest against large retrenchments and bad working conditions. These violent protests have led to a clash between the strikers and the police force, resulting in the death of 44 workers. This was one of the most violent events between the police force and civilians since the end of the apartheid era and has been widely covered by the media, which described the events as a massacre. The unrest also spread to other sectors, which culminated in strikes of farmworkers in November 2012.

The farmworker strike began on a farm in the De Doorns area in the Western Cape and rapidly spread to other farms in the area. Farmworkers demanded an immediate wage increase from 69 Rand per day to 150 Rand per day (equivalent to approximately 6 and 14 euros respectively). The strikes were mostly driven by seasonal workers, which emphasises the challenges with seasonal workers described above. In response to these protests, the Department of Labour decided to review the wages for farmworkers. Due to the large size and heavy violence of these strikes, the Department of Labour decided to review the sectoral determination for farmworkers.

The Bureau for Food and Agricultural Policy (BFAP) was appointed to analyse the situation and published their findings in a report in December 2012. The report described some important trends and concepts in agriculture, followed by an analysis of the farm level impact of a minimum wage increase. The report emphasized that the system of cheap and unskilled labour in the agricultural sector would not survive in the future. Rather, the sector would move towards a sector with fewer, more skilled and better paid workers. In terms of the wage increase, the report stated that an increase of the minimum wage higher than R104/day would leave many farmers unable to cover their operating expenses (Bureau for Food and Agricultural Policy, 2012). However, a minimum wage of R104/day would leave farmworkers unable to afford a daily balanced diet due to the rising food prices and increasing costs of living in South Africa.

In light of this, the Department of Labour decided to review the wages for farmworkers and announced on February 5th, 2013 that the minimum wage for farmworkers would increase from R69/day to R105/day as of March 1<sup>st</sup>, 2013. The first table below shows

the minimum wages for employees before the wage increase, which translates in a daily wage of 69 Rand. The second table shows the new minimum wages as of 1 March, 2013.

<b>Table 1: Minimum wages for employees in the Farm worker Sector</b>								
<b>Minimum rate for the period</b>			<b>Minimum rate for the period</b>			<b>Minimum rate for the period</b>		
<b>1 March 2012 to 28 February 2013</b>			<b>1 March 2013 to 28 February 2014</b>			<b>1 March 2014 to 28 February 2015</b>		
<b>Monthly</b>	<b>Weekly</b>	<b>Hourly</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Hourly</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Hourly</b>
R1503.90	R347.10	R7.71	Previous year's minimum wage + CPI* + 1.5%			Previous year's minimum wage + CPI* + 1.5%		
* The CPI to be utilized is the available CPI for the lowest quintile as released by Statistics South Africa six weeks prior to the increment date.								

Table 4a: Minimum wages before March 1, 2013 (Source: Sectoral Determination farmworkers)

<b>Table 1: Minimum wages for employees in the Farm worker Sector</b>									
<b>Minimum rate for the period</b>				<b>Minimum rate for the period</b>			<b>Minimum rate for the period</b>		
<b>1 March 2013 to 28 February 2014</b>				<b>1 March 2014 to 28 February 2015</b>			<b>1 March 2015 to 29 February 2016</b>		
<b>Monthly</b>	<b>Weekly</b>	<b>Daily</b>	<b>Hourly</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Hourly</b>	<b>Monthly</b>	<b>Weekly</b>	<b>Hourly</b>
R2274.82	R525.00	R105.00*	R11.66	Previous year's minimum wage + CPI** + 1.5%			Previous year's minimum wage + CPI** + 1.5%		
* For an employee who works 9 hours per day.									
**The CPI to be utilized is the available CPI for the lowest quintile as released by Statistics South Africa six weeks prior to the increment date.									

Table 4b: Minimum wages after March 1, 2013 (Source: Sectoral Determination farmworkers)

Although the farmworkers did not receive their demanded wage of R150, an increase of 52% was still a significant change from their earlier situation. However, the BFAP report also stated that even a farmworker wage of R150/day is not sufficient to pay for a balanced and nutritious diet, due to rising food prices in South Africa in the last years. On the other hand, many farms are now struggling to cover their costs and are forced to search for alternative ways to handle this wage increase. Where labour used to be a cheap production factor which is widely used in the agricultural sector in the country, the wage increase of 52% changes this situation. Labour is now becoming a more expensive production factor and farms are forced to look into alternative ways to handle these rising costs. The responses of the enterprises on this wage increase are taken up in the results chapter.

Enterprises which found themselves unable to pay the increased minimum wage could apply for an exemption of payment at the Department of Labour. At the end of May, the Labour Minister Mildred Oliphant told a press briefing that 1988 farmers had applied for exemption. Farms which apply for exemption are required to provide relevant proof in terms of financial statements. At this time, 470 of the applications had been declined, mostly because the enterprises failed to include financial statements to proof the lack of funds.

---

### 5.3 CSR IN SOUTH AFRICA

---

In South Africa, CSR is usually denoted as Corporate Social Investment (CSI), which is defined as philanthropic initiatives in education, health or welfare at the national or local level (Hamann, Agbazue, Kapelus & Hein, 2005). CSI is seen as something that is ‘the right thing to do’; actions which are external to the business with a developmental approach and undertaken to lift people out of poverty (Fig, 2005). Since the end of the apartheid-era, the socio-economic situation of a large part of the population has been very bad and enterprises carry a certain responsibility to improve the living conditions. The CSR actions are often focused on particular topics which mostly relate to skills development and training and support around HIV/AIDS infections (Hanks et al., 2007). Before the 1990s, CSI was mainly seen as something which was added on to the company’s strategy, without much change in what enterprises were actually doing. At the beginning of the 1990s, this view began to change, transforming into a broader view of sustainable development (Hanks et al., 2007).

#### BOX 5.1: KING REPORT ON CORPORATE GOVERNANCE

South Africa has a ground-breaking code of corporate governance, which is issued by the King Committee on Corporate Governance. The third report, the King III report, was published in 2009. The report holds guidelines on corporate governance, and is aimed to improve the behaviour of corporate enterprises in the South African economy. The guidelines are focused on fairness, accountability, responsibility and transparency, and all enterprises which are listed on the Johannesburg Stock Exchange are required to comply with the King code.

Source: Institute of Directors for Southern Africa

The private sector in South Africa has to deal with levels of mistrust due to the apartheid history of the country. In this period, some enterprises strengthened apartheid ideas by making a distinction in jobs for white or black people (Hanks et al., 2007). On the other

hand, some enterprises did try to fight against certain elements of the regime and also gave much support in the transition to democracy. However, CSR strategies are often seen as 'greenwash' and big enterprises have to prove themselves. These issues ensure that debates around CSR are complex and nested in historical controversies (Hamann et al., 2005).

In South Africa, the state plays a more important role in shaping the role and responsibilities of enterprises than elsewhere in the world. It is part of the Constitution to redress historical imbalances and to strive for structural reform in order to deal with the inequalities in the country (Hamann et al., 2005). The South African government therefore has gone further in legislating social issues than other states. One of the largest legislations is the BEE-legislation, which has a direct impact on enterprises in all sectors. As described above, this legislation demands enterprises to employ a certain percentage of black people. Also, a large enterprise should have a black person in the management/ownership seat.

The South African government follows the International Labour Organization conventions to strive for decent working conditions in all their sectors. This means that the government works to comply with all ILO conventions on working conditions and also forces enterprises into compliant behaviour regarding labour issues. In 2010, South Africa signed the Decent Work Country Programme (DWCP) under the ILO. This programme has four priorities: strengthening fundamental principles and rights at work; promoting employment creation; strengthening and broadening social protection coverage; and strengthening social dialogue between different stakeholders (RSA & ILO, 2010). Under these priorities, nine specific outcomes are addressed which are of specific importance in the South African labour market.

<i>Strengthening Fundamental Principles and Rights at work</i>	<i>Promotion of Employment</i>
<p>(i) Promotion of ILO Standards and Values through ratification of conventions and improved compliance with existing commitments</p> <p>(ii) Strengthening enforcement mechanisms through improved labour inspection by labour inspectors and bargaining council agents</p>	<p>(i) Placing decent work at the centre of economic and social policies (monetary and fiscal policy, procurement policy, trade policy, industrial policy, and employment)</p> <p>(ii) Improving labour market and information statistics ensuring correct and transparent statistics to provide accurate diagnostic and on-going monitoring and evaluation data; developing appropriate indicators</p> <p>(iii) Growing levels of employment with particular focus on the Expanded Public Works Programme, Sensitive and Labour Absorbing Sectors, special challenges of women and youth</p> <p>(iv) Address non-standard work</p> <p>(v) Addressing wages and income – support to the Employment Conditions Commission, Bargaining Councils, research on trends in wages, incomes and inequality and technical support to constituents; developing a wage policy (including consideration of a living wage)</p> <p>(vi) Strengthening Enterprise Development – SMMEs, Cooperatives and Social Enterprises (including on-going mentoring to entrepreneurs)</p> <p>(vii) Support for the National Skills Development Strategy</p>

Figure 7: Priorities and outcomes of DWCP (Source: RSA & ILO, 2010)

In the figure displayed above, two of the programme priorities are specified, along with the intended outcomes of the priorities. These two pillars of the programme can have direct impact on the amount and quality of jobs in South Africa. If stricter compliance with these goals is enforced on the private sector through improved labour inspections, this can ensure better labour practices in South Africa, which will have consequent positive effects on employees.

Although the legislation is strict, it is also argued that due to differences in announced state policies and the actual results of this, enterprises have made it their responsibility to provide certain public services (Hanks et al., 2007). Apparently, a failing state can ensure that the private sector feels the responsibility to take up a certain role.

---

#### 5.4 DRIVERS FOR CSR BEHAVIOUR

---

There are several mechanisms in South Africa which stimulate enterprises to engage in responsible behaviour. An important driver of responsible behaviour obviously is government legislation which is already discussed above. This section will handle two other important drivers of CSR behaviour in the country.

##### *Non-governmental organisations*

There are several non-governmental organisations (NGOs) active in the agricultural sector of South Africa. These organisations, among other things, strive for a uniform system of social and environmental audits in the country to ensure responsible business practices. The wine sector is currently covered by the Wine Initiative for Ethical Trade (WIETA), while the fruit sector is monitored by the Sustainability Initiative of South Africa (SIZA). These are both membership-based organisations for agricultural enterprises and regularly perform social audits. They strive to improve the working conditions and minimise the environmental impacts at agricultural enterprises. If farms are fully compliant to their standards, they are eligible to become certified. The NGOs also offer training programs to support enterprises in improving their social and environmental standards. Most importantly, the NGOs demand that all the enterprises in a company's value chain are compliant with the certification standards. This guarantees responsible business practices throughout the whole industry.

The certification of these NGOs becomes increasingly important in both the wine and the fruit sector. National and international consumers recognize the importance of these labels and demand their suppliers to become certified. The growing notion of this topic ensures that more and more enterprises apply for the process of certification.

##### *Certification demands from consumers*

The demand for certification from the consumer side, both domestically and internationally, is also a very important driver in CSR behaviour. National and international consumers increasingly recognize the importance and impact of certification standards and rather buy responsibly produced goods. Domestically, the big supermarket chain Woolworths

has very strict certification demands for their supplying enterprises. Every enterprise which supplies to Woolworths has to comply with their Farming for the Future certification (FFF). This certification is mostly aimed at environmental conservation, with the goal to improve soil health and decrease the use of pesticides and fertilisers.

On an international scale, consumers are also increasingly becoming aware of the origins of their products. Agricultural enterprises which supply for export markets in for example Europe usually have to comply with the Global GAP certification. This certification aims for safe and sustainable production, both for people and the environment. Enterprises have to ensure complete traceability of their products; when an apple is sold in Europe, it has to be exactly clear where and how this apple is produced.

## CHAPTER 6: CHARACTERISTICS ENTERPRISES

*This chapter is written in cooperation with Esmée Avenhuis*

This results chapter will aim to provide a clear overview of the characteristics of the participating enterprises in this research, thereby answering the first research sub-question:

*What are the characteristics of the Dutch enterprises present in South Africa?*

### 6.1 LOCATION OF THE RESEARCH POPULATION

22 enterprises form the main research population, of which 12 are located in the Gauteng province around Johannesburg, and 10 are located in the Western Cape, around Cape Town. In the area around Johannesburg, the enterprises were found in very close proximity to each other, which was not as evident in the Western Cape. The enterprises in Johannesburg were mainly situated to the west of the city, around Krugersdorp and Brits.



Figure 8: Map of Gauteng province (Source: South Africa travel)

In the Western Cape, the enterprises were mainly found in and around Stellenbosch, Franschhoek and Somerset West, to the east of Cape Town. Most of the enterprises were located a little outside of the cities because of the size and nature of their businesses.



Figure 9: Map of Western Cape province (Source: places South Africa)

## 6.2 CLASSIFICATION ENTERPRISES

The participating enterprises were all involved in the agricultural sector and can be classified into 6 distinct groups as represented in the table below.

	Number of enterprises		% of total
	Gauteng	Western Cape	
Flower growers	6	2	36,30%
Flower traders	1	2	13,70%
Consumption goods	1	4	22,70%
Machinery/production support	3	0	13,70%
Seeds/small plants	1	1	9,10%
Fund advisory	0	1	4,50%
<b>Total</b>	<b>12</b>	<b>10</b>	

Table 5: Classification of enterprises (Source: field work South Africa 2013)

Exactly half of the respondents are directly involved in the flower industry: either as a grower or as a trader. The flower growers were mainly located in the Gauteng province and were in close proximity of each other. Their enterprises were characterised by large plots of land with greenhouses and an area for the packaging and storage of flowers. These respondents employed large amounts of people, especially in the harvesting season. The vast majority of their labourers is low-skilled and low-paid.



Figure 10: Flower grower Gauteng area (Source: field work South Africa 2013)

The flower traders did not grow flowers themselves, but acted as trade agents between flower growers and the consumer market. These enterprises often had one office and employed a small permanent staff. This staff was usually a bit higher-skilled and received higher wages than the legal minimum. The three enterprises were all in close proximity of the airport and made use of a cooling facility where they could store their flowers. They were highly involved in the exporting of flowers to European and other international markets.

The category consumption goods includes enterprises which are involved in farming or processing activities for the production of crops other than flowers. The enterprises in these categories produce food, as fruits or cheese, or they grow grapes for the production of wines.

Two of these enterprises also combined these activities with some form of tourism. The enterprises in this category are small, mostly family-owned businesses, which employ a small permanent staff. The wine producers do attract more workers during the harvesting season.

The enterprises which fall under the category machinery and production support mainly supply machinery and production support services to ensure that agricultural enterprises can continue their business activities. This ranged from the supply of tractors to the building and maintaining of new greenhouses and irrigation systems on farms. These enterprises give a high level of service and employ a small permanent staff which often is high-skilled.

The seeds and small plants category includes two enterprises which supply the basis for other agricultural growers: either with seeds for plants or by growing small plants and supplying them to the client. These enterprises mostly supplied local clients and worked with a small to medium-sized staff.

The last enterprise is to be found in the fund advisory category. This respondent is an enterprise which manages a fund for agricultural investments and advises on agricultural projects. It is mostly involved in the financial side of agricultural enterprises and projects and therefore does not fit the other categories. This enterprise works with a small, but high-skilled permanent staff.

---

### 6.3 OWNERSHIP AND FOUNDING YEAR

---

Over 80% of the enterprises are single establishment firms where the ownership mostly lies in the hands of a single person, or amongst a family. Another 14% was a local establishment of a parent company, which was located in another country in all cases. Ten of the enterprises are 100% Dutch owned, while another four enterprises are owned by the respondents which have both the Dutch and the South African nationality. There were four other enterprises in which 50% of the ownership lay in Dutch hands. Additionally, some enterprises were under complete British or South African ownership (see figure 11). These enterprises were either owned or managed by a Dutch person in the past and therefore have had a strong Dutch influence in the past. It was therefore decided to include these enterprises in the analysis as well. This adds up to a total of 85% of the enterprises which are Dutch or partly-Dutch owned.

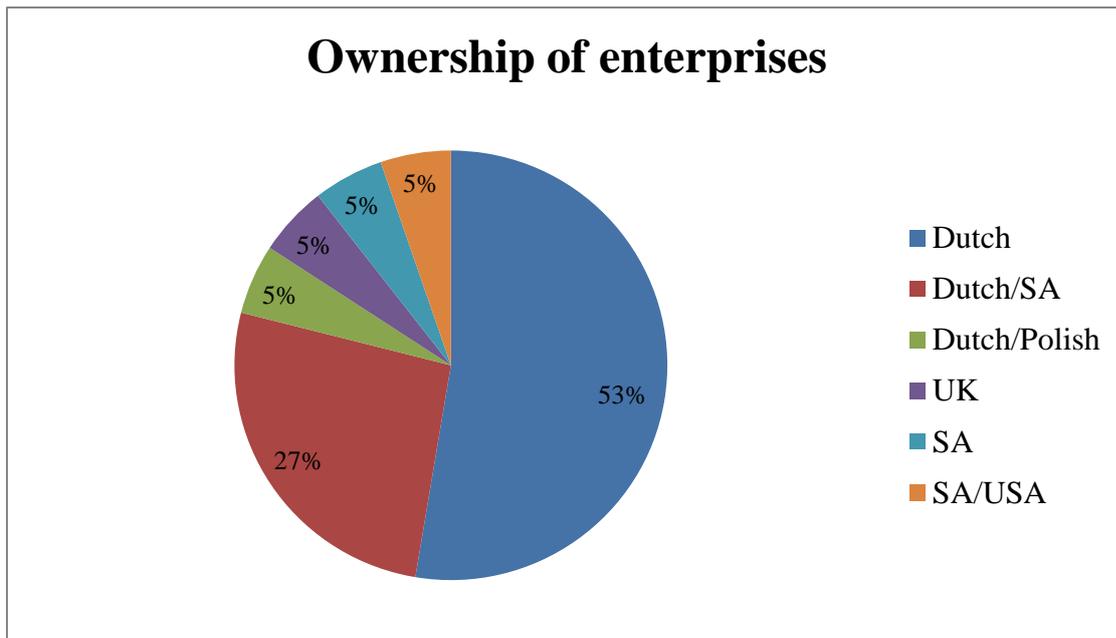


Figure 11: Ownership enterprises (Source: field work South Africa 2013)

The average year in which the enterprises were founded was 1992, which is calculated over 21 enterprises. However, omitting one enterprise which was already founded in the 19<sup>th</sup> century shifts the average founding year to 1996. When looking at figure 12, it is indeed evident that the largest number of enterprises has been founded in the last two decades. This can partly be explained by the ending of the apartheid era, after which South Africa's economy transformed into a more liberal, internationally-oriented economy with a greater emphasis on foreign investments and international relations. The removal of trade barriers and tariffs have made the country much more attractive for foreign investors and this had led to an increase of international enterprises in the country.

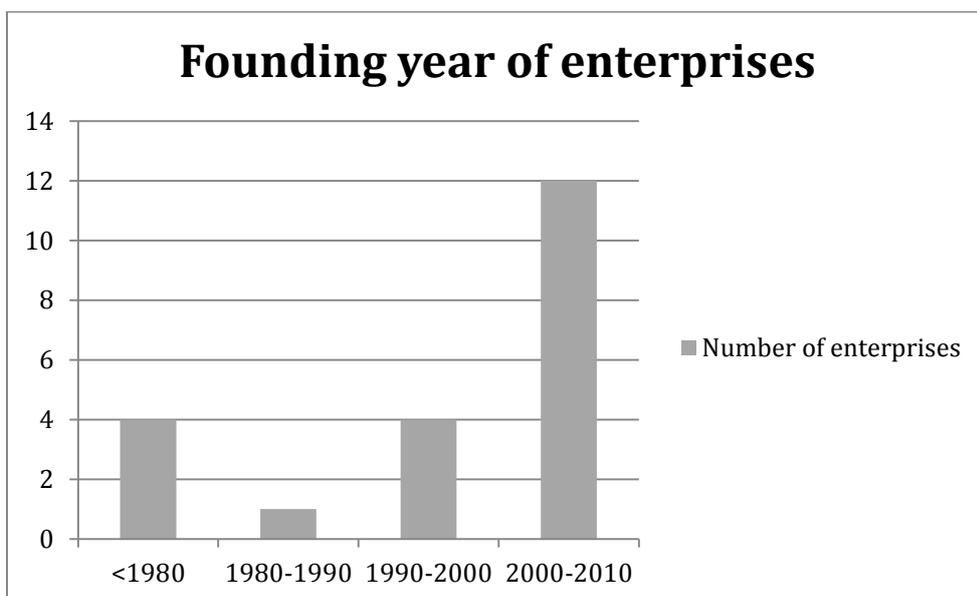


Figure 12: Founding year of enterprises (Source: field work South Africa 2013)

---

#### 6.4 CHARACTERISTICS OF THE RESPONDENTS

---

An impressive number of two of the respondents were female, which illustrates that the vast majority of owners of the participating enterprises is male. One of the female respondents noted that the flower industry in which she was active was largely male-driven. Of the 22 respondents, 16 were the actual owners of the enterprise. The other 6 were employees at the enterprise, of which 2 were related to the owner (either being the son, or the father of the owner). The 4 remaining employees ranged from general employees to production manager.

The average age of the respondents was just above 46 years. The average number of years in the country for 21 respondents is 21.6 years. However, there were 6 respondents which lived in the country for almost all their lives. When these respondents are excluded from the calculation, the average amounts to 16.2 years. This still indicates that the respondents have been living in the country for quite some time already. Most of them also said they would not want to move back to the Netherlands since they were already so much used to the South African lifestyle.

	<b>Number</b>	<b>% of total</b>
<b>Gender</b>		
<b>Male</b>	20	91%
<b>Female</b>	2	9%
<b>Function</b>		
<b>Owner</b>	16	73%
<b>Son/father of owner</b>	2	9%
<b>Other</b>	4	18%
<b>Age</b>		
<b>30-40</b>	3	16%
<b>40-50</b>	10	53%
<b>50-60</b>	6	31%
<b>Average</b>	46 years	
<b>Years in country</b>		
<b>0-10</b>	4	19%
<b>10-20</b>	6	29%
<b>20-30</b>	3	14%
<b>30-40</b>	7	33%
<b>&gt;40</b>	1	5%
<b>Average</b>	21.6 years	

Table 6: Owner characteristics (Source: field work South Africa 2013)

*History respondents*

A little more than half of the respondents followed an education which was directly related to their current work field. For most of them, this was an education on a horticultural school. About 20% of the respondents followed a more general education in business or economics. The respondents which followed an agricultural education were mostly inspired by their fathers or families which had also been active in the sector. These respondents had been walking around on farms their whole lives, i.e. *'kregen het met de paplepel ingegoten'*<sup>1</sup>.

With regard to previous working experience, more than 70% of the respondents had significant working experience in the agricultural sector, either in the Netherlands, South Africa or another African country. These entrepreneurs worked in a similar company before or had a similar business before they moved to South Africa. These people are highly skilled on the topic and have brought a large amount of knowledge into the country.

There are no clear patterns or trends to be found when it comes to the motivation for entrepreneurs to start an enterprise in South Africa. Some respondents were looking for a new business challenge and found this in South Africa, with an abundance of land, a good climate and lower production costs. Another pull-factor in South Africa was that, in comparison to other African countries, it is possible to privately own land in the country. In addition, some respondents argued the general legislative framework in South Africa is strong and enables businesses to grow faster than in the Netherlands. Some respondents were also driven by their feelings: either because of the love or because they were in search of some new challenges. The historical ties with the Netherlands were also named as a pull-factor by some; especially the Afrikaans language proved very convenient.

---

## 6.5 TURNOVER

---

75% of the enterprises which disclosed their annual turnover can be classified as small- to medium-sized enterprises with an average turnover of less than 20 million rand. There were three large enterprises with a turnover higher than 90 million rand, as can also be seen in the figure below.

---

<sup>1</sup> Dutch expression for something which you have been taught since you were young.

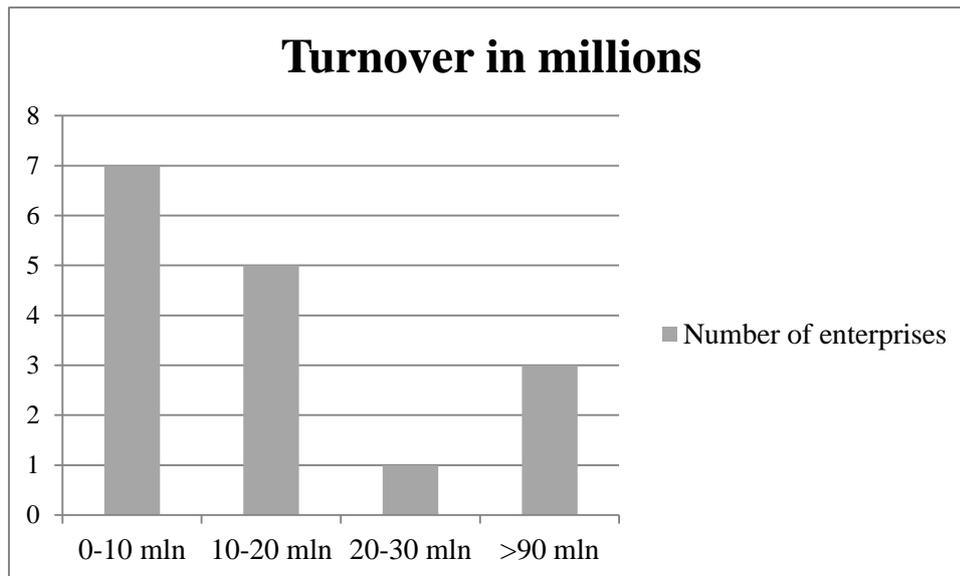


Figure 13: Turnover of enterprises (Source: field work South Africa 2013)

Figure 14 gives some additional information on the turnover of the enterprises by displaying the turnover per category. The enterprises with the smallest turnover are mostly in the consumption goods category. These enterprises were mainly small and family-owned enterprises with a turnover smaller than 10 million rand. Almost all of the flower growers are concentrated in the 10-20 million turnover group. Only one flower grower had a large turnover of over 90 million rand, but this enterprise was the daughter company of a larger organisation. The other two enterprises in the highest turnover group are to be found in the machinery and production support category. These enterprises buy and sell expensive machines, which explains the high turnover.

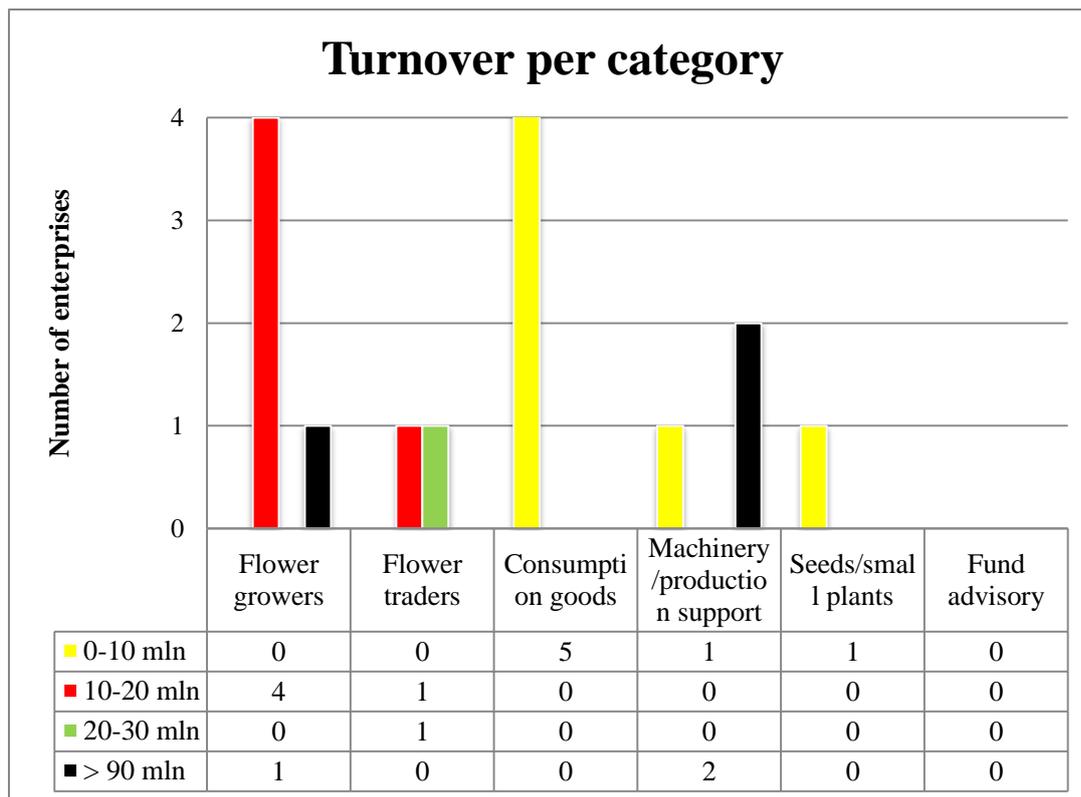


Figure 14: Turnover enterprises per category (Source: field work South Africa 2013)

90% of the enterprises have never received any form of subsidy or grant from their home or host country. As described earlier, the agricultural sector in South Africa hardly receives any subsidies. Since agriculture in Europe and America is highly subsidised, this makes it difficult to compete on the international market. One enterprise indicated they receive a grant as an industry for more research and development in the flower industry. Another enterprise received a 10% refund by the Department of Agriculture for their investment in the building of a new property.

## 6.7 VALUE CHAIN ACTIVITIES

The enterprises all engage in different business activities and take up different tasks in the value chain. These are all specified per category in table 7. From the table, it is evident that there are quite some similarities in the activities per categories. The flower growers, for example, obviously all engage in farming, and all the enterprises also did their own packaging. These enterprises often had several greenhouses on their plots where different flower sorts were grown. The packaging was often done in a large pack house, with facilities to cool and store the flowers before transport. A large part of the enterprises also transported their own goods from and to suppliers and customers.

The flower traders are also involved in mostly similar activities: they have their own storage facilities where they can temporary store flowers before these are transported elsewhere. All of them arrange their own transport and their core activities are clustered around trading and exporting. The business activities of the flower traders also involve a great deal of communication with both their suppliers and customers. Customers often demanded a high standard of their products, and the traders constantly have to communicate this to their suppliers to determine if they can meet the demands of the customers.

The consumption goods enterprises are also largely involved in similar activities, and these activities also resemble the ones of the flower growers. This is not very surprising as most of these enterprises also grow or produce and package their own products. The wine producers grow their own grapes, produce and bottle their own wine and are involved in international trade.

The machinery category is the only category which actively engages in services and consultancy activities: this mostly occurs when they advise clients on the use and maintenance of machines and agricultural systems. In the last two categories, there are no clear patterns visible with regard to value chain activities.

	Machinery/engineering	Fertilizers/Pesticides	Seeds	Services/Consultancy	Other supplies	R&D	Farming	Storage	Processing & manufacturing	Packaging	Retail	Transport	Trading & Export	Other
Flower Grower	X				X		X			X		X		
Flower Grower							X			X		X		
Flower Grower							X			X		X	X	
Flower Grower							X			X	X	X		
Flower Grower							X			X		X		
Flower Grower					X		X			X		X		
Flower Grower							X			X				
Flower Grower							X			X				
Flower Trader								X				X	X	
Flower Trader								X				X	X	
Flower Trader								X				X	X	
Consumption goods									X	X	X			X
Consumption goods							X							X
Consumption goods									X	X	X			X
Consumption goods							X		X	X			X	X
Consumption goods							X		X	X	X		X	
Machinery	X			X	X				X			X		
Machinery	X			X	X		X			X		X		
Machinery	X			X							X			
Seeds/small plants			X		X		X	X		X			X	
Seeds/small plants					X				X					
Fund advisory/finance				X										
Total	4		1	4	6		13	4	6	14	5	11	7	4

Table 7: Value chain activities per enterprise (Source: field work South Africa 2013)

The value chain activities in which most of the enterprises are involved can be read in the bottom 'Total' column. Most of the respondents engage in farming and in packaging activities, however this number is slightly distorted by the large group of flower growers in the sample. The value chains of the enterprises are rather consolidated: all of the enterprises, except one, take up more than one function in the value chain. A move towards a more consolidated value chain was also expressed as a way to become more (cost) efficient. A more consolidated value chain removes the number of links to suppliers and consumers and this gives an enterprise more control over its operations. For example, one enterprises stated that

they wanted to move from two storage facilities for flowers to one storage facility in order to reduce their transport costs.

### *Customers*

90% of the enterprises supply at least some of their products to the South African market. This shows that most of the enterprises are focused at least partly on the domestic market. While about half of the enterprises also have some or all of their focus on exports to countries outside the African continent, most of the enterprises produce for the local market.

In this sample of enterprises, exactly half of the enterprises are in some way influenced by a certification scheme. This also highlights the growing power of large retailers on an international scale. The big supermarket chain Woolworths places heavy demands on their suppliers, who all have to comply with its Farming For the Future certification standards as described above. The international consumers demand their suppliers to comply with Global GAP certification standards.

## CHAPTER 7: CHARACTERISTICS LABOUR

---

An important aim of this research is to examine the behaviour of the interviewed enterprises with regard to employment issues. This chapter will present these results on the labour-related issues at the enterprises, thereby answering the second sub-question:

*What are the characteristics of labour-related issues at Dutch enterprises?*

By providing a clear overview of all labour-related issues at the Dutch enterprises, this chapter can assess the contribution of Dutch enterprises to employment generation in the agricultural sector. The presented results will provide information on the amount of employment which is generated, as well as the quality of this employment. By comparing the minimum legislative requirements to the actual working conditions, a conclusion can be drawn on the level of responsible business practices of the respondents.

The chapter will first present an overview of the basic characteristics of the enterprises. These characteristics will each be discussed in more detail afterwards. After this, the basic working conditions at the enterprises will be discussed. These results will first be presented according to the answers of the enterprises. Following this, the results will be cross-checked with the answers of some of the employees. The last part of the chapter will focus on further labour issues which are of current interest in the South African labour market.

*“Ik wens je veel, ik wens je personeel”*<sup>2</sup>(Respondent Western Cape)

---

<sup>2</sup> Dutch for: I wish you a lot, I wish you staff. One farmer used this sentence to articulate that employees are often an area of concern in South Africa.

## 7.1 BASIC CHARACTERISTICS EMPLOYEES

This table below summarises the main labour characteristics of the Dutch enterprises, represented per category. It becomes evident from the table that several of these issues are similar for most of the enterprises. The term ‘standard’ in the table denotes that the enterprises provide this issue according to the minimum legislative requirements. The characteristics which are presented in the table will each be discussed in turn in the following sections.

	<b>Total employees</b>	<b>Male/Female</b>	<b>% South African</b>	<b>Wage levels</b>	<b>Working hours</b>	<b>Holidays</b>	<b>Maternity leave</b>	<b>Housing</b>
Flower Grower	105	50/50	30	higher	45	standard	6 months	Yes
Flower Grower	136	20/80	99	standard	45	standard	standard	No
Flower Grower	242	40/60	96	higher	45	standard	standard	Yes
Flower Grower	90	30/70	100	standard	45	standard	standard	No
Flower Grower	64	20/80	95	higher	45	standard	standard	No
Flower Grower	55	30/70	90	higher	43,5	standard	standard	No
Flower Grower	25	45/55	70	higher	45	standard	standard	No
Flower Grower	105	40/60	100	higher	45	standard	standard	Yes
Flower Trader	13	70/30	40	higher	45	standard	standard	No
Flower Trader	11	75/25	100	higher	47,5	unknown	unknown	No
Flower Trader	4	50/50	50	higher	varying	standard	standard	Yes
Consumption goods	20	50/50	50	standard	40	standard	standard	No
Consumption goods	8	35/65	100	higher	45	standard	standard	No
Consumption goods	9	55/45	100	higher	45	standard	standard	No
Consumption goods	30	100/0	100	standard	42,5	standard	standard	Yes
Consumption goods	22	90/10	90	higher	45	standard	standard	Yes
Machinery/production	11	95/5	100	standard	unknown	standard	standard	No
Machinery/production	70	90/10	89	standard	45	standard	standard	Yes
Machinery/production	30	90/10	100	unknown	45	standard	standard	No
Seeds/small plants	70	30/70	100	higher	45	standard	standard	No
Seeds/small plants	15	67/33	75	unknown	38,25	21 p/yr.	standard	No
Fund advisory/finance	14	50/50	50	higher	unknown	unknown	unknown	No

Table 8: Summary of labour-related characteristics (N=22) (Source: field work South Africa 2013)

### *Number of employees*

The majority (81%) of the enterprises employ less than 100 people permanently and more than half of the enterprises employ less than 50 people permanently (see figure 15). The number of permanent employees at the enterprises is in a wide range, as can also be seen from the table above: one enterprise only employs 4 people, while another employs 242.

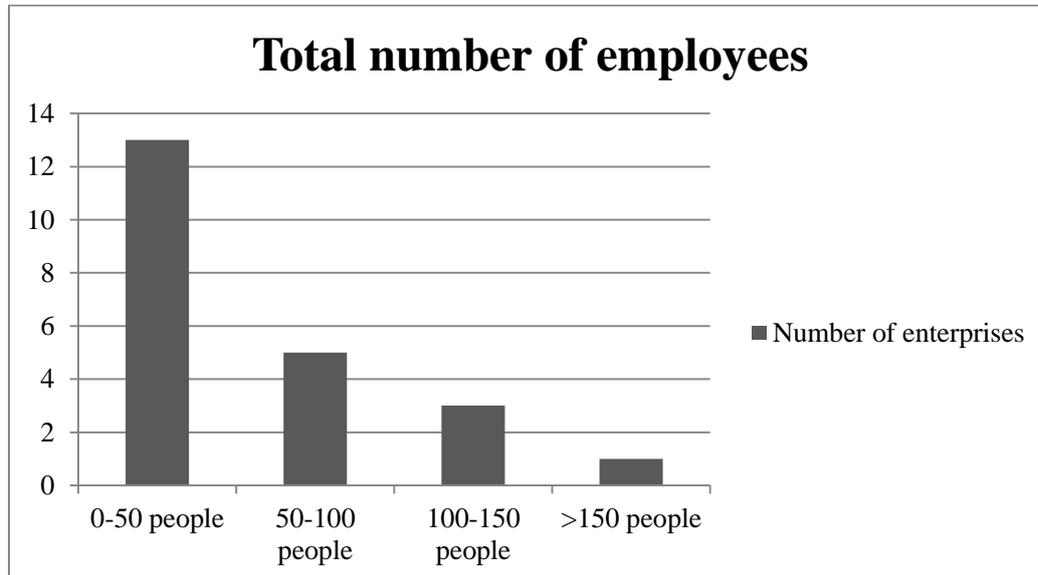


Figure 15: Total number of employees (Source: field work South Africa 2013)

When employment numbers are depicted per category, it is quite evident that the flower growers generate most of the employment (see figure 16 below). These enterprises need many workers to harvest and pack the flowers. Most of these workers are low-skilled and receive the minimum wage. The average number of employees in the other categories is closer together. These numbers are significantly lower either because the enterprises were small and did not have large plots of lands, or because the activities of the enterprises did not require large amounts of labour.

The flower traders and fund advisory, for example, mostly depend on a smaller amount of high-skilled employees. These employees are more engaged in activities which can be performed at the office, as for example administrative or communicative tasks. While these enterprises may employ a smaller amount of people, their employees do receive a wage above the minimum requirements and they can learn or improve their skills at the enterprises. The difference in the generated employment of the enterprises is therefore between large amounts of low-skilled, low-paid labour and smaller amounts of high-skilled, higher-paid labour.

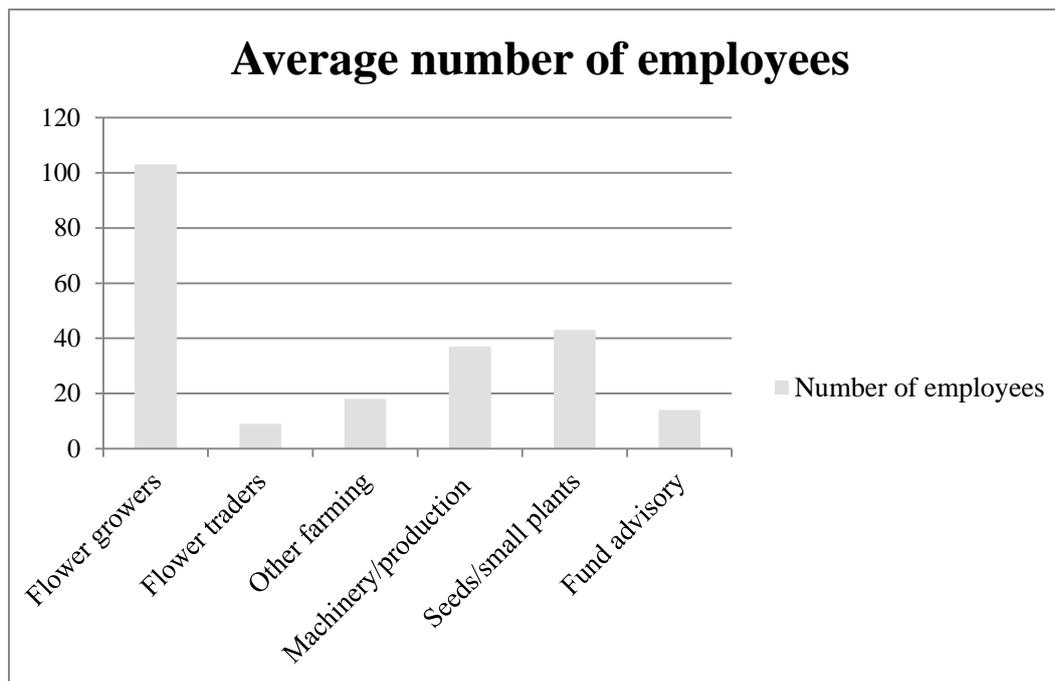


Figure 16: Average number of employees per class (Source: field work South Africa 2013)

All of the enterprises which engage in farming activities have high and low seasons and therefore work with seasonal employees. As described above, these employees are attracted during the season and only work for a couple of months in the year. There is a significant difference between the position of permanent and seasonal workers. The permanent workers are often the higher-skilled employees, which have some experience and have been working at the farm for a while. These employees for example drive the tractor or are managers or supervisors of a group of general workers. They are also better-paid and receive more extra benefits as housing and transport. The seasonal workers are low-skilled and perform the general, easy tasks as harvesting and packaging. In an interview with an employee of the Wine and Ethical Trade Initiative (WIETA), the respondent stated that there is a large difference in the relationship between the farmer and its permanent or seasonal employees. Permanent workers are almost seen as family, while the relationship with seasonal workers is more impersonal and ad-hoc. Seasonal workers are therefore in a more vulnerable position, however they do not address these issues because they are afraid to be replaced.

### *Gender division*

Men are employed slightly more often than women on average for all the enterprises: 55% against 45%. A first explanation for this is that in the rural areas of South Africa, men still take up a dominant role in the household. They are seen as the breadwinners and are often employed first, while the women stay at home and take care of the children. Women are

employed more often as seasonal workers, where they are employed as general workers against the lowest wages. This leaves the women in a more vulnerable position. The higher-skilled jobs as tractor driving or pesticide spraying are more often performed by men.

*“Most female workers are seasonal, and they also get the lowest paid jobs. Those that operate the tractors, spray pesticides, more skilled jobs are reserved for males. Not officially, but in practice, that’s how it goes. Women know they will not drive a tractor, farmers make those decisions and that’s how it goes.”* (Women on Farms Project, Western Cape)

However, the enterprise working in the flower industry often gave preference to female employees. When only looking at the flower growing enterprises, the numbers look different: in these enterprises, 66% of the employees are female (see figure 17). The main reason for the respondents to work with more women was that the ladies are better able to work with delicate products. Flowers need to be harvested and packed carefully and women can perform this task better with their smaller and softer hands. However, 3 of these 8 interviewees also argued that women work faster than men and are more reliable at work. They believe that the working mentality of women is better because they feel responsible to earn a living for their children and household. Conversely, they experience problems of loyalty and alcohol abuse with their male employees.

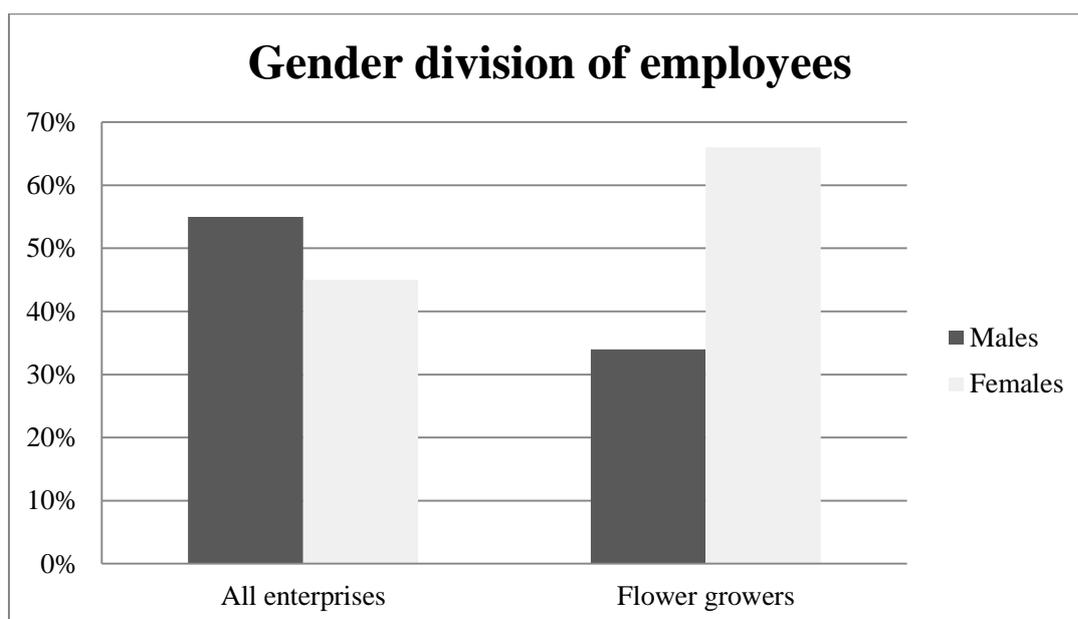


Figure 17: Gender division in all enterprises versus flower growers (Source: field work South Africa 2013)

*Immigrant workers*

82% of the employees working at the interviewed enterprises is South African. The enterprises which indicated that they work with foreigners mostly employ Zimbabweans (85%) and/or Malawians (46%). Although the employees at the enterprises are predominantly South African, respondents frequently stated that immigrant workers are known to work harder than the local people.

*“We’ve got two people from Malawi, one from Zimbabwe... these people really want to work.”* (Respondent Western Cape)

However, some interviewees also had a more negative opinion about immigrant workers. One of them argued that he did not want to employ foreigners due to the high unemployment levels in South Africa. Another respondents indicated that there can arise problems between local people and foreigners when these are working together. The country is dealing with problems around the notion of xenophobia, with hatred and aggression against foreign immigrants.

Currently, Zimbabweans make up the largest group of immigrants in the country (FMSP, 2010). Furthermore, it is estimated that about 3-4% of the total population are foreigners, which is lower than many other African countries. Other immigrants mostly come from Malawi and Mozambique, mainly in search of better economic opportunities.

The intolerance of many South Africans against migrants has unfortunately led to acts of violence and assault from the first party to the second (Crush, 2000). Since the ending of apartheid, racism against migrants has been growing and concerns of increased xenophobia are often voiced. According to Crush (2000) this is partly due to the practice of new-nation building in South Africa. After the apartheid-era, citizens which used to stand opposite each other faced the extreme challenge to create new feelings of nationalism together. Many citizens were – and are – not ready to grant migrants the same rights which many of them have been fighting for for years. Additionally, the xenophobic ideas are also fed by stereotypes and myths, as few South Africans had first-hand contact with migrants in their country (Crush, 2000).

An additional issue with regard to immigrant workers which came to light during the research was the problem of large numbers of illegal immigrants with false work permits. Immigrant workers have to be in possession of a legal work permit to be employed, however in certain provinces as Limpopo and Mpumalanga (in the north-west of the country) there are

so many immigrant workers that this is difficult to monitor. The Department of Labour is very strict on illegal immigrants and organise special inspections where they target and inspect a whole area (often in the border provinces). Enterprises also indicated that they do not want to risk the high fines for working with illegal immigrants and only employ people which have valid work permits.

---

## 7.2 BASIC LABOUR RIGHTS FOR FARMWORKERS

---

As discussed above in the institutional context, the basic labour rights for farmworkers are taken up in the sectoral determination for farmworkers. Issues which are not covered or taken up in this sectoral determination are covered by the Basic Conditions of Employment Act of South Africa. The basic labour rights at the Dutch enterprises will be discussed in this section and will be compared to the legislative requirements.

### *Wage and payment*

Out of a total of 20 enterprises which specified their wage levels, fourteen of these said to pay more than the minimum wage. Six of the respondents said they paid the sector's normal or minimum wage. It is, however, difficult to analyse these numbers because of the minimum wage increase which went into effect during this research. Several enterprises also indicated they used to pay more than the minimum, but after the minimum wage increase this would not be the case any longer. A later chapter will present the main response of the enterprises to the minimum wage increase.

The main motivation to pay employees more than the average was to attract better people: 6 enterprises indicated this as their main reason. These enterprises argued that if people earn more, they get a feeling of ownership and more responsibility. These enterprises also want to be the employer of choice: employees should realise that they cannot get that job anywhere else and should be motivated to work hard. The next quote illustrates this thinking:

*“If you pay peanuts, you get monkeys”* (Respondent Western Cape)

The respondents also said they pay more to employees who have more skills and experience. In the farming enterprises, there often was a distinction in wage between the general workers and the more skilled workers as tractor drivers, supervisors and general managers. By paying the last groups more, the respondents wanted to motivate and reward the employees in the higher skilled jobs for the higher level of responsibility.

### *Added benefits*

Farmers can also reward their employees in the form of non-monetary benefits. Many of the respondents offered some form of non-monetary benefits and indicated that this made their total 'package deal' better than the minimum requirements. Benefits which can be included in this package deal are free housing with subsidised water and electricity, transport, canteens with food, crèches, medical aid, pension funds, clothing, sports fields, etc.

The most frequently provided benefits are housing and transport, which are often provided free of charge by the employers. According to the sectoral determination for farmworkers, employers do have the right to deduct a maximum of 10 per cent of a farmworkers' wage for accommodation. With regard to transport, employees will either be picked up by a farm truck, or employees receive funds to pay for their transport.

### *Housing*

The housing situation in South Africa is complex. During the apartheid period, many people were forced out of their homes and had to move to other areas. These forced evictions have led to a development of massive townships or squatter camps, where predominantly black and coloured people live. After the apartheid era ended, the government of Mandela was determined to build houses for everyone. Millions of houses were built under the Reconstruction and Development Programme (RDP). However, these construction of these houses was outgrown by the population growth, and townships have been growing. Additionally, the RDP houses have predominantly been given to people for free, which has resulted in a lack of ownership and responsibility from the current owners. This has led to a growing amount of complaints on these RDP houses. The houses are too small for normal families and are deteriorating at a fast pace.

Enterprises can therefore make a big difference in providing subsidised accommodation for their employees. This mostly occurs at enterprises which are involved in farming activities. About 7 of the 22 enterprises provided housing for their employees. These enterprises were flower or wine producers, which owned large plots of land for the production of their crops. The provided housing usually comes in the form of compounds, which are large buildings with several family rooms and shared bathroom and kitchen facilities. The water and electricity in these houses was subsidised by the enterprises. None of the enterprises could accommodate all of their employees on the property and all of them indicated that the houses were full. This illustrates the large demand for houses in the country. The houses were

occupied by permanent workers, often the ones which worked there for a long time. Also, employees which had to work night or weekend shifts would live on site.

The respondents indicated that the provision of housing for employees is not a simple task. A house only classifies as a house if it has a window, running water at a close distance, sanitation facilities and at least 30 square meters per person. As the alternative for workers is a shack in a township with fewer facilities, these regulations are rather strict. The owners of a farm are also the ones which are responsible for the maintenance of the houses and need to provide electricity and water.

On top of this, legislation in South Africa prohibits property owners to send people away from their property if these have been there for more than 24 hours. People also build up more rights the longer they live on a certain property, which makes it increasingly difficult to send them away. For most of the enterprises, the houses were already on their property at the time of buying. Due to the legislation, the new owners were not able to send these people away. Some respondents therefore have to deal with a lot of families living on their farm property, of which only a small part actually works for them. Although they are not their employees, the owners still have to take care of the houses. A respondent of a farmer's organisation comments on the issue:

*“If a worker works on a farm and is a trouble maker, and you fire him because of that, you can't get him out of the house. I've got a member here, of the 28 houses on his farm, only 4 work for him. But is it his job to maintain these other houses? He has to give them water, electricity, and they break everything. The law protects unproductive people.”* (Respondent farmer's organisation)

This legislation is therefore a large reason for the respondents not to provide any housing for their employees. Rather, they have to check whether people are not staying on their property for more than 24 hours.

### *Bonuses*

Although the employees receive a prescribed wage for their work activities, they do have the ability to earn more through performance bonuses. Employees could earn these bonuses for example by harvesting a certain target amount of produce in one day. The enterprises which worked with these bonuses used it as a motivation for their staff to work harder. The employees were able to significantly increase their daily wage through these

bonuses. Other, less-frequently paid bonuses are the not-sick bonus or the presence bonus, which is a reward for employees which are not sick/always present.

### *Working hours*

The average working hours calculated over 18 enterprises are 44.3 hours per week. At most of the enterprises an average workweek consisted of 45 hours, either divided over five or six days. Employees which had to work six days a week usually had a free afternoon during the week and on Saturday. Sunday was a free day in almost all of the enterprises, to allow employees to go to church. Some employees had to work on Sundays, but these mostly had to monitor the operations or water the crops to prevent crop failures.

If a farmworker works more hours than is taken up in its contract, the employer is obligated to pay overtime. The specific rates for overtime payments are taken up in the sectoral determination. Denoted time periods for breaks and resting periods between working days are also part of the sectoral determination. The determination for example states that a farmworker should have a daily resting period of at least twelve hours between the end of work and the start of work next day. There also should be one weekly rest period of at least thirty-six hours between a worker's shifts.

### *Annual leave*

As could also be seen in the table above, 19 out of 20 enterprises granted their employees the standard amount of free days or holidays, and the remaining enterprise provided even more. According to the legislation, employees are entitled to three weeks full-paid leave in respect of each twelve months of employment, which is called the 'annual leave cycle'. An employee is not entitled to these full three weeks right at the beginning of its contract, but builds up the free days over time: for every 17 days of work, a farmworker earns one day of leave. One employer in the Western Cape shares his experience with this:

*"In the beginning, I was very accommodating and gave everyone their free days before they had worked for it, just like in the Netherlands. But this doesn't work, if you give people 15 days right away, they will let you pay them and never return. Now, they get a number of days every month, and if you're out of days, you don't get paid."*  
(Respondent Western Cape)

### *Sick leave*

In terms of medical leave and maternity leave, all the enterprises fully complied with the minimum legislative requirements. The medical leave in the sectoral determination for farmworkers is specified in the same way as the annual leave. Employees have a sick leave cycle as well, which is a period of 36 months. This cycle either commences on the first day an employee works for the employer or after the end of the farmworkers' previous sick leave cycle. During every cycle of 3 years, a farmworker is entitled to receive 30 days of paid sick leave (for a full-time employee).

Farmworkers must be able to produce a medical certificate or doctor's note for their employers, stating that they were unable to work for the duration's absence due to sickness or injury. If the employees do not hand in this certificate, an employer is not required to pay sick leave. The majority of enterprises also indicate they ask for these notes, although it does not seem to be difficult to visit a doctor and get a note for a small amount of money.

Employers are not obliged to provide their employees with medical insurance or to pay their doctor's fees. This usually is the responsibility of the employees. Access to state hospitals is usually (almost) free for these low-paid employees. Two of the respondents stated that, in case of an emergency, they take their employees to a hospital and pay for their treatment. A third enterprise indicated they pay 50% of the employees' medical costs. However, the majority (78%) leaves it up to farmworkers to pay their own medical tab.

### *Maternity leave*

The sectoral determination grants farmworkers at least four months of consecutive maternity leave. The maternity leave can commence at any time from four weeks before the expected date of birth or on a date which is deemed necessary by a medical practitioner. A farmworker may not work for six weeks after the birth of her child. It is standard to stop one month before the date of birth, and stay home three months after the child is born. However, one employer said that this could be difficult to estimate sometimes:

*“It doesn't always work like that; they normally keep working for quite a long time. It's like: 'you know the one who went home earlier yesterday, well, she just got a baby'. I also had it one time, some people came up to me and asked for a towel and water and scissors and stuff, because someone went into labour.”* (Respondent Gauteng)

*Contracts*

All farmworkers should have a contract and are entitled to a copy of this contract, in which all the basic rights of farmworkers have to be specified. The enterprises stated that all of their employees work under contract, since the fines of the Department of Labour can be high in case of non-compliance.

While seasonal workers are also entitled to a contract, in general this appears to be an issue of non-compliance in the agricultural sector of South Africa. As already described earlier, the seasonal workers are often the ones which are necessary for one day, and will not be necessary the next, which makes them very vulnerable. Without a valid contract in place, they are unaware of their rights or do not have any ground to stand against their employers. For example, seasonal workers also have a right to a certain amount of leave days, but they are not aware of it or are scared to ask for it because the farmer might send them away and look for someone else. At the interviewed enterprises, these issues did not seem to play a role, however the Department of Labour and two NGOs indicated that this is a general area of concern in the sector.

*Dismissal*

Employees enjoy quite some rights in South Africa and it is not easy to fire an employee. Employers must follow a certain and strict procedure if they want to dismiss their workers. They have to give several warnings to the employees before they can start the procedure of dismissal. If a worker then deems the dismissal as unfair, he or she can apply for an unfair dismissal at the Commission for Conciliation, Mediation and Arbitration (CCMA). This is a dispute resolution body, which can assist employees in challenging their dismissal. The CCMA can make a case against employers and a commissioner will listen to both parties and rule on the matter. Some enterprises have indicated that employees will go the CCMA very soon and this gives them a lot of disputes to deal with. Therefore, several enterprises work with a lawyer or an official labour broker to handle their dismissals.

---

### 7.3 EMPLOYEE RESULTS

---

A total of 29 employees was interviewed at seven different enterprises. The results of these interviews are used to cross-check the answers of the employers on the above-described issues around basic labour rights. The table below presents the main characteristics of these employees. The participating employees either worked at a flower growing company (4

different enterprises), at a consumption goods enterprise (2 different enterprises) or in a machinery/production support company (1 enterprise).

Enterprise	Gender	Age	Nationality	Contract	Marital status	Children	Working since	Function	Wage/month
Flower grower	M	30	Malawi	Yes	Married	2	2011	General worker	1500
Flower grower	M	25	South Africa	No	Married	1	2007	General worker	1500
Flower grower	F	29	South Africa	Yes	Single	1	2010	General worker	1800
Flower grower	M	33	Malawi	Yes	Married	1	2011	General worker	1500
Flower grower	M	38	South Africa	Yes	Married	3	2008	General worker	1500
Flower grower	M	52	South Africa	Yes	Girlfriend	3	1996	General worker	1500
Flower grower	M	24	Malawi	Yes	Single	0	2010	General worker	1500
Flower grower	M	42	South Africa	Yes	Married	4	1990	Supervisor	11500
Flower grower	M	32	South Africa	Yes	Single	1	2012	Manager	10000
Flower grower	M	23	South Africa	Yes	Single	0	2010	Supervisor	1800
Flower grower	F	38	Zimbabwe	Yes	Single	0	2011	Manager	12500
Flower grower	F	29	South Africa	Yes	Single	1	2003	General worker	1565
Flower grower	F	32	South Africa	Yes	Single	2	2008	General worker	1525
Flower grower	F	42	South Africa	Yes	Single	5	2004	General worker	1550
Flower grower	M	23	South Africa	Yes	Single	0	2013	Tractor driver	2500
Flower grower	F	45	South Africa	Yes	Boyfriend	2	-	General worker	-
Flower grower	F	33	South Africa	Yes	Married	0	2003	Supervisor	4000
Flower grower	F	34	South Africa	Yes	Single	2	2005	General worker	1600
Flower grower	M	24	South Africa	Yes	Single	0	2012	General worker	1588
Flower grower	F	48	Zimbabwe	Yes	Married	3	2003	Supervisor	2500
Flower grower	F	35	South Africa	Yes	Boyfriend	2	2008	General worker	1500
Consumption goods	F	36	Malawi	Yes	Married	2	2009	Domestic worker	2500
Consumption goods	M	26	Zimbabwe	No	Girlfriend	0	2005	Waiter	Tips
Consumption goods	F	40	South Africa	Yes	Married	2	2011	Manager	5000
Consumption goods	F	43	South Africa	Yes	Single	2	2006	Head of staff	2420
Consumption goods	F	25	South Africa	Yes	Single	0	2012	Administrative	2400
Machinery	M	35	Zimbabwe	Yes	Married	1	2011	Supervisor	-
Machinery	M	29	Malawi	Yes	Married	2	2011	General worker	1500
Machinery	M	30	Malawi	Yes	Married	3	2010	Supervisor	2000

Table 9: Summary of employee results (N=29) (Source: field work South Africa 2013)

The division between men and women was almost equal: 14 of the respondents were female, 15 were male. The average age of the employees was 33,6 years. Although at a first glance this does not sound old, a life expectancy rate of about 50 years in South Africa changes this

perspective. Most of the employees have already been working at the enterprises for quite some time. The average year since which employees have been working at their companies is mid-2007. The majority of the respondents have the South African nationality, however there are still ten foreigners amongst this sample. 27 of the respondents have a contract in place. The two employees without a contract are temporary/seasonal workers. Of all these employees, 8 did not have children.

The function of the interviewed employees ranged from general worker to manager. At the time of these interviews, the minimum wage increase did not went into effect just yet. The minimum wage therefore was 1500 rand per month during the interviews. It is easy to see the difference in wages between the different job functions. The general workers all earn around or slightly more than the minimum wage. Employees with a function as a supervisor or manager can earn significantly more, with the highest wage for a manager being 12.500 rand per month. Although this is still not much for Dutch standards (a little more than 1000 euros), in South Africa it is quite high.

	<b>No. employees</b>	<b>% of total</b>
<b>Housing provided</b>	12	43%
<b>Medical leave</b>	28	97%
<b>Medical costs paid</b>	2	7%
<b>Training</b>	23	79%
<b>Trade union</b>	1	3%

Table 10: Further employee results (Source: field work South Africa 2013)

This table presents some additional results from the employee interviews which can also be cross-checked with the information from the enterprises. A little less than half of the respondents lived on farm property, with subsidised water and electricity. This is more than on average for all the enterprises, since a large part of the interviewed employees worked at farming enterprises which often have employees living on-site.

Almost all of the employees indicated to get paid when they are sick, provided that they proof this with a doctor's note. However, as also stated by the enterprise owners, almost all of the employees are responsible for the payment of their own medical costs. Only two out of 29 get some or all of their medical costs paid for. Some of the employees did indicate that they can visit the state hospital for free. In some cases, the enterprises were frequently visited by a doctor or even had a permanent nurse which the employees could visit for free.

A positive amount of 23 out of 29 employees did receive some kind of training at their jobs. They also said that this improves their chances on future employment. Only one of the respondents was member of a trade union. These last two issues (training and trade union) will be touched upon in more detail in the section below.

---

#### 7.4 ADDITIONAL ISSUES AROUND LABOUR

---

During the interviews, some additional issues around labour came to light which are of importance to denote here. By presenting these results, the aim is to draw a complete picture the labour characteristics at the interviewed enterprises.

##### *Training and education*

For most of the respondents, the only training or education they offer an employee is on-the-job training, where employees are taught how to perform a certain skill at the workplace. There were some exceptions, but there was no regular pattern among the enterprises. Some farmers have given their employees an opportunity to get their driver's license in order to drive tractors or company vehicles. A handful of farms has also appointed some employees to obtain their Health & Safety certificate, which is demanded by new legislation of the Department of Labour. With this certificate, certain employees are responsible for good Health & Safety practices in the enterprise and need to communicate this to other employees. Enterprises which notice the potential of an employee may sometimes offer him the opportunity to follow a training to improve its skills, as is explained by this manager:

*“If we have an aspiring young employee which performs really well, we will educate him internally and he can grow in the company. They will get paid well, and we don't make any distinction between a black or a white person. They have to be good, and we do it in small steps, because we notice that they can't really handle the increase in money well.”* (Respondent Gauteng)

The skills level of most of the employees at farming enterprises is often low, because there is not much skill needed for the work activities. Enterprises have indicated that it is difficult to find higher-skilled employees since education levels in general are very low. There is not much pressure amongst younger people to finish their education, which is also fuelled by high youth unemployment rates. The level of education in South Africa is also

problematic: the required grades to obtain a diploma are low and therefore a diploma does not necessarily ensure a skilled employee. The enterprises which offer their employees a chance to develop their skills are therefore able to make a big difference in these people's lives.

### *Trade unions*

On average, 4.4% of the employees were member of a trade union. Although the sample size is small, it is evident that the number of employees who are member of a trade union is exceptionally small. A number of reasons were given for this. First, the employers said that trade unions make occasional visits to farms to talk about membership issues. This increases the membership level for a while, but decreases again when employees soon find out that trade unions do not act upon everything they promise. A second reason was that the agricultural sector is very geographically widespread across the country, which makes it both difficult to reach and to organise the farmworkers at the varying enterprises.

### *Pension funds*

Enterprises are not obliged to pay for a worker's pension. Similar to the medical costs, this is the responsibility of the farmworker. Five of the interviewed enterprises indicated they have some sort of pension fund, where workers receive an amount of money when they leave the company. Other enterprises have indicated that they used to work with a pension fund, but the employees chose to stop with this pension fund. Apparently the employees rather receive their money right away, instead of saving it for later. One interviewee had an idea on how the South Africans arrange their pension fund:

*“They have their own pension fund in the form of children. That's the reason why they have so many!”* (Respondent Western Cape)

### *Labour brokers*

Labour brokers or contractors are bureaus or agents which work as an intermediary between a farmer and its farmworkers. South Africa is dealing with quite some problems around these labour brokers. If employers work with a labour broker, they will inform the labour broker on the amount of people they need, and the labour broker carries the responsibility to provide these people. The labour broker is also responsible for the payment of their wages and has to arrange employee's contracts and all associated issues as sick leave and dismissals.

Only a handful (four) of the enterprises work with labour brokers or contractors. Their main reason for this is to make their lives a little bit easier. As labour legislation is quite extensive and can be complicated, these entrepreneurs rather delegate this task to someone else. Furthermore, the enterprises have experienced quite some problems with demotivated employees and alcohol abuse. With a labour broker, they do not carry the responsibility to warn or dismiss these people, which can be a complicated issue as described above. Labour brokers are often used in the employment of seasonal workers, since it is an easy way to attract a large number of workers and payment only needs to be done to one person. As seasonal workers are often needed on an ad-hoc basis, this saves employers a lot of administrative and recruitment work.

In the sectoral determination, labour brokers are denominated as ‘temporary employment services’ and are accepted as a legal service. The temporary employment service then becomes the official employer of the labourers, instead of the enterprise they are sent to. This is similar to how a recruitment service in the Netherlands works. However, in reality the labour brokers do not always follow the rules and regulations. Labour brokers are known to work without contracts and to pay their employees less than the minimum wage. As many employees are dependent on some form of income, they cannot object against the labour broker. This has therefore become a controversial issue in South Africa. In an interview with WIETA this was highlighted:

*“The problem is, there are still producers which make illegal use of labour brokers. They take the 105 rand and probably pay the worker half of it. They collect workers on street corners and go to a farm and say: ‘I’ve got ten labourers today’, and they agree to pay a certain amount X for them. For the farmworkers, there is no contract in place, they don’t know how much they will earn, it is illegal.” (WIETA, Western Cape).*

This yet again emphasises that the problem is mainly evident amongst seasonal or casual labourers. The Department of Labour is very strict in the monitoring of these labour brokers, but outlying towns and areas are difficult to monitor. Labour brokers can get registered at the Department of Labour to prove their legal status, and the Department wants to move towards a system of full registration of the labour brokers in order to deal with the issue.

*HIV/AIDS*

HIV/AIDS prevalence rates in South Africa are high and most commonly occur amongst the poorer population groups. The responses from enterprises about HIV/AIDS issues were mixed. The infection rates in the Gauteng province are higher than in the Western Cape province. This is explained by a higher percentage of black people who live in the Gauteng province, amongst which prevalence rates are higher. The enterprises did not exactly know their infection rates as they officially are not allowed to ask if someone is HIV/AIDS infected. However, in general, enterprises in the Gauteng area had to deal with issues around HIV/AIDS more.

In the Gauteng province, four of the large flower growers indicated that there is a health service which visits every two weeks or every month. This service is mobile clinic; i.e. a bus in which the employees can be checked for infection and where they can get their medication. The service also hands out contraceptives to prevent further infections. Unfortunately, one of the flower growers said that the mobile clinic does not visit anymore because there are not enough funds available.

The stigma which is attached to the disease is still large, and people find it difficult to talk about it or admit they are infected. These people feel ashamed, but those feelings are also grounded in cultural issues, as a South African enterprise comments:

*“Some guys, they say it’s an act of God and part of their culture, they don’t want to do change or do anything about it. They do understand where it comes from, they are aware of it, but it is God’s choice. We even tell them, if you make that decision, that’s fine, but what about the other guy or girl you are infecting? It’s a vicious cycle.”* (South African farm, Western Cape)

It is also difficult to give people training about the risks and consequences of HIV/AIDS, as some people are not interested or do not want to spend their time on these information sessions. Some enterprises stated that they are willing to help, but people should also be willing to talk about it and be helped. The government is also partly to blame, as they have spent a lot of years denying the causes of HIV/AIDS infections. They have only become more open about the issue in a relatively late stage.

The causes of death by HIV/AIDS are also clouded by infection rates of tuberculosis (TB). When people are HIV/AIDS infected and also get TB, they are already weak and will

die earlier. TB in this case is often noted as the cause of death, while the underlying HIV/AIDS infection is the real cause of it.

### *Alcohol and drugs*

During the research, it became evident that a large part of the South African population struggles with alcohol and drug abuse. This is especially evident among the poorer population, where it seems to be a habit to visit the liquor store after the payment on Friday and to keep drinking until Sunday afternoon. Almost all of the enterprises have a story of workers which would not show up on Monday, because they are still drunk or have a bad hangover.

Shebeens are illegal bars which stem from the apartheid era when black people were not allowed to enter bars. These shebeens still exist – either legally or illegally – and sometimes even exist on farm properties where they sell cheap liquor. This makes it easy for poor people to buy alcohol, which can be an explanation for the problems with alcohol. Another reason may stem from earlier years, when employees on wine farms used to be paid in wine bottles. This has created a certain alcohol routine and has made employees dependent and addicted to it.

Employers are strict on alcohol abuse, and most of them will dismiss the workers right away. However, some respondents also said they are more tolerant and will give workers a second chance:

*“I’ve had a guy now which hadn’t been to work for 4 Mondays. I saw him yesterday (Monday) in town and he was slaughtered (completely drunk), didn’t know where he was. And he works under a contractor, so it would’ve been easy for me to call his contractor and tell him I’m done with him. I asked him, do you have any money left for the rest of the week? He said: nothing, no food. I said, just think logically, stop it, or I’ll have to get rid of you. But he’s a nice guy, laughs easily.”* (Respondent Western Cape)

In the Western Cape, a few respondents also expressed their concerns around the drug *tik*. Tik, which is the South African nickname for the drug Methamphetamine, is a synthetic drug which can increase alertness, concentration and energy. The drug is very addictive and can destroy someone’s brain. It is a very cheap drug and is therefore becoming a threat to the low-paid population in South Africa.

*BEE*

The BEE-legislation in South Africa is not very crystal-clear and is not strictly enforced by the government either. There are various regulations around BEE, but there was no coherent answer from the enterprises with regard to these regulations. The government's focus is mostly on the largest enterprises to become BEE-compliant, which does not apply to the many of the enterprises in this research. Only four of the respondents in this research indicated they had a BEE-status. Two of those supply to Woolworths, which demands their supplying enterprises to be BEE-compliant.

The opinion of the other respondents about BEE was rather uninterested and even negative. In general, the interviewees thought that the regulations about BEE are unclear and that these are not really enforced on the enterprises. Furthermore, the respondents without a BEE-status think that the regulations are based on the wrong incentives. These entrepreneurs state that through BEE legislation, people are not rewarded for their skills or working effort, but for their skin colour. In some instances, the country is over-compensating the imbalances of the apartheid era.

If an enterprise has a turnover higher than 5 million rand, a black person should own part of the enterprise. Respondents were hesitant to comply with this issue, since they did not just want to hand half of their company to another owner when it does not ensure a higher turnover. One farmer expresses his opinion:

*“If I have to get a partner and he also works 7 days a week, 14 hours per day, takes the same responsibility and brings in the same amount of money... But here, they think that every owner of an enterprise just makes a lot of money. If it would've been like that, I would have a big Mercedes. You have to work really hard here, and that's the negative thing about BEE. The end goal is good, but it is implemented completely wrong.”* (Respondent Gauteng)

*Mentality and productivity*

A last challenge which became evident from many enterprises is that the employees have a bad working mentality and are difficult to motivate. This is what the respondents indicated as a big difference from the Dutch 'arbeidsethos'<sup>3</sup>. The employees on the farms are reluctant to take on more responsibilities and employers can never count on their employees

---

<sup>3</sup> Dutch word for working mentality. The word is used here to denote that Dutch employees are more known to work hard and are motivated to reach certain goals.

for 100%. The respondents said that they have to explain certain tasks to employees every day and always have to check if they are performing their job activities. The South Africans are not very known to work hard:

*“I go to a lot of farms, maybe two, three times a week, and I ALWAYS see people doing nothing. It’s just... people are doing nothing half of the time.”* (Respondent Gauteng)

The interviewees gave different reasons for this behaviour. One respondent emphasised the large dependence and importance of families in South Africa. The families are large, especially of the poorest people, and these families will always support each other. If someone is dismissed or does not have any money, he/she can go to the family to get some money and food. It seems as if employees are not much afraid to lose their jobs and do not worry much about their future income.

An employee at a farmer’s organisation felt that the large amount of social grants was to the detriment of employee’s motivation and productivity. He also felt that this was largely a political issue:

*“It comes from the social grants, which the government uses to buy votes. People get these social grants, and it goes to the liquor store right away. The government cannot acknowledge it, because it will affect their voting position. And it is unfortunate that we’ve got elections every two years, they live from election to election, only winning votes. It’s a total political issue which needs to be addressed.”* (Respondent farmer’s organisation)

## CHAPTER 8: CSR BEHAVIOUR

---

*On what level do the Dutch enterprises engage in CSR behaviour and what are the main reasons, challenges and outcomes of this behaviour?*

---

### 8.1 LEVEL OF CSR BEHAVIOUR

---

The results have shown that all the enterprises in this sample at least comply with the basic legislative requirements with regard to labour issues. The minimum legislative requirements are quite strict and this ensures a high quality of employment places for the employees. In terms of wages, a large part of the enterprises paid more than the minimum, before the wage increase went into effect. These wages are often complemented by non-monetary benefits as housing, transport and food. Enterprises did not charge their employees for these benefits, which can add up to a large amount. An important note to make is that there is a large difference between the benefits of the permanent and the seasonal workers. Although the results do not directly provide proof for this statement, the agricultural organisations which participated in the research have expressed their concern around this issue.

The behaviour of the enterprises can also be compared to the principles of the UN Global Compact which were introduced in the theoretical frame. The UN Global Compact is a code of conduct which promotes responsible corporate citizenship amongst enterprises all over the world. Companies are expected to commit themselves to ten principles, of which four are labour-related:

- 1) Businesses should give their employees the right to collective bargaining,
- 2) All forms of forced and compulsory labour should be eliminated,
- 3) Child labour should be abolished and
- 4) Discrimination in respect of employment and occupation should be abolished.

With regard to the first principle, enterprises in this research do not withhold their employees the right to collective bargaining. The Department of Labour also very much promotes and stimulates collective bargaining. The number of employees which are member of a trade union is however low, due to the geographic dispersion of the agricultural enterprises.

The enterprises also adhere to the second principle. Their employees all have a contract in place and get rewarded for their work. The work activities in the agricultural sector are tough, but employees receive breaks and free days to take some rest. The third principle does not seem to be an issue among the enterprises. The average age of the employees was rather high and the importance of proper education for children was often articulated. Furthermore, the Department of Labour is very strict in their goal to abolish child labour.

The fourth principle is of increased interest in the South African context of post-apartheid. The apartheid period has left an extreme focus to avoid discrimination against any population groups. The BEE legislation strongly aims to redress historical imbalances by forcing enterprises to employ a certain amount of black people. While this has improved the lives of many people after the ending of apartheid, some would say that the government went too far in this respect and has instigated reversed discrimination. With regard to the enterprises, their most important motivation to employ someone is based on skills level as opposed to skin colour. The fourth principle is therefore adhered to, but it is a complicated issue influenced by legislation and personal notions on what is the right thing to do for the country.

---

## 8.2 CHALLENGES TO CSR BEHAVIOUR

---

As discussed above in the thematic context, the enterprises had to deal with a wage increase of 52% as of March 1<sup>st</sup>, 2013. The wage increased from 69 rand per day to 105 rand per day. This wage increase has become a substantial challenge and focus of farmers' business activities and influences the CSR behaviour of the enterprises. This section will shed light on this challenge by discussing the main reactions to this wage increase.

All the respondents had their own opinion on the wage increase, but in general the sounds were fairly negative. The wage increase will inevitably mean an increase in labour costs for many enterprises, at least in the short run. The impact of the wage increase will obviously be higher for those enterprises employing a large number of employees. The main comments on the wage increase are summarised in Table 11. The first column shows the different reactions to the wage increase, starting with those most frequently heard. The second column indicates how many respondents of the agricultural enterprises have commented on a certain issue. The third column shows how many respondents of other organisations have mentioned a certain response. The responses will each be discussed in turn.

Reactions to wage increase	Enterprises	Other organisations
Higher productivity	9	2
Mechanisation	9	2
Decrease in non-monetary benefits	4	2
Retrenchments	5	2
Incentives for employees	2	2

Table 11: Reactions to wage increase (Source: field work South Africa 2013)

### *Higher productivity*

Most of the respondents were focused on increasing the productivity of their employees. The enterprises could not dismiss employees right away because they still needed them on the job. However, these respondents indicated that they could only pay a minimum wage increase of 52% if this would be matched with a higher productivity. The entrepreneurs cannot work with unproductive employees and will have to dismiss those right away. Most of the respondents already indicated that a wage increase of 52% would never be matched with a similar productivity increase at the same pace.

In order to move towards a more productive staff, the interviewees indicated they would become more selective on their employees and would not tolerate issues such as alcohol abuse or showing up late. Many of the employers also spoke to their employees about the wage increase and pointed out that they expected more from their employees with the current wage increase. Another way to increase the productivity of the employees was to purchase machines which would assist the workers in their jobs. In fruit plucking, for example, machines can be purchased with different platform-levels, which make it easier for employees to reach different heights of the tree at the same time. This prevents large dismissals at farms, but can contribute to a higher productivity of the employees.

Two of the respondents were very sceptical of the wage increase and expected it to have a negative effect on their productivity levels. They were mainly concerned that the increase in employees' wages would only end up in the liquor store. The low-paid population is not very well able to handle their money: they rarely save something and do not think about future issues. This significant wage increase would mean their monthly income would rise abruptly, which could only lead to more trouble, according to this respondent:

*“People used to have 1500 rand, it wasn't much, but they could live from it. Now, they get 700 rand more to spend in the month: they will drink more beer, hang around, get into trouble. You pay every Friday, and on Monday you miss 15 people because they*

*are still drunk. They can't handle it, it can only get worse and the productivity will decrease.*" (Respondent Western Cape)

### *Mechanisation*

An equal amount of the respondents said they would look into options for mechanisation of part of the business activities. Where labour used to be the cheap production factor compared to machines, this wage increase makes the difference between the two smaller. The respondents were not mechanising on a large scale instantly, but indicated that they would look more into the options for mechanisation, which could increase their productivity and competitiveness. It is, however, still a large investment which needs to be made, which will secure the jobs for farmworkers for at least a bit longer. The respondents do know the advantages of machines as opposed to employees, as machines do not pose any motivational challenges and guarantee a certain productivity:

*"It's already happening. You must see it, it's beautiful. They get blue colours, yellow colours, they work 24 hours a day, they don't get sick, they only ask oil and diesel. Rain, sun, they will work, it's beautiful."* (Respondent farmer's organisation)

According to some of the interviewees, the process of mechanisation shows that the agricultural sector in South Africa goes through the same developments as Europe has already experienced. This process is a transformation from large amounts of low-skilled and low-paid labour, towards larger farms with more machines and a smaller amount of high-skilled, high-paid labourers. Their production can become more efficient and cost-competitive which can secure a better position on the global market.

### *Decrease in non-monetary benefits*

The next most-heard response was to halt the provision of non-monetary benefits for employees. These non-monetary benefits as housing and transport can be costly to an enterprise and this would be a way for them to handle the wage increase. Enterprises would either stop the provision of these benefits or charge their employees for them. According to the sectoral determination for farmworkers, an enterprise is allowed to deduct 10% of the minimum wage for housing, and another 10% for the provision of food. A common reaction of the respondents was to put the benefits on the payroll; in other words, to make use of the right to deduct these benefits from the wage.

These non-monetary benefits are a form of CSR behaviour, as enterprises voluntarily choose to provide these benefits. The current wage increase may therefore have a negative impact on the level of responsible behaviour of the enterprises, simply because the employers cannot afford it any longer.

On the positive side, there were also some responses from enterprises which did not want to cut these benefits, because they wanted to maintain the living situation of their employees. These enterprises feel they have a social responsibility in the lives of their employees and their families and realise that their quality of life will decrease if their benefits are cut.

### *Retrenchments*

Only two of the respondents indicated they will have to fire people right away. When the interviews took place, these enterprises were in the process of informing their staff about this. Both of these enterprises employed more than 100 people and indicated that their labour costs would increase at such an amount which made it unfeasible to continue with the same amount of people. Due to the fact that the largest part of the enterprises did not employ large amounts of people, their staff was job-secure for a while longer. However, the move towards dismissals was evident in the sector. During the research, most of the farming enterprises were in their harvesting season and needed a lot of employees. It was expected that a larger part of the dismissals would occur at the end of the season.

While almost all of the enterprises foresaw a growth in future turnover during the next five years, this growth was rarely matched with an equal growth in employees. As the figure below shows, 16 of the enterprises foresaw a growth in future turnover. However, only 3 of those expected an increase in labour, while 8 expected it to stay equal and 6 expected a decrease in labour.

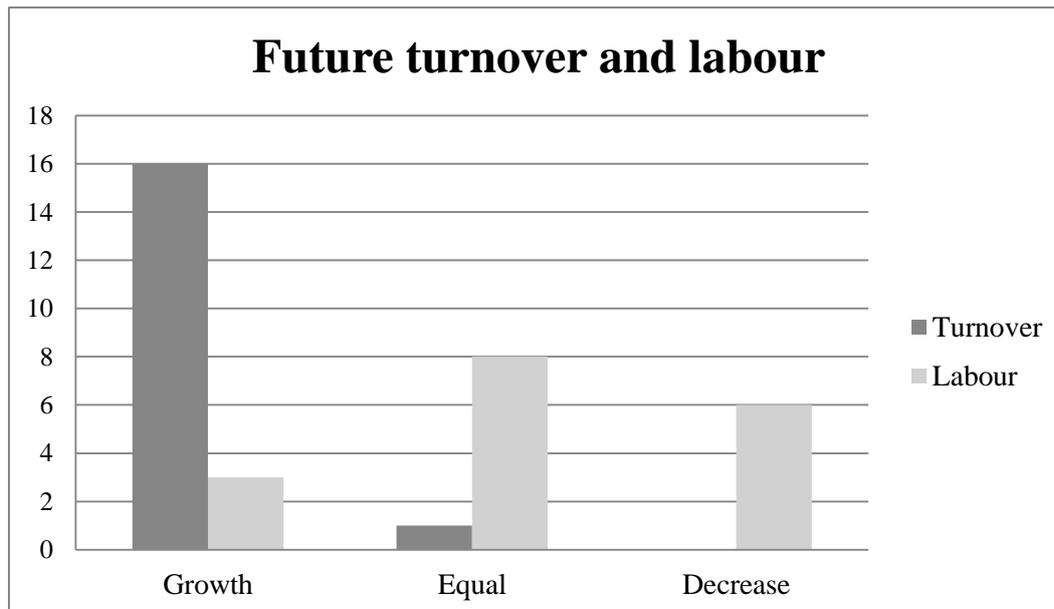


Figure 18: Future turnover and labour growth (Source: field work South Africa 2013)

The first ones who run the risk of losing their jobs are the seasonal workers. The enterprises expect to move towards a labour situation in which they work with a smaller permanent staff and a larger number of casual labourers during peak periods. The aim is to focus on the productivity and skills of this smaller team to ensure that these can handle most of the work activities during the year. This will keep the labour costs down and create a valuable team of permanent workers in which the enterprise can invest more. Unfortunately and as already mentioned before, the seasonal workers are the most vulnerable ones in this equation.

#### *Economic incentives for employees*

A last issue which came up in this research was related to the economic incentives for employees, which were distorted by the wage increase. The respondents used to reward their higher-skilled people who carry more responsibility with a higher wage. By doing this, employers could distinguish between the different jobs and provide an incentive for employees to take on more responsibility. The current wage increase suddenly compresses this difference and lifts everyone to similar wages. This partly removes the economic incentive for employees to take on more responsibility. For example, supervisors now receive the same amount as general workers, although they carry tasks such as monitoring and communicating with employees.

One enterprise said that everyone would now receive the new minimum wage, and those which carried more responsibility would even receive another wage increase of 8%.

Another South African organisation also voiced their struggle, because they used to work with a wage gradient where employees move up the wage gradient as their job activities get more complex. However, the wage increase has completely distorted this gradient:

*“We decided that the higher skilled people earn more than the unskilled workers and we attached percentages to this. For example: that a higher skilled worker earns 50% more than the lowest skilled. But now, because the lowest skilled are going up so hectic on the 1<sup>st</sup> of March, you can’t afford to keep the same gradient between wage levels.”* (Respondent South African farm, Western Cape)

The enterprises now have to find other ways to maintain the motivation of their higher-skilled employees.

From these results, it becomes clear that the minimum wage increase will have a great impact on the agricultural enterprises in the country. The main reaction of the enterprises is to work with smaller amount of permanent and more productive people. The amount of generated employment in the sector will most definitely decrease with an increase in mechanisation. The decrease in the provision of non-monetary benefits has a direct impact on the quality of employment and on the level of responsible business. For the enterprises, it becomes too expensive to invest in these extra benefits for the employees.

Although the exact outcomes of the wage increase remain to be seen, the striking thing is that at the new wage level of R105/day, employees are still not able to afford a balanced diet in South Africa. The rising costs of electricity, land and labour have driven up the food prices, but the poorest part of the population cannot afford this. This fuels the growing inequality in the country and shows that the agricultural sector is in search of a good and fair balance between employer and employees’ incomes, which needs to be somewhere in a place where farmers *and* farmworkers can make a decent living.

The sector will probably enter into a period of structural adjustments similar to those which have already occurred in the Netherlands. These structural adjustments will be made to accommodate the higher wage rates and include mechanisation and consolidation of farming units to become more efficient. The consolidation of farming units means that larger farms will gradually take up smaller farming units as it is easier for larger farms to make investments in machinery. Farms will therefore develop towards larger units, with mechanised operations with a smaller crew of higher-skilled, higher-paid employees. In the short term, this will inevitably mean a decrease in manual labour and a direct loss of income for many

uneducated employees. In the long run, however, this can mean that the agricultural sector moves towards a more competitive position, where it can employ smaller amounts of people and pay them a decent, living wage.

---

### 8.3 DRIVERS AND OUTCOMES OF CSR BEHAVIOUR

---

The main reason for the involvement in CSR behaviour of the enterprises is the strict legislative and regulatory framework of the country. The legislative framework of South Africa is extensive and secures a good quality of employment for most workers. The Department of Labour in the country is very strict in monitoring the compliance levels of enterprises and performs (un)announced visits to farms. Additionally, South Africa has chosen to adhere to international ILO regulations with regard to labour standards. In developing countries, a lack of regulations can endanger the position of employees as these are not protected for bad working conditions.

The Dutch government also stimulates responsible behaviour for entrepreneurs which invest abroad. They have noticed the importance of CSR, both to secure sustainable development at home and abroad. The government expects and stimulates Dutch enterprises which invest abroad, to engage in similar behaviour and strive for the same standards as would be done in the Netherlands. Especially in countries where legislation is minimal, this global governance gap should be acknowledged by private enterprises which carry a certain responsibility to 'do no harm'. The Dutch government believes that enterprises should not engage in any business activities which may harm the development of a country.

Another and maybe most important driver for CSR behaviour comes from the entrepreneurs themselves: because they believe it is a good thing to do. There are two sides to this argument. Firstly, some employers believe that they should take good care of their workers, since these people do not have a lot of money and work hard on their farms. They supply them with housing, food and transport because they feel socially responsible to offer their employees a decent life. The second part of this motivation is that some entrepreneurs actually believe that if they take good care of their staff, they will see this in return in the productivity and loyalty rates of their staff. In other words, these employers believe that investing in CSR will actually pay off.

It is interesting to reflect on this notion, as it can be of specific importance in the current climate of South Africa's agricultural sector. As described above, the current wage increase forces enterprises to increase their productivity levels in order to maintain their competitive position. A part of the enterprises also chooses to decrease the non-monetary

benefits of the employees, which is a direct decrease in the level of responsible behaviour and can have detrimental effects on the livelihoods of employees. However, some entrepreneurs have indicated that the provision of benefits makes their employees happier and more loyal to their employers. A determining factor in this notion is the relationship between the employer and employee, which has to be based on open communication and mutual respect. One example of a Dutch enterprise is worth quoting:

*“It has been a process, treating people with respect. It took five or six years, before they were OK with it. The people who work for us now, they think ahead, and it looks simple, but it isn’t, it is a revolution. (..) It takes a lot of time and you have to keep trying. You have to imagine these people are 5 or 6 years old, they don’t know how to communicate, how to talk about emotions. That’s the only thing I’ve been doing on the farm for the last ten years, to develop those things. It takes time, and at a certain point you get it returned in your productivity, I think it’s extremely high here. The most important thing is respect, and there’s not a lot here. If you have that, you’re flying.”*

(Respondent Western Cape)

Communication appears to be the key issue. Enterprises which strive for open communication with their employees build a better relationship with and amongst employees. This improves the working mentality of employees and can ensure a better competitive position for the enterprises.

Support for this theory can also be found on Farmer’s Weekly, an online magazine which reports on agricultural issues in South Africa. In a recent article (April 2013) on the minimum wage increase, farmers emphasise that their employees have to be enabled to earn the higher wage rates by increasing their productivity. They also state that this can be reached with positive thinking, creativity and collaboration between management and staff. Most importantly, there has to be a level of mutual trust and employees have to be informed as to how the business is doing. This again indicates that respect and communication between employers and employees is key to good business practices.

## CHAPTER 9: DISCUSSION

---

This chapter will discuss the results of the research and highlight the most important findings, while comparing it with existing literature. It may be helpful to repeat the main research question:

*What is the contribution of Dutch agricultural enterprises to local employment generation in South Africa and how is this influenced by the level of and increased demand for Corporate Social Responsibility?*

This research aimed to find out what the contribution of Dutch agricultural enterprises in South Africa is to local employment generation. This contribution was examined against the level of CSR in which these enterprises are engaged. This chapter will begin with a discussion on the first part of the research question, which will be followed by a discussion on the second part of the research question. After this, the thesis will end with a conclusion.

---

### 9.1 PART I: CONTRIBUTION OF DUTCH ENTERPRISES

---

The first part of this thesis aimed to present a complete picture of the institutional context in South Africa, as well as the general and labour-related characteristics of the Dutch enterprises. The legislation in South Africa with regard to labour is quite extensive and is controlled by a strict Department of Labour. This ensures that farmworkers can enjoy relatively good working conditions, provided they have a contract in place. A large challenge in the agricultural sector lies in the provision of contracts for all employees. Seasonal workers in particular are prone to work without a contract, which makes their position highly vulnerable.

The current agricultural sector in South Africa is characterised by rising costs. Eskom, the main provider of electricity, is struggling with a limited capacity, which leads to rapidly increasing electricity costs. Another important development in the agricultural labour sector is the wage increase which went into effect in March 2013. These increasing costs all have a direct impact on the agricultural enterprises and force them to look into alternative ways to cover their costs.

The Dutch enterprises which were interviewed for this research were mostly small- and medium-sized enterprises. A large part of the enterprises was engaged in farming activities for the production of flower or food crops. The other enterprises offered a service or

product to support the farming activities, ranging from mechanical to financial support. While the turnovers of the enterprises were not extremely high, they all expected to grow or remain stable in the future. This suggests that the enterprises are in a healthy situation and in a good competitive position. In terms of consumer markets, some of the enterprises focused on exports, but most of the enterprises produced at least some part for the local market.

The main impact on local development of the enterprises is through job creation. Their employees can earn a wage and learn a certain skill at their jobs, which improves their chances on future employment. Most employment is generated by the flower growers, which need a lot of staff to work on the fields. These employees are paid the minimum wage and are unschooled and unskilled. In general, the enterprises which work with less employees do tend to demand higher skilled employees which also receive a wage higher than the legal minimum.

The created jobs at each enterprise thus differ in quantity and quality: some enterprises create large amounts of low-paid and low-skilled employment, other enterprises generate smaller amounts of higher-paid, higher-skilled jobs. Both of these types of employment can be beneficial for the local population. The higher amounts of low-paid jobs can employ large amounts of people and thus provide a lot of people with a stable income and an improvement in their livelihoods. Alternatively, the higher-paid jobs can teach employees a certain skill which provides these people with a high wage and better chances at future employment.

In general, the employees at the researched enterprises were treated well. All the enterprises at least complied with the basic labour legislation, and most of them also provided something more. This was mostly in the form of extra benefits, as performance bonuses or housing and transport. The difference between permanent and seasonal staff discussed above was noticeable: the permanent staff was more often seen as part of the family, while seasonal workers are substituted easier.

Although most generated employment in the agricultural sector is low-skilled, it provides a valuable source of income for many rural inhabitants. The private sector can most definitely contribute to local development in developing countries and employment generation is a key variable in this equation. It provides people with a direct income, but it can also teach them a certain skill which improves their chances on future employment.

---

## 9.2 PART II: RESPONSIBLE BUSINESS

---

The Dutch enterprises all at least comply with the basic legislative requirements with regard to labour issues. The enterprises deemed it as important to adhere to the law, both

because the monitoring by the government is strict and also because they wanted to treat their employees in a good way. A proper legislative framework can make a large difference with regard to working conditions of employees, as can often be seen in developing countries where labour legislation is not strict or enforced on enterprises. Another important driver of CSR behaviour came from the consumer side, which increasingly demands enterprises to comply with certification schemes.

In this sample, CSR behaviour of the enterprises on top of the legislative requirements mainly comes in the form of extra benefits for their employees. The most important benefits for farmworkers are (or were) housing with water and electricity, subsidised transport and performance bonuses. These benefits are often provided free of charge and for a farmworker with a minimum wage, this can make a big difference.

The minimum wage increase for farmworkers has most definitely become a challenge with regard to responsible behaviour of enterprises. In theory, a minimum wage increase can improve the livelihoods of employees by an increase in their income. The strikes of farmworkers in South Africa are quite understandable, as wages were and are too low to secure a basic living. Nonetheless, the sudden wage increase has had a great impact on the participating enterprises. Labour costs have increased dramatically and enterprises have to search for alternative ways to cover their production costs. The most common response of the enterprises is to increase their productivity with a smaller workforce and a higher level of mechanisation. This will have a direct impact on the amount of employment in the sector.

Some comments can be made when linking these developments to the existing literature on the impact of a minimum wage increase. The minimum wage increase will not lead to a drastic impact on agricultural employment right away. Enterprises need time to adjust to the higher labour costs and new investments in machinery are a costly and time-consuming process. However, it is evident that the enterprises are in search of alternative strategies to handle this wage increase. The current situation in South Africa therefore supports the theory that a minimum wage increase in developing countries will lead to a loss in employment (Bhorat et al., 2013). Further increases in labour costs will make investments in machinery more attractive over time and will therefore accelerate the process of mechanisation.

On a more specific note, the existing literature on minimum wage increases also predicts that the lowest-skilled workers are most likely to lose their jobs (DRPU, 2008). The current situation in South Africa provides support for this theory as well. Farmers have to maintain their productivity with a smaller group of employees. The general, low-skilled

workers are the first ones leaving and farmers are moving towards a smaller group of permanent staff which is higher-skilled and more productive. The low-skilled employees are the most vulnerable ones, because their chances on future employment are low due to their lack of skills and the high unemployment rate in South Africa.

The wage increase even seems to have an adverse effect on the level of responsible business in which the enterprises engage in. Benefits which used to be provided as 'extra', on top of the legislative minimum, are now deducted from a farmworker's wage or being stopped completely. However, some enterprises also indicated that they would not stop the provision of these benefits. These respondents argued that the benefits result in happy and motivated employees with higher productivity levels. The enterprises believe that if you give your employees more, this will be reciprocated in productivity levels. This matches with the theory on the impact of CSR on employment, which suggests that CSR can positively influence the emotions, attitudes and behaviour of employees (Rupp et al., 2006). In line with this theory, it has become evident that at some of the farms in South Africa, CSR can actually result in a win-win situation where employees are enjoying a good work environment and employers receive a higher productivity in return.

An important condition for this win-win situation appears to be open communication and mutual respect between employer and employee. During the research, all the enterprises were in the midst of integrating the wage increase into their businesses. In those enterprises which highly valued open communication, employees seemed to understand that productivity levels had to increase and were willing to take that extra step for their employers. This matches well with another theory described in the theoretical frame, which argues that communication is an important part of CSR: if CSR is to have a positive impact on employees, they have to understand *that* and *why* an enterprise engages in certain responsible behaviour (Rupp et al. 2006).

While CSR can make a difference in the business activities of an enterprise, it takes time and investments before the actual results can be seen. The short-run impact in South Africa will therefore be a shedding of jobs in the agricultural sector, leaving many low-income people without a job. However, it is important to find a new equilibrium between incomes of farmers and farmworkers. Question marks can be placed on the level of responsibility of a sector if it is not able to pay its workers a living wage.

---

### 9.3 RECOMMENDATIONS FOR THE FUTURE

---

On a global scale, higher levels of CSR behaviour in the private sector can improve the working conditions of labourers. This is especially important in developing countries, where labour standards and wage levels can be low. It is therefore necessary to further examine the relationship between CSR and employment in developing countries. The effects of the wage increase in South Africa remain to be seen, and it is interesting to conduct further research on the exact impacts of this wage increase and its relationship with CSR. These results are limited to a small time period and also to two small areas in a large country.

While CSR has gained massive ground and become popular in developed countries in recent years, it is important to remain critical towards the concept. While some enterprises have completely incorporated CSR into their strategy, for most of the enterprises it is a mere label which they can add to their business activities to become 'greener'. Additionally, globalisation has ensured that an increasing number of people feel responsible for the well-being of others in low-income countries. However, without proper intentions, CSR may be another 'western' blueprint which is placed on developing countries as the cure for development. Furthermore, development through the private sector must be viewed with caution. The first and foremost goal of the private sector will always be profit-making. Although the private sector can contribute to development, this is always subject to changes in the institutional context and competition from other players.

---

## CONCLUSION

---

This research shows that employment generation by the private sector can indeed contribute to local development. The Dutch enterprises in this research generate a fair amount of employment. The most important thing is that these enterprises guarantee their employees decent working conditions by complying with the existing legislation. Often, the enterprises even provided more than is legally required in the form of non-monetary benefits. This ensured that some permanent workers were able to live a decent life on a farm by adding all the benefits.

For the largest part of the employees, however, wages are low and so is the quality of life. Housing (or the lack of it) is a big problem in South Africa and farmworkers often live in shacks close to their farms. Due to rising costs in the country, food prices are increasing as well, which only enlarges the gap between the rich and the poor. The current wage for farmworkers is – even with a recent increase of 52% - not sufficient to pay for a basic living. This illustrates the dilemma in the current agricultural sector in South Africa, which can also be found in other developing countries. Although the private sector can generate employment and stimulate economic growth, development also entails being paid a fair, living wage.

A large bottleneck in South Africa seems to be the education standard of the population, which in general is fairly low. It is of importance to improve the basic education level of the population in order to give them more chances on future employment. While the government has introduced various policies to redress the historical imbalances of the apartheid period, it is also important to address the structural problems like education which are underlying current challenges in the fight against poverty.

The current minimum wage increase has a decisive impact on the agricultural sector in the country. The sector is moving from a sector which was dependent on large amounts of cheap and unskilled labour to a new system with more machinery and fewer, higher skilled and better paid workers. This is a general phenomenon in global agriculture and these structural adjustments will have an impact on employment levels both in the short and in the long run. In the short run, it is inevitable that labour will be shed throughout the industry. It is difficult to predict the exact numbers, but this will be a weigh-off between costs of labour and capital. This can have large negative impacts on the livelihoods of many low-skilled workers in the short-run. There are no alternative places of employment for these people, which do not have any education or skills to fall back on.

In the long-run, the sector will move towards a smaller number of employees which are highly skilled and compensated at a significantly higher rate. The number of farming units will probably decrease and the units will become larger, as mechanisation is more attractive in larger farming units. This new situation will increase the productivity levels of farms in the long run, which can ensure a better global competitive position for the South African agricultural sector.

Another important issue which can secure a better competitive position for the agricultural enterprises is Corporate Social Responsibility. The provision of benefits and the creation of mutual respect and good communication between employer and employee can result in happier, more productive employees. Currently, increasing the productivity level is crucial to agricultural enterprises in South Africa in order to cover their labour costs. It sounds simple: who would not rather work in a company where everyone is treated with respect and dignity? However simple this may sound, it is often not a given in developing countries with large amounts of low-paid and low-skilled workers. News items on exploited workers in developing countries unfortunately are not surprising anymore. While employees in South Africa are relatively well-protected by the legislation, the current situation in the agricultural sector shows that there still is a weigh-off between the profits and incomes of employers against the incomes of the employees.

Fortunately, the increased demand for responsibly produced goods means that the consumer places importance on the working conditions and livelihood of an employee. Not only can this greatly improve the living conditions of low-paid employees, it can also improve the productivity and health of an enterprise. Although private sector development has generated large amounts of employment and economic activity in developing countries, globalisation has produced winners and losers. CSR has the power to solve the paradox of globalisation by creating a sustainable win-win situation for both the employer and employee. Enterprises should treat their employees in a decent way and pay them a living wage on a worldwide scale. This is especially important in countries where proper legislation on these issues is lacking. If enterprises will adopt responsible business practices, this might help in closing the gap between the have and the have-nots.

## REFERENCES

---

- Beck, T., Demircuc-Kunt, A. & Levine, R. (2005). SMEs, Growth and Poverty: Cross-Country Evidence. *Journal of Economic Growth*, Vol. 10, pp. 199-229.
- Blowfield, M. (2007). Reasons to be cheerful? What we know about CSR's impact. *Third World Quarterly*, Vol. 28 (4), pp. 683-695.
- Bhorat, H., Kanbur, R. & Stanwix, B. (2013). Estimating the impact of minimum wages on employment, wages and non-wage benefits: The case of agriculture in South Africa. Working paper Charles H. Dyson School of Applied Economics and Management. Cornell University, Ithaca, New York.
- Brammer, S., Millington, A. & Rayton, B. (2005). The contribution of Corporate Social Responsibility to Organisational Commitment. Working Paper Series, University of Bath.
- Bureau for Food and Agricultural Policy (2012). Farm Sectoral Determination: An Analysis of Agricultural Wages in South Africa.
- Carroll, A.B. (1991). The pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders. *Business Horizons*, July-August 1991, pp. 39-48.
- CIA Factbook (2013). South Africa. Accessed on June 15<sup>th</sup>, 2013 through <https://www.cia.gov/library/publications/the-world-factbook/geos/sf.html>.
- Crush, J. (2000). The Dark Side of Democracy: Migration, Xenophobia and Human Rights in South Africa. *International Migration*, Vol. 38 (6), pp. 103-133.
- Department of Agriculture, Forestry and Fisheries (2010). Integrated Growth and Development Plan 2012.
- Department of Labour (1997). Sectoral Determination 13: Farm Worker Sector, South Africa.
- Development Policy and Research Unit (2008). Minimum wages, employment and household poverty: Investigating the Impact of Sectoral Determinations.
- Fig, D. (2005). Manufacturing Amnesia: Corporate Social Responsibility in South Africa. *International Affairs*, Vol. 81 (3), pp. 599-617.
- Fombrun, C. & Shanley, M. (1990). What's in a Name? Reputation Building and Corporate Strategy. *The Academy of Management Journal*, Vol. 33 (2), pp. 233-258.

- Government Communications (2011/12). *South Africa Yearbook 2011/12*. Department of Government Communication and Information System, Republic of South Africa.
- Greening, D.W. & Turban, D.B. (2000). Corporate Social Performance as a Competitive Advantage in Attracting a Quality Workforce. *Business Society*, Vol. 39 (3), pp. 254-280.
- Hamann, R., Agbazue, T., Kapelus, P. & Hein, A. (2005). Universalizing Corporate Social Responsibility? South African Challenges to the International Organization for Standardization's New Social Responsibility Standard. *Business and Society Review*, Vol. 110 (1), pp. 1-19.
- Hanival, S. & Maia, J. (2008). An Overview of the Performance of the South African Economy since 1994. Paper Commissioned for the Fifteen Year Review.
- Hanks, J., Hamann, R. & Sayers, V. (2007). Corporate Social Responsibility and the United Nations Global Compact in South Africa 2007. Global Compact Network South Africa.
- Harrison, A. & Leamer, E. (1997). Labor markets in Developing Countries: An Agenda for Research. *Journal of Labour Economics*, Vol. 15 (S3), pp. S1-S9.
- Idemudia, U. (2011). Corporate social responsibility and developing countries: moving the critical CSR research agenda in Africa forward. *Progress in Development Studies*, Vol. 11 (1), pp. 1-18.
- Institute of Directors in Southern Africa (2009). King Code of Governance for South Africa 2009.
- Kotler, P. & Lee, N. (2005). *Corporate Social Responsibility: Doing the Most Good for Your Company and Your Cause*. Wiley.
- Lall, S. (2002). The Employment Impact of Globalisation in Developing Countries. *Queen Elizabeth House Working Paper Series – QEHWPS93*.
- Leamer, E. E. (1995). The Heckscher-Olin model in Theory and Practice. *Princeton Studies in International Finance*, No. 77.
- Lindgreen, A. & Swaen, V. (2010). Corporate Social Responsibility. *International Journal of Management Reviews*.

- Machethe, C.L. (2004). Agriculture and Poverty in South Africa: Can Agriculture Reduce Poverty? Paper presented at the Overcoming Underdevelopment Conference in Pretoria, 28-29 October 2004.
- Maloney, W.F. & Mendez, J.N. (2004). Measuring the Impact of Minimum Wages. Evidence From Latin America. NBER Chapters, in: Law and Employment: Lessons from Latin America and the Caribbean, pp. 109-130. National Bureau of Economic Research.
- Ministry of Agriculture, Nature and Food Quality (2010). The South African Flower Industry. Embassy of the Kingdom of the Netherlands, Pretoria, South Africa.
- Neumark, D. & Wascher, W. (2007). Minimum Wages and Employment. *Institute for the Study of Labour*, Discussion paper No. 2570.
- Newell, P. & Frynas, J.G. (2007). Beyond CSR? Business, poverty and social justice: an introduction. *Third World Quarterly*, Vol. 28 (4), pp. 669-681.
- Peterson, D.K. (2004). The Relationship between Perceptions of Corporate Citizenship and Organizational Commitment. *Business and Society*, Vol. 43 (3), pp. 296-319.
- Polzer, T. (2010). Population Movements in and to South Africa. University of the Witwatersrand, Forced Migration Studies Programme.
- Republic of South Africa (2003). Broad-Based Black Economic Empowerment Bill. Minister of Trade and Industry.
- Republic of South Africa (2013). Farmworker Amendment for the Minimum Wages.
- Republic of South Africa, the International Labour Organization & Representative Employers' and Workers' Organizations (2010). Decent Work Country Programme 2010 to 2014.
- Rijksoverheid the Netherlands (2013). Beleidsbrief: 'Maatschappelijk Verantwoord Ondernemen Loont'. Beleidsnota Rijksoverheid 2013.
- Rupp, D.E., Ganapathi, J., Aguilera, R.V. & Williams, C.A. (2006). Employee Reactions to Corporate Social Responsibility: an Organizational Justice Framework. *Journal of Organizational Behaviour*, Vol. 27, pp. 537-543.
- Schulpen, L. & Gibbon, P. (2002). Private Sector Development: Policies, Practices and Problems. *World Development*, Vol. 30 (1), pp. 1-15.
- Standing, G. (2007). Decent Workplaces, Self-Regulation and CSR: From Puff to Stuff? United Nations/Department of Economic and Social Affairs Working Paper.

Statistics South Africa (2012). Quarterly Labour Force Survey, Quarter 3, 2012.

Transparency International (2012). Corruption Perceptions Index 2012. Accessed June 16<sup>th</sup>, 2013 through [http://issuu.com/transparencyinternational/docs/cpi\\_2012\\_report/5?e=0](http://issuu.com/transparencyinternational/docs/cpi_2012_report/5?e=0).

Vink, N. & van Rooyen, J. (2009). The economic performance of agriculture in South Africa since 1994: Implications for food security. Development Bank of Southern Africa, Development Planning Division Working Paper Series No. 17.

Visser, W. (2006). Revisiting Carroll's CSR Pyramid: An African Perspective, In E.R. Pedersen & M. Huniche (eds.), *Corporate Citizenship in Developing Countries*, Copenhagen: Copenhagen Business School Press, pp. 29–56.

The World Bank Group (2000a). Assessing Private Sector Contributions to Job Creation and Poverty Reduction. An IFC Open Source Study.

The World Bank Group (2000b). Paths out of Poverty: The Role of Private Enterprise in Developing Countries. International Finance Corporation, Washington.

The World Bank (2013a). World Development Indicators of South Africa. Accessed on June 15<sup>th</sup>, 2013 through <http://data.worldbank.org/country/south-africa>.

The World Bank (2013b). Doing Business 2013: Country Profile South Africa. The International Bank for Reconstruction and Development / The World Bank.

WWF (2010). Agriculture: Facts and Trends South Africa.

## APPENDICES

## APPENDIX 1: QUESTIONNAIRE FOR ENTERPRISES

<b>Nr. Survey:</b>	<b>Date:</b>
<b>Name enterprise:</b>	

## Survey of Dutch entrepreneurs in Africa

## 1. Owner/manager

A. Nationality, age & gender	C. Residence & background	D. Background
<b>What nationality(ies) do you have?</b>  1. .... 2. ....  <b>In what year were you born?</b>  <b>Sex:</b>  <input type="checkbox"/> Male <input type="checkbox"/> Female	<b>Since when do you live in this country?</b>    <b>What is your educational background?</b>	<b>What is your professional background?</b>    <b>Owner only:</b> <b>Why did you decide to start this enterprise in this country?</b>

## 2. Characteristics of enterprise (part I)

A. Products & Services	B. Sector	C. Value Chain
<b>What are your main products or services?</b>  Please specify:	<b>In which branch of the agro-sector is the enterprise active?</b>  <input type="checkbox"/> Poultry <input type="checkbox"/> Food crops (fruits, vegetables, grains, nuts) <input type="checkbox"/> Non Foods <input type="checkbox"/> Floriculture <input type="checkbox"/> Dairy <input type="checkbox"/> Other:	<b>In what activities is the enterprise involved?</b>  <input type="checkbox"/> Machinery/Engineering <input type="checkbox"/> Fertilizers/pesticides <input type="checkbox"/> Seeds <input type="checkbox"/> Services/Consultancy <input type="checkbox"/> Other supplies <input type="checkbox"/> Research and Development <input type="checkbox"/> Farming <input type="checkbox"/> Storage <input type="checkbox"/> Processing and Manufacturing <input type="checkbox"/> Packaging <input type="checkbox"/> Retail <input type="checkbox"/> Transport <input type="checkbox"/> Trading and Exporting <input type="checkbox"/> Other:.....

## 3. Characteristics of enterprise (part II)

A. Status	B. Ownership
-----------	--------------

<b>What is the status of the firm with respect to others?</b> <input type="checkbox"/> Single establishment firm <input type="checkbox"/> Parent company <input type="checkbox"/> Local establishment of parent company <input type="checkbox"/> Joint venture, partnership <input type="checkbox"/> Other:.....	<b>Who are the owners of the firm (people/legal entities) and what nationality do they have?</b> Name                      Equity share                      Nationality                      Country of residence 1. 2. 3. 4.
---	---

#### 4. Enterprise dynamics

A. Start	B. Past development	C. Future development																																																												
<b>What year was the firm founded?</b> Year:	<b>Has the enterprise expanded (+), remained constant (0) or declined (-) over the past 5 years in terms of: (please circle)</b>  <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Turnover</td> <td style="width: 10%; text-align: center;">+</td> <td style="width: 10%; text-align: center;">0</td> <td style="width: 10%; text-align: center;">-</td> <td style="width: 10%;"></td> </tr> <tr> <td>No. of workers</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>No. of locations</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>No. of clients</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>Labour costs</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>New product(s)</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> </table>	Turnover	+	0	-		No. of workers	+	0	-		No. of locations	+	0	-		No. of clients	+	0	-		Labour costs	+	0	-		New product(s)	+	0	-		<b>Do you expect the firm to expand (+), stay constant (0) or decrease (--)</b> <b>in the next 5 years?</b>  <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Turnover</td> <td style="width: 10%; text-align: center;">+</td> <td style="width: 10%; text-align: center;">0</td> <td style="width: 10%; text-align: center;">-</td> <td style="width: 10%;"></td> </tr> <tr> <td>No. of employees</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>No. of locations</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>No. of clients</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>Labour costs</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> <tr> <td>New product(s)</td> <td style="text-align: center;">+</td> <td style="text-align: center;">0</td> <td style="text-align: center;">-</td> <td></td> </tr> </table>	Turnover	+	0	-		No. of employees	+	0	-		No. of locations	+	0	-		No. of clients	+	0	-		Labour costs	+	0	-		New product(s)	+	0	-	
Turnover	+	0	-																																																											
No. of workers	+	0	-																																																											
No. of locations	+	0	-																																																											
No. of clients	+	0	-																																																											
Labour costs	+	0	-																																																											
New product(s)	+	0	-																																																											
Turnover	+	0	-																																																											
No. of employees	+	0	-																																																											
No. of locations	+	0	-																																																											
No. of clients	+	0	-																																																											
Labour costs	+	0	-																																																											
New product(s)	+	0	-																																																											
<b>What year did the firm start its operations in this country?</b> Year:	Why?	Why?																																																												

#### 5. Financial situation

A. . Public investment	B. Turnover
<b>From which <u>public</u> channels does the enterprise receive external funding?</b>  <input type="checkbox"/> Not Applicable <input type="checkbox"/> Subsidy home country <input type="checkbox"/> Subsidy host country <input type="checkbox"/> Grants <input type="checkbox"/> None  <b>And what is the name of each subsidy/grant?</b>  Please specify:	<b>What has been the average annual turnover of the enterprise in the last year?</b>  <input type="checkbox"/> Less than R5000 <input type="checkbox"/> R5000 – 19 999 <input type="checkbox"/> R20 000 – 49 999 <input type="checkbox"/> R50 000 – 99 999 <input type="checkbox"/> R100 000 – 249 999 <input type="checkbox"/> R500.000 – 999.999 <input type="checkbox"/> R1 000 000 – 1 999 999 <input type="checkbox"/> R2 000 000 – 5 000 000 <input type="checkbox"/> More than R5 000 000

**6. Market Relations – Suppliers and Customers**

<b>A. Who are your main suppliers? What is their name, size, location and what do they supply?</b>			
<i>Size</i>	<i>Name supplier</i>	<i>Item supplied</i>	<i>Location</i>
1 2 3 4			
<i>1 = Micro Enterprise</i> <i>2 = Small to Medium Enterprise</i> <i>3 = Large Enterprise</i> <i>4 = Multinational</i>			
How much of your supplies are sourced from which market? In terms of products/value  Local:                   %     - what product in particular? Domestic:               %     - what product in particular? Other African:           %     - what product in particular? European:               %     - what product in particular? Other International:    %     - what product in particular?  What % of your suppliers is Dutch? What % of your suppliers is Dutch but located in South Africa (Dutch owned/managed/operated) What % of your suppliers is other European? What % of your suppliers is South African? (non-Dutch)  What is the reason that that you source mostly from this largest group? <input type="checkbox"/> Quality <input type="checkbox"/> same/reliable way of doing business <input type="checkbox"/> Easier to communicate <input type="checkbox"/> other reason, please elaborate....			

<b>B. Who are your main customers? What is their name, size, location and what do they buy?</b>			
<i>Size</i>	<i>Name client</i>	<i>Item bought</i>	<i>Location</i>
1 2 3 4			
<i>1 = Micro Enterprise</i> <i>2 = Small to Medium Enterprise</i> <i>3 = Large Enterprise</i>			

4 = <i>Multinational</i>		
<p>How much of your products are sold to which market? In terms of products/value</p> <p>Local:                           %     - what product in particular?  Domestic:                       %     - what product in particular?  Other African:                 %     - what product in particular?  European:                       %     - what product in particular?  Other International:         %     - what product in particular?</p> <p>What % of your customers is Dutch? (even in South Africa Dutch owned/managed companies)  What % of your customers is Dutch but located in South Africa (Dutch owned/managed/operated)  What % of your customers is other European?  What % of your customers is South African?</p> <p>What is the reason that that you sell mostly to this largest group?  0 Quality  0 same/reliable way of doing business  0 Easier to communicate  0 other reason, please elaborate.....</p> <p>What % of your produce is sold via an auction? And explain why the company sells via an auction.  .....</p> <p>What % of your produce is sold to supermarkets directly/indirectly and how does this influence the production process?  (if 0%, also explain why not selling to supermarkets....)  .....</p>		

**7. Characteristics of Market Relations**

<b>A. SUPPLIERS</b>					
<b>What is the nature of your relations with suppliers?</b>					
<b>Purchasing relations with main suppliers:</b>					
0 Arm's length (individual transactions, no company-to-company relationship)					
0 Contract basis (periodical delivery, longer-term relationship)					
0 Contract basis including product specifications (same, including exchanges on product design)					
<b>Other relations with suppliers:</b>					
0 Technology transfer on products, production process					
0 Training in skills and knowledge					
0 Technical cooperation, joint product development and production					
0 Staff placement					
0 Financial support (credit, loans)					
<b>Is compliance with standards and certification schemes a factor in your selection of suppliers of goods and services?</b>					
Yes – somewhat – not really – no					
<b>If so, which ones?</b>					
How do you decide on product standards with suppliers? .....					
<b>To what extent do you agree with the following statements on the firm's activities?</b>					
<i>1 = not at all      2 = not really      3 = undecided      4 = Somewhat      5 = Very much</i>					
How do you deal with....?					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Our procedures are such that all suppliers and contractors are routinely paid in accordance with agreed terms.					
Our firm supports its suppliers in improving their environmental, social and economic performance					
Our firm has standard procedures to determine the needs of its stakeholders (complaint books, feedback mechanism)					

<b>C. CUSTOMERS</b>					
<b>What is the nature of your relations with customers?</b>					
<b>Sales relations with main customers:</b>					
0 Arm's length (individual transactions, no company-to-company relationship)					
0 Contract basis (periodical delivery, longer-term relationship)					
0 Contract basis including product specifications (same, including exchanges on product design)					
<b>Other relations with customers:</b>					
0 Technology transfer on products, production process					
0 Training in skills and knowledge					
0 Technical cooperation, joint product development and production					
0 Staff placement					

0 Financial support (credit, loans)

**Is compliance with standards and certification schemes a consideration in securing deals with your customers?**

0 Yes    0 somewhat    0 not really    0 no

**If so, which ones?**

How do you decide on product standards with your customers?  
 .....

**To what extent do you agree with the following statements on the firm's activities:**  
*1 = not at all    2 = not really    3 = undecided    4 = Somewhat    5 = Very much*

How do you deal with...?	1	2	3	4	5
The firm has a formal procedure to respond to client demands or complaints					
The firm takes the needs of the poor as customers into account when developing new products and/or services.					
Product/service specifications are made clear, including quality, total cost, delivery charges and time schedule					

### 8. Use of local resources (Part I)

A. Labour	
<p><b>How many people does the firm (this establishment) employ in all?</b></p> <p><b># Permanent:</b>  <b># Temporary:</b>  <b># Casual:</b></p> <p><b>What is the gender division of staff?</b>            Male:            Female:</p> <p><b>What share of staff is local? (or use count)</b>            Local:                    %            Other domestic:        %            Foreign:                    %</p> <p><b>Details on foreign staff:</b></p> <p><b>From what country?                    What function?</b></p> <p>1.            2.            3.            4.</p> <p><b>How does pay of workers compare to average pay in the area? (in percentage + or -)</b></p>	<p><b>Has this changed over time?</b></p> <p><b>What are the normal daily working hours?</b></p> <p><b>How many holidays/ free days do the employees receive?</b></p> <p><b>How many employees are member of a Trade Union?</b></p> <p><b>What are the arrangements for medical leave?</b></p> <p><b>What are the arrangements for medical insurance?</b></p> <p><b>What are the arrangements for maternity leave?</b></p> <p><b>What are arrangements for social security?</b></p> <ul style="list-style-type: none"> <li>- Old age</li> <li>- Unemployment</li> <li>- Disability</li> </ul> <p><b>Is there an HIV/AIDS policy in the enterprise?</b></p>

	<b>What are the main challenges concerning employees?</b>
--	---

<b>B. WORKER RELATIONS</b>					
<b>Does the firm take specific initiatives for the well-being of its workers?</b> Please specify:					
<b>Does the firm invest/promote training/education for its workers?</b> Please specify:					
<b>To what extent do you agree with the following statements on the firm's activities?</b>					
<i>1 = not at all      2 = not really      3 = undecided      4 = Somewhat      5 = Very much</i>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Health and safety regulations on the workplace are always enforced					
There is a procedure to monitor compliance with relevant employment laws and regulations.					
There is a procedure to ensure that no forms of harassment, bullying or discrimination are tolerated.					
There is a procedure to ensure open communication with workers (handling complaints, employee rights).					

**9. Use of local resources (Part II)**

<b>A. Land, Water, Energy and Pollution</b>	
<p><b>How many hectares of land does the enterprise have in total?</b></p> <p><b>What is the tenure status of the land?</b>  <input type="checkbox"/> Privately Owned      ha:  <input type="checkbox"/> State Owned      ha:  <input type="checkbox"/> Leased      ha:      years:  <input type="checkbox"/> Community/customary ha:</p> <p><b>How was the land acquired?</b>  <input type="checkbox"/> Private purchase/lease  <input type="checkbox"/> Through government  <input type="checkbox"/> Through local dignitaries (chiefs etc.)  <input type="checkbox"/> Through local partner  <input type="checkbox"/> Other:.....</p> <p><b>What is your main use of water?</b>  <input type="checkbox"/> Irrigation  <input type="checkbox"/> Production, processing  <input type="checkbox"/> Household/office type consumption</p> <p><b>In case of irrigation and production water use,</b></p>	<p><b>Does the firm share this source with the surrounding community?</b></p> <p><b>How many months a year does the enterprise use irrigation?</b></p> <p><b>What is your main use of electricity?</b>  <input type="checkbox"/> processing, production  <input type="checkbox"/> office-type consumption</p> <p><b>How much electricity does the enterprise use each year (KWh)?</b></p> <p><b>What is the main source of energy?</b>  <input type="checkbox"/> public supply system  <input type="checkbox"/> private supply system</p> <p><b>Is there a procedure in place to monitor pollution/emissions by the firm?</b>  <b>Please specify:</b></p>

<p><b>how much water does the enterprise use each year?</b></p> <p><b>What is your main source of water?</b>  <input type="checkbox"/> Rainfall  <input type="checkbox"/> Rain harvesting system  <input type="checkbox"/> Surface water (<i>canals, rivers and streams, ponds &amp; lakes</i>)  <input type="checkbox"/> Ground water (<i>boreholes, springs</i>)  <input type="checkbox"/> Tap water  <input type="checkbox"/> Other.....</p>	<p><b>Does the enterprise keep records of pesticides and chemicals used?</b></p> <p><b>How much fertilizer does the enterprise use (kg/ha)?</b></p> <p><b>Does the enterprise have a functioning waste management and pollution prevention programme in place?</b></p> <p><b>Is there a negotiated compensation to the surrounding community for the use of infrastructure and resources?</b></p>
---	---

<b>B. ENVIRONMENT</b>					
<b>What assessments have been conducted before starting operations?</b>					
<input type="checkbox"/> Environmental impact <input type="checkbox"/> Social impact <input type="checkbox"/> Soil/fertility impact					
<b>What does the firm do to limit its impact on the environment?</b>					
Please specify:					
<b>To what extent do you agree with the following statements on the firm's activities?</b>					
<i>1 = not at all      2 = not really      3 = undecided      4 = Somewhat      5 = Very much</i>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The enterprise makes careful use of land					
The enterprise is increasing its water efficiency					
The enterprise is increasing its energy efficiency					
The enterprise takes initiatives to reduce its greenhouse emissions					
There is a procedure to monitor compliance with environmental r					
There is a procedure within the value chain to encourage environmentally responsible use/disposal of products					

**10. Community relations**

<b>COMMUNITY</b>
<b>In what way is the enterprise involved with surrounding communities?</b>
Please specify:

<b>Please indicate to what extent you agree with the following statements with reference to the activities of the enterprise:</b>					
<i>1 = not at all      2 = not really      3 = undecided      4 = Somewhat      5 = Very much</i>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The firm actively support community projects and activities					
The firm is involved in improving social infrastructure and living conditions in the area					
Where activities have a potentially significant impact on the community, the enterprise has procedures to minimize the negative impacts.					
The enterprise engages in meaningful dialogue with the community where there are concerns about its products, services or operations.					
The enterprise is engaging in local development because this has a positive effect on profit.					

### 11. Responsibility

<b>A. Stakeholder influence</b>					
<b>Which stakeholders are most important in determining how responsible a business is?</b>					
<i>1=Extremely    2=Slightly    3=Neither    4=Slightly    5= Extremely</i>					
	<b>Negative</b>				<b>positive</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Investors/financiers					
Government					
Local Groups and Organizations					
Clients and Customers					
Community					
Employees					
Suppliers					
Environmental changes					

<b>Which stakeholders encourage or prevent the enterprise to become more responsible?</b>					
<i>1=Extremely    2=Slightly    3=Neither    4=Slightly    5= Extremely</i>					
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Investors/financiers					
Government					
Local Groups and Organizations					
Clients and Customers					
Community					
Employees					
Suppliers					
Environmental changes					

<b>B. Responsibility, standards</b>	
<b>Are there any international standards or certification labels implemented by the firm?</b>	<b>How responsible do you consider your own business to be,</b>
0 No	<b>on a scale of 1-10 where 10 is highest.</b>

<p>0 Yes:.....</p> <p><b>What are the main guidelines or directives from government being implemented by the enterprise?</b></p> <p>0 Yes: environmental: .....</p> <p>0 Yes: social: .....</p> <p><b>What are the main bottlenecks, problems, your firm faces?</b></p> <p><b>What can be done to solve them?</b></p>	<p>1 2 3 4 5 6 7 8 9 10</p> <p><b>Please explain:</b></p> <p><b>What changes have taken place in terms of responsible business?</b></p> <p><b>What plans, possibilities do you have?</b></p>
---	--

**Thank you for your cooperation!**

If you are willing to participate further in the research please fill in your email address here:

If you have any further comments regarding the research please write them here:

---

APPENDIX 2: QUESTIONNAIRE FOR EMPLOYEES

---

Date of survey:

Name enterprise:

Male/Female

1. How old are you? .....
2. Where are you from?  
.....
3. (optional) Why did you move to this place/country?  
.....
4. Are you married/single/in a relationship?
5. Do you have children?  
Yes: ..... 0 No
6. Where do you live?  
.....
7. Who do you live with?  
.....
8. Are there day-care facilities provided for your children at work?  
.....
9. What kind of education do you have? Until what age was that?  
.....  
.....
10. What did you do after you finished school? (work history)  
.....
11. Since when do you work here?  
.....
12. What is your position at this job?  
.....
13. How did you find this job?  
.....
14. Are you a temporary or permanent worker?  
0 Permanent                      0 Temporary, for a period of: .....
15. If temporary: is there a difference in wages/benefits to permanent employees with the same job?  
.....
16. Do you have a contract?  
0 Yes                                      0 No

17. Do you have a copy of the contract?

- Yes
- No

18. Are you informed about the standards of labour in South Africa?

- Yes,  
through:.....
- No

19. How many hours and days do you work in a week?

.....

20. What are your daily working hours and breaks?

.....

21. Does the company provide food for you?

.....

22. How do you get to work?

- Walking
- Taxibus
- Other;  
.....

23. Does the company pay for your transport?

.....

24. Are you member of a trade union?

- Yes, namely:.....
- No

25. Why are you member of a trade union?

- They help with negotiations on wages
- They help with negotiations on working conditions
- They help to protect me against unfair treatment
- Other;.....

26. How much do you earn?

R ..... per month

27. How are you being paid?

- Cash
- Bank
- Other:  
.....

28. Who do you have to support with your income?

.....

.....

29. Are there other people in your household which have a job?

Yes;

.....

No

30. What do you have to pay with your income?

Housing

Food

Water

Transport

Electricity

School fees

Insurance

Clothing

Other;

.....

.....

31. Is your wage sufficient to pay for these things?

Yes

No, the shortage is :

.....

32. Did you get training at this job?

Yes

No

33. What kind of training was it?

.....

.....

34. Who paid for this training?

The company

Myself

Other;

.....

35. Did the training taught you skills which are helpful for your current job?

.....

36. Would you like to do other trainings?

Yes, namely:

.....

No

37. Does the company support you in housing matters?

Yes,

namely:.....

No

38. What is provided in the house?

Electricity

Bathroom

Water  Kitchen

Other.....

39. Do you have medical insurance?

Yes  No

40. Who pays for the medical insurance?

Company

Myself

Other;

.....

41. Can you see a doctor at work?

Yes  No

42. If you are sick, do you still get paid?

Yes  No

43. Are you informed about safety issues at work?

Yes, namely: .....

No

44. Does the company provide work clothes for you?

Yes,

namely:.....

No

45. What do you think are the main challenges/difficulties at your job?

.....

.....

.....

46. Do you have any further questions?

.....

.....

.....

Thank you for your cooperation!

## APPENDIX 3: LIST OF INTERVIEWS

Dutch enterprises	Category	Date	Location
1	Flower growers	15-2-2013	Gauteng
2	Consumption goods	18-2-2013	Gauteng
3	Flower grower	18-2-2013	Gauteng
4	Machinery/production support	19-2-2013	Gauteng
5	Flower growers	19-2-2013	Gauteng
6	Flower growers	20-2-2013	Gauteng
7	Machinery/production support	20-2-2013	Gauteng
8	Flower growers	21-2-2013	Gauteng
9	Flower growers	21-2-2013	Gauteng
10	Seeds/small plants	28-2-2013	Gauteng
11	Machinery/production support	28-2-2013	Gauteng
12	Flower traders	8-3-2013	Gauteng
13	Consumption goods	19-3-2013	Western Cape
14	Fund advisory	20-3-2013	Western Cape
15	Consumption goods	21-3-2013	Western Cape
16	Seeds/small plants	22-3-2013	Western Cape
17	Flower traders	27-3-2013	Western Cape
18	Flower growers	27-3-2013	Western Cape
19	Consumption goods	5-4-2013	Western Cape
20	Flower traders	9-4-2013	Western Cape
21	Flower growers	16-4-2013	Western Cape
22	Consumption goods	23-4-2013	Western Cape
1	Consumption goods	18-4-2013	Western Cape
2	Consumption goods	24-4-2013	Western Cape
1	Department of Labour	1-3-2013	Gauteng
2	Department of Agriculture	12-3-2013	Western Cape
3	Agri Wes-Cape	26-3-2013	Western Cape
4	Wine Initiative for Ethical Trade Agriculture	12-4-2013	Western Cape
5	Sustainability Initiative South Africa	13-4-2013	Western Cape
6	Women on Farms Project	19-4-2013	Western Cape

Table 13: List of interviewed respondents (Source: field work South Africa, 2013)