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# **UIF NONCOMPLIANCE BY THE SMALL BUSINESS CATERING SECTOR OF SOUTH AFRICA**

**Commissioned by**

**DEPARTMENT OF LABOUR**

**Compiled by the**

**BUREAU OF MARKET RESEARCH**

**College of Economic and Management Sciences**



# **UIF NONCOMPLAINE BY THE SMALL BUSINESS CATERING SECTOR OF SOUTH AFRICA**

**Study commissioned by  
Department of Labour**

**Report compiled by**

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**BUREAU OF MARKET RESEARCH**

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**ACRONYMS**

BMR	Bureau of Market Research
CATRA	Restaurant and Food Services Association of South Africa
DoL	Department of Labour
FEDHASA	Federated Hospitality Association of South Africa
RPP	Research Policy and Planning (RPP) unit of the Department of Labour (DoL)
SPSS	Statistical Package for Social Sciences
UIF	Unemployment Insurance Fund
UNISA	University of South Africa
SA	South Africa
SARS	South African Revenue Service
SIC	Standard Industrial Classification of all Economic Activities
Stats SA	Statistics South Africa
SETA	Sector Education and Training Authority
Theta	Tourism, Hospitality and Sport Education and Training Authority

## CHAPTER 1

### OBJECTIVES, METHOD AND SCOPE

#### 1.1 BACKGROUND OF THE STUDY

The Unemployment Insurance Act 63 of 2001 (UIF Act) stipulates that employers and employees should contribute to the Unemployment Insurance Fund – UIF (SA 2001). If an employer is suspected of noncompliance, a compliance order can be issued against the employer by a labour inspector. This brief introduction poses two crucial questions, namely: (i) what are the levels of noncompliance with the Unemployment Insurance Act? and (ii) why is there noncompliance despite legislative measures? This study aims to explore these critical research questions in more detail. The relevance of the research study is even more pertinent when taking note of the fact that less than 10% of employers in South Africa in the formal sector were registered with the unemployment insurance fund in 2003 (BUANews 2003). This finding should, however, be analysed against the fact that not all employers and employees are supposed to contribute towards UIF.

Against this background, the Department of Labour (DoL) commissioned the Bureau of Market Research (BMR) of the University of South Africa (Unisa) to conduct a national survey amongst households employing domestic workers and small and medium enterprises in the taxi and catering services sectors to look at customer compliance regarding the UIF service for use by senior decision makers in preparing intervention to noncompliance with labour legislation. This report only deals with the research findings emerging from the catering sector study.

#### 1.2 RESEARCH OBJECTIVES

The overall aim of the study is to investigate the compliance level of small and medium enterprises/household amongst three sectors, namely the domestic, taxi and catering sectors.

More specifically the study aims to determine:

- key reasons behind noncompliance in the identified sectors
- strategies that can be undertaken to improve compliance in the three sectors
- specific areas that should be focused on in enforcing compliance
- the best ways to improve compliance where compliance is low

As mentioned, this report only focuses on the catering sector.

### 1.3 RESEARCH METHODOLOGY

The research design primarily followed an exploratory qualitative research approach that is explained in more detail in the sections to follow.

#### 1.3.1 Secondary research

An informative literature review was conducted on the DoL with specific focus on the UIF Act. This research endeavour aimed to gain a better understanding of, amongst others, UIF contributions, benefits (ie unemployment, illness, adoption, maternity and death benefits), UIF registration (online, e-mail, telephone, facsimile and in-person) as well as UIF declarations, claims procedures (forms), payments and legislation. This initial research proved to be valuable in terms of understanding UIF legislation and processes and to identify topic matters relevant to the research study.

The initial literature review was further supplemented by investigating international best practices in social security services with specific reference to unemployment insurance and UIF compliance/noncompliance with the catering sector as major focus area. The international best practice research was primarily lead by representatives of the DoL Research Policy and Planning (RPP) unit who were delegated to closely collaborate with the BMR in executing the entire research project. The international findings are summarised in chapter 2.

Overall, the information retrieved from secondary resources ultimately provided sound inputs for constructing a discussion guide used during the primary qualitative research phase which included in-depth interviews with Restaurant and Food Services Association of South Africa (CATRA) and a selection of catering business located across all nine provinces of South Africa. The research methodology of this research process is explained in more detail in the next section.

### 1.3.2 **CATRA in-depth interview**

It is also important to note that CATRA was involved during the exploratory phase of the study. Besides targeting a selection of catering businesses to be interviewed regarding UIF practices, CATRA (as representative body of the catering industry) was targeted for an in-depth interview prior to the series of face-to-face business interviews. In general, CATRA assisted with the research venture by providing a better understanding of the operations and practices of the catering industry in general. More specifically, CATRA inputs clarified UIF customs of especially small business enterprises in the catering sector. Ultimately, CATRA inputs largely assisted in identifying topic matters relevant for more in-depth research during the primary qualitative research study among a selection of small businesses operating in the catering industry of South Africa. As will be noted from the discussions below, collaboration with CATRA also culminated in follow-up, supplementary research among CATRA members.

### 1.3.3 **Qualitative primary research**

The qualitative primary research approach used for the UIF noncompliance study in the small business catering sector of South Africa is described below. It should be noted that this BMR/RPP qualitative research study was conducted separately from the CATRA self-administrated survey which was recommended by CATRA (see section 1.3.3) as supplementary to the BMR/RPP study. In the subsections to follow, the major focus is on the BMR/RPP study that formed the core of the entire research investigation.

### 1.3.3.1 Research population

The research population for the qualitative study by province/region and type of catering business as decided on by the DoL Project Steering Committee and the BMR is shown in table 1.1.

**TABLE 1.1**

**RESEARCH POPULATION BY TYPE OF BUSINESS AND PROVINCE/REGION**

<b>Province</b>	<b>Metro/city/town</b>	<b>Restaurants</b>	<b>Bars/canteens</b>
Gauteng	Johannesburg	3	3
	Pretoria	1	1
Western Cape	Cape Town	3	2
	Stellenbosch	2	0
KwaZulu-Natal	Durban	3	3
Limpopo	Polokwane	2	0
North West	Rustenburg	2	0
Mpumalanga	Nelspruit	2	0
Free State	Bloemfontein	2	0
Eastern Cape	Port Elizabeth	3	2
Northern Cape	Kimberley	1	0
<b>Total number of interviews</b>		<b>24</b>	<b>11</b>

It should be noted that the research population displayed in table 1.1 is not a reflection of the total number of catering businesses by province/region. As mentioned, the study is qualitative in nature implying that the population researched is not representative of the entire small business catering industry of South Africa but rather aims to gain an in-depth understanding of UIF compliance/noncompliance in this economic sector. Despite this, the economic importance of the provinces/regions reflected in table 1.1 largely influenced the number of catering businesses included in the study. Consequently more catering businesses were selected from the Gauteng, Western Cape and Kwa-Zulu-Natal provinces. In fact 60% of the catering businesses selected for interviews originated from these three provinces (eight from Gauteng, seven from the Western Cape and six from KwaZulu-Natal). Altogether, 35 catering businesses were initially included in the study of which 24 were restaurants and 11 bars or canteens. As mentioned,

these businesses were small businesses and excluded franchises (see also table 3.1). Besides including catering businesses, the qualitative primary research was also supplemented by an in-depth interview with the Restaurant and Food Services Association of South Africa (CATRA). As will be noted, these investigative talks also culminated in complementary research suggested by CATRA among its own members.

#### 1.3.3.2 *Research methodology*

A nonprobability judgemental selection technique was used to select a quota of restaurants and/or bars/canteens across region (see table 1.1). Business selection was predisposed towards small businesses excluding franchises.

#### 1.3.3.3 *Discussion guide*

Initially, a discussion guide was drafted by the BMR with inputs from the RPP. To assess the validity of the instrument, two RPP task team members conducted a pilot test of the draft questionnaire in the Tshwane area. This process involved assessing whether the focus, format and sequence of the research questions would achieve the desired research results. More specifically, the pilot test helped to determine the strengths and weaknesses of the discussion guide regarding focus areas, question formats, wording and sequence of the questions. Once this process was completed, the necessary amendments were made following a debriefing session on the pilot test results. The discussion guide was then submitted to the DoL Steering Committee for final approval.

#### 1.3.3.4 *Primary data collection*

MC Max and Associates were contracted by the BMR to conduct interviews among owners/ managers of restaurants and bars/canteens across the nine regions (see table 1.1). The BMR briefed MC Max and Associates who further trained interviewers for in-depth personal face-to-face discussions with elected businesses. MC Max and Associates also appointed fieldwork managers to control all fieldwork prior to submitting the completed discussion guides to the BMR for final validation.



#### 1.3.3.5 *Data capturing*

The Statistical Package for the Social Sciences (SPSS) computer software package was used to capture, analyse and interpret the information collected from businesses. The results emanating from the qualitative study are presented in chapter 3. In this chapter participants' inputs are condensed and analysed using a thematic analysis approach.

#### 1.3.4 **CATRA primary research survey**

The study also benefited from the willingness of CATRA to conduct a 'dip-stick' survey among its members in an attempt to add additional value to the in-depth discussions conducted by the BMR/RPP among a selected number of catering businesses (see section 1.3). CATRA's interest in conducting supplementary research followed from the perceived relevance and envisaged value of the study following the initial in-depth interview with the BMR/RPP task team during the exploratory research phase. The CATRA survey used a Web-based survey approach whereby CATRA members were requested to self-complete an electronic questionnaire of which the link was distributed via CATRA's communication system. The survey self was hosted on the BMR's Website especially designed for the survey. It ought to be noted that the CATRA questionnaire was designed in collaboration with the BMR/RPP and covered issues similar but also broader than the ones included in the BMR/RPP qualitative research study on UIF compliance/noncompliance.

#### 1.4 **REPORT LAYOUT**

This chapter provided the background, objectives, method and scope of the study. Chapter 2 elaborates on the findings emerging from international 'best practice' research. This chapter is followed by a discussion on the empirical findings emerging from the BMR/RPP in-depth interviews among a selection of small catering establishments (see chapter 3). The findings of the in-depth interview with CATRA and the follow-up self-administrated Web-based survey among CATRA members are reported in chapter 4. The report concludes with a final chapter (chapter 5) that summarises the study findings, draws conclusions and makes some recommendations in terms of improving future participation in the UIF scheme in the small business catering sector of South Africa.

## CHAPTER 2

### DEFINING AND CLASSIFYING THE CATERING SECTOR AND EXPLORING INTERNATIONAL PRACTICES IN UNEMPLOYMENT INSURANCE

#### 2.1 INTRODUCTION

This chapter contextualizes the research study in terms of its importance and focus on the catering industry. To clarify any uncertainty about what the catering sector entails, the chapter firstly defines the sector according to typical business activities performed by establishments operating within this sector. When looking at international business classifications, it will be noted that catering is only one of many subsectors within the 'hotel and restaurant' industry. Notwithstanding this industry classification, the catering sector is often also classified as a subsector of the 'tourism and hospitality' industry. Thus, an attempt to study the catering industry in isolation poses various challenges and is even further complicated when focusing on UIF compliance practices by small catering businesses in particular.

Due to the different classifications of the 'catering' sector, its business classification within the hospitality industry will suffice at this juncture. Against this background, the significance of the research study focusing on the hospitality or catering industry in particular, is evident from the fact that this sector has been placed on the South African government's list of 'high risk' and 'problematic sectors' for the 2010/2011 financial year. This view follows from recent investigations by the DoL in 2010 that showed that more than half of South Africa's hospitality establishments do not comply with DoL legislation (Southern African Tourism Update 2010). Many small and informal businesses in particular are suspected of contravening the Unemployment Insurance Act and some employers still pay salaries below the minimum wage level. The catering sector is also known for its partiality towards contract appointments, which presents an ideal opportunity for especially small businesses not to comply with UIF legislation. In a recent publication of the Southern African Tourism Update (2010), Mr Don Leffler (Director of The School of Business) attempted to contextualise this perceived grave misconduct by citing that

the tourism and hospitality sectors are largely made up of small businesses operating in very competitive markets with low margin returns on investments. According to Leffler 'many of these businesses, including one-man travel agents, tour operators, guides, bed and breakfasts (B&Bs), restaurants and pubs, operate under the radar and, in some instances, either have limited knowledge of, or deliberately defy labour legislation requirements. It is difficult to monitor and enforce compliance on these small businesses, particularly those operating outside of the main cities'. According to Leffler, the DoL's statistics that show that more than half of small business do not comply, are most likely accurate although established medium to large businesses are virtually 100% compliant.

Besides clarifying the rationale for focusing on the catering sector with specific reference to small business practices regarding UIF noncompliance, a further major challenge of the study was to source international 'best' practices regarding unemployment insurance in the small business catering sector. In fact, as will be witnessed in the discussions, information of this nature are rather scarce and virtually nonexistent. The reason for the scarcity of such information lies in the fact that much international research covers the hotel and restaurant sector in its entirety and does not specifically focus on or analyse the catering industry separately. Also, limited available research that focuses of UIF in particular, as well as different circumstances that prevail across countries, makes a study of UIF international best practices in the small business catering sector largely impossible. Despite these limitations, the chapter presents an overview of the catering sector of South African by firstly classifying the various establishments that group under this sector. After clarifying sector classifications and defining terms, the discussion looks at the size of the catering sector. Following a logical build-up approach, the chapter finally concludes with some views on UIF international practices with specific reference to the catering sector.

## 2.2 CATERING SECTOR DEFINED

The importance of defining the catering industry is to gain a better understanding of the scope of the study subjects targeted by the research, especially since the catering sector is often widely classified as a business activity forming part of either the retail, hotel and restaurant, tourism or hospitality industries. Due to the indecisiveness of classifying catering establishments under a specific broad industry, it should be noted that the discussions to follow use hotel and restaurant, hospitality and food and beverage industry classifications interchangeably.

As an economic activity, restaurants, bars and canteens are internationally classified as a major group forming part of the 'hotels and restaurants' industry (Stats SA 1993<sup>1</sup>). More specifically, the SIC classifies restaurants, bars and canteens as those establishments that prepare and sell food and drink for immediate consumption on the premises. These include establishments such as restaurants, tearooms, bars, including beer halls and beer gardens, lunch counters, fish-and-chip shops, refreshment stands and other similar businesses that supply take-aways. It is also important to note from the SIC classification that restaurants, bars and canteens also include 'catering' establishments. More explicitly, to be classified as a catering establishment, the sale of prepared food and drink must account for at least 50% of the gross value of goods sold (Stats SA 1993).

On the other hand the Department of Labour (DoL) classifies 'catering' establishments under the broader 'hospitality' industry (SA Labour Guide 2009 and South Africa 1997). According to the DoL, commercial businesses such as restaurants, pubs, taverns, cafes, tearooms, coffee shops, fast food outlets, snacks bars, industrial or commercial caterers, function caterers, contract caterers that prepare, serve or provide prepared food or liquid refreshment, other than drinks in sealed bottles or cans whether indoors or outdoors or in the open air, for consumption on or off the premises, form part of the broader hospitality sector.

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<sup>1</sup> Based on the fifth edition of the Standard Industrial Classification of all Economic Activities (SIC)

Besides the catering sector, the DoL's description also regards hotels as part of the hospitality industry.

Published figures on income earned from food and beverage sales by Statistics South Africa (Stats SA 2010) classify enterprises such as restaurants and coffee shops, takeaway and fast-food outlets and caterers as part of the broader 'food and beverage' industry. More specifically, Stats SA (2010) defines caterers as 'enterprises involved in the sale and supply of meals and drinks prepared on the premises on a contract basis and brought to other premises chosen by the person ordering them, to be served for immediate consumption to guests or customers'.

From the above discussion and industry classifications it is clear that the hospitality industry includes hotels and other forms of accommodation, as well as restaurants and catering establishments. Clearly the hospitality industry can be empirically divided into two parts, namely entertainment areas like clubs and bars, and accommodation. Accommodation takes the form of public houses, resorts, inns, campgrounds, hotels, hostels, serviced apartments, and motels. In turn, the clubs and bars category includes restaurants, fast food outlets and nightclubs. When analysing available secondary data, it is clear that especially catering and accommodation are two of the most lucrative areas of tourism and hospitality.

Besides clarifying the business classification of the hospitality industry, it is also important to note that the hospitality industry employs a large number of employees. In this regard, the Tourism, Hospitality and Sport SETA (Theta 2000) estimates that there are approximately 600 000 employees in the tourism, hospitality and events management sector who work for approximately 42 000 employers. Based on this statistic, the hospitality sector alone accounts for almost 80% and 90% of employees and employers in the tourism, hospitality and events management sector respectively. The employment figures for the hospitality sector published by Theta are displayed in more detail in table 2.1.

TABLE 2.1

## ESTIMATED EMPLOYEE NUMBERS: HOSPITALITY SECTOR, 2000

Restaurants or tearooms with or without liquor	168 000
All hotels, motels, boatels and inns	73 500
Take-away counters, take-away restaurants, fast food establishments	53 000
Timesharing (including resorts and parks, self-catering apartments and cottages)	51 000
Other catering services (inc. pubs, taverns, nightclubs)	45 000
Guesthouses and guest farms	24 500
Bed and breakfast	21 000
Caterers (including private clinics)	21 000
Undefined game lodges	14 500
Caravan parks and camping sites	14 500
Operation and management of convention centers	2 500
<b>Total: Hospitality</b>	<b>476 700</b>

Although the only ones available in such detail, the figures displayed in table 2.1 are rather outdated. Thus, it is also important to cite more recent estimates by the DoL. In this regard the DoL estimates the number of hospitality workers and enterprises at 568 300 workers and 10 430 enterprises respectively (DoL 2007).

In a further attempt to explore the size of the catering sector, the discussion to follow relies mainly on the most recent statistics published for the 'food and beverage industry' by Stats SA (2010). These statistics, also quoted by FEDHASA (2011), show that the total income generated by the food and beverages industry for November 2010 was 9.4% higher than in November 2009. The main contributor to this increase was food sales (8.7% and contributing 7.7 percentage points). The annual positive growth rate of 9.4% in total income for November 2010 was primarily driven by restaurants and coffee shops (6.9% and contributing 3.6 percentage points), caterers (19.9% and contributing 3.1 percentage points) and takeaway and fast-food outlets (9.8% and contributing 2.6 percentage points).

Further supportive statistics and facts that recapitulate the importance of the 'tourism and hospitality' sector of South Africa could be summarised as follows:

- In 2009, the total contribution of the tourism sector to the economy was R194.5 billion, with an estimated employment of 1.04 million people in 2009 (DoL 2010).
- In South Africa the hospitality sector generates R179 billion of economic activity and 445 000 jobs through direct employment and a total of 1 011 000 jobs, representing 7.6% of total employment (DoL 2010).
- Conservation and tourist guiding together with hospitality are the sectors that employ the highest percentage of Black people, with more than 70% of the workforce being Black and the majority of them in lower skilled occupational categories (Theta 2000).
- The majority of employees in the hotel trade are still in lower job levels, either as service workers (54%) or general workers (18%), constituting a total of 72% (Theta 2000).

From the discussion and statistics provided above it is clear that the 'hospitality' industry offers extensive employment opportunities to many South Africans and contributes to the income generated by establishments operating in the 'food and beverage' industry of South Africa. It is also important to note that employees in the hospitality industry include both white collar employees and blue collar workers. Entry level jobs usually require no formal education and professionals in the hospitality sector are usually qualified with trade certificates and college degrees. Many hospitality schools offer specialised courses of study in one particular aspect of the industry.

The positive outlook and facts outlined above regarding the hospitality industry are largely clouded by recent statistics quoted by a leading investor in small and microenterprises (SMEs). In this regard Business Partners (2011) recently revealed that in the hospitality industry more than 80% of all referrals to the CCMA are for unfair dismissals and that more than 63% of these are awarded in favour of the employee. These findings, alongside the fact that many jobs offered in the catering sector are part-time, affirm the rationale of the study aimed to establish the reasons for UIF noncompliance among especially small, informal business operating in the



catering industry of South Africa. The outcome of the research findings are presented in chapter 3.

## **2.3 INTERNATIONAL CASE STUDIES**

The lack of recent updated information on the size and contribution of the hospitality industry and specifically the small business catering sector is also resonated in the lack of available international 'best' practices regarding UIF compliance. The difference in development status of the countries cited in the discussions as compared to South Africa also offers relatively limited value and scope for direct constructive comparisons. Despite this shortcoming, the discussion to follow will add some international perspective and displays some alignment with the local UIF noncompliance study. The intention of the discussion is not to explore the size of the catering sector in other countries but rather to cite how these countries deal with unemployment insurance in particular. For more detail on UIF best practices, readers are encouraged to consult the 2011 DoL study on UIF satisfaction by Tustin, Ligthelm and Risenga (2011). This study, among others, provides regional profiles on social security practices with specific reference to unemployment schemes for more than 50 countries. Even in this comprehensive study no mention of UIF with specific reference to the catering industry is made, once again displaying the lack of information on this sector in particular.

### **2.3.1 The United Kingdom (UK)**

The UK has traditionally enjoyed relatively low unemployment rates, but an increasing trend towards outsourcing of labour and more short-term flexible working contracts has meant that unemployment insurance is becoming more relevant in this country. In the UK, unemployment insurance commonly goes by the broader name of 'Accident, Sickness and Unemployment Insurance' – ASU (Monetos 2011). In the UK, accident, sickness and unemployment are seen to be the main insurable reasons why a person would not be able to work and could therefore lose a significant amount of income. Some insurance companies in the UK split ASU insurance into two elements, namely accident and sickness insurance that also covers any

disabilities that keep people out of work for a certain period of time, and unemployment insurance that covers periods without work (sometimes referred to as 'redundancy insurance').

### 2.3.2 United States of America

In the United States of America, the Labour Department categorises workers in the catering subindustry within the food, beverage and related industries. These workers are covered by unemployment insurance laws. Accommodation, amusement and recreational establishments, educational services, nursing care facilities and civic and social organisations form the rest of the hospitality sector. Workers in this subindustry earn hourly wages and customer tips. There are variations in terms of wages earned depending on the place of work, whether it is a fast food outlet or full-service restaurant. In some cases tips are higher than wages in full-service restaurants. In some restaurants tips are pooled and shared equally among those that qualify. This is also the case in South Africa.

The Federal-State Unemployment Insurance Program provides unemployment benefits to eligible workers who are unemployed through no fault of their own (as determined under state law), and meet other eligibility requirements of state law (US Department of Labor 2004). More specifically:

- Unemployment insurance payments (benefits) are intended to provide temporary financial assistance to unemployed workers who meet the requirements of state law.
- Each state administers a separate unemployment insurance program within guidelines established by federal law.
- Eligibility for unemployment insurance, benefit amounts and the length of time benefits are available, are determined by state law under which unemployment insurance claims are established.
- In the majority of states, benefit funding is based solely on a tax imposed on employers. (Three states require minimal employee contributions.)

As in the case of South Africa, available US information does not disaggregate unemployment insurance according to sector. As long as the employee is declared on the employer's tax information, the business pays taxes for that employee. A further eligibility requirement for unemployment insurance in the US is that a person should have earned or worked during an established period of time referred to as the 'base period'. This is usually the first four quarters of the last five completed quarters prior to filing an unemployment claim.

### 2.3.3 Australia

In Australia, social security benefits, including unemployment benefits, are funded through the income tax system. There is no compulsory national unemployment insurance fund, rather, benefits are provided for in the annual Federal Budget by the National Treasury. There are two types of payment available to those experiencing unemployment. The first, called Youth Allowance, is paid to young people aged 16–20 (or 15, if deemed independent). Youth Allowance is also paid to full-time students aged 16–24 and to full-time Australian Apprenticeship workers aged 16–24. People aged below 18 who have not completed their high school education, are usually required to be in full-time education, undertaking an apprenticeship or doing training to be eligible for Youth Allowance. The second kind of payment is called Newstart Allowance (colloquially known as *The Dole*) and is paid to unemployed people over the age of 21 and under the pension eligibility age. To qualify for Newstart a person must be unemployed, be prepared to enter into an Employment Pathway Plan (previously called an Activity Agreement) by which he/she agrees to undertake certain activities to increase his/her opportunities for employment, be an Australian resident and satisfy the income test (which limits weekly income to A\$32 per week before benefits begin to reduce, until income reaches A\$397.42 per week, at which point no unemployment benefits are paid) and the assets test (you can have assets of up to A\$161,500 if you own a home before the allowance begins to reduce and \$278,500 if you do not own a home). The rate of Newstart allowance as at 12 January 2010 for single people without children was A\$228 per week, paid fortnightly.

The system in Australia is designed to support citizens no matter how long they have been unemployed. In recent years the former coalition government increased the requirements of the Activity Agreement, providing for controversial schemes such as Work for the Dole, which requires that people on benefits for six months or longer work voluntarily for a community organisation to increase their skills and job prospects. Since the Labor government was elected in 2007, the length of unemployment before one is required to fulfil the requirements of the Activity Agreement (which has been renamed the Employment Pathway Plan) has increased from six to 12 months. There are other options available as alternatives to the Work for the Dole scheme, such as undertaking part-time work or study and training, the basic premise of the Employment Pathway Plan being to keep the welfare recipient active and involved in seeking full-time work.

In comparing Australian and US labour markets, it is clear that Australia operates an unemployment assistance (UA) system while the United States operates an unemployment insurance (UI) system as an alternative way to protect workers against the effects of unemployment. Major contrasts between Australia and the US are found in the duration of unemployment and the duration of unemployment benefits. All duration measures in Australia are far longer than their US counterparts. Also, the costs of a UA system are not necessarily lower than the costs of UI systems (Vroman and Brusentsev 2001). Internationally, UI is far more common than UA. UA systems are present in countries such as Australia, New Zealand, Hong Kong and Estonia while UI programmes exist in more than 60 countries (ie Germany, Canada, etc). According to Vroman and Brusentsev (2001) UI and UA benefit payments are both present in several countries with UI available first and UA then available for UI exhaustees, and/or UA is available for those who do not qualify for UI. When both are present, periodic UA payments are typically lower than UI payments. Some countries also have a third tier of protection for the unemployed, an income-conditioned social assistance (or general assistance) programme with benefits payable after UA entitlements have been exhausted.

## 2.4 CONCLUDING REMARKS

This chapter contextualised the nature and importance of the catering sector as the field of study for the UIF noncompliance study in the small business catering sector of South Africa. Although the nature of catering services seems fairly obvious from the discussions, the business subclassification of catering establishments is undecided. Nonetheless, the discussions in the chapter provide a sound basis for presenting the outcome of the qualitative research study among a selection of small catering businesses with the focus on UIF compliance behavior (see chapter 3).

## CHAPTER 3

### ANALYSIS AND INTERPRETATION OF IN-DEPTH INTERVIEWS WITH SMALL CATERING BUSINESSES

#### 3.1 INTRODUCTION

In this chapter the research results of the in-depth interviews with the 37 participating catering businesses (see table 3.1) are discussed. These discussions should be viewed in tandem with the findings that emerged from the in-depth interview with the Restaurant and Food Services Association of South Africa (CATRA) and the follow-up CATRA membership survey of which the findings are analysed and interpreted in chapter 4.

To contextualise the outcome of the in-depth interviews among the 37 participating small catering establishments, the discussion commences with an exposition of the typology of the survey participants. This is followed by a discussion on the perceived major challenges currently experienced by the small business catering sector. Building on this discussion, the chapter also profiles the type of salary/wage deductions and monetary contributions made monthly by small catering establishments. The discussion finally steers towards a specific focus on employer participation in the UIF scheme. More specifically, the analysis explores the UIF registration status of workers in the catering sector and presents an overview of the rationale for contributing or reasons for not contributing to UIF. Catering businesses' value sets and concerns regarding UIF constitute the central focus point among the many illuminating findings related to UIF. The final section explores ways in which the Department of Labour (DoL) can encourage small businesses in the catering sector to contribute to the UIF and under which preconditions small business in the catering sector are willing to participate in the UIF scheme.

**It should be noted from the onset that the research results presented in this chapter are qualitative in nature and readers are cautioned not to overgeneralise the findings emerging from the study.** Notwithstanding this limitation, the study

served its purpose to gain insights into the general nature of UIF noncompliance in the small business catering sector. In general, the research study represents the first of its kind in South Africa and consequently addresses the existing knowledge gap on noncompliance behaviour among small catering establishments in South Africa.

### 3.2 RESPONDENT TYPOLOGY

The business profile of catering enterprises that participated in the study is discussed in the subsections to follow.

#### 3.2.1 Participants by business type and region

This section presents an overview of participants by type of business and region, period in operation and employment size. Table 3.1 shows the number of participants by type of business and region.

**TABLE 3.1**

**NUMBER OF BUSINESSES BY TYPE OF BUSINESS AND REGION**

Region	Bar/canteen		Restaurant		Total	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Greater Johannesburg	3	27.3	3	11.5	6	16.2
Pretoria	1	9.1	1	3.8	2	5.4
Cape Town	2	18.2	3	11.5	5	13.5
Stellenbosch	0	0.0	2	7.7	2	5.4
Durban	3	27.3	3	11.5	6	16.2
Polokwane	0	0.0	2	7.7	2	5.4
Rustenburg	0	0.0	2	7.7	2	5.4
Nelspruit	0	0.0	4	15.4	4	10.8
Bloemfontein	0	0.0	2	7.7	2	5.4
Port Elizabeth	2	18.2	3	11.5	5	13.5
Kimberley	0	0.0	1	3.8	1	2.7
<b>TOTAL</b>	<b>11</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>

It is clear from table 3.1 that 11 of the 37 businesses interviewed were bars or canteens while 26 or 70.2% were restaurants. It should be noted that the realised participation among small businesses displayed in table 3.1 closely resembles the

initial planning to include 35 businesses (see table 1.1) as part of the study. It should also be noted that the number of businesses who participated across different regions matches the initial numbers at the time of approval of the study by the DoL.

### 3.2.2 Number of years in operation

Table 3.2 displays the number of years participating businesses have been in operation.

**TABLE 3.2**

**NUMBER OF YEARS IN OPERATION**

<b>Years</b>	<b><i>n</i></b>	<b>%</b>
1 to 3	10	27.0
4 to 6	12	32.4
7+	15	40.5
<b>Total</b>	<b>37</b>	<b>100.0</b>

As deduced from table 3.2, just more than a quarter (27.0%) of the 37 respondents have been in operation for between 1 and 3 years. A further 15 or 40.5% of the participating businesses have been in operation for 7 or more years. From the overall analysis, it was clear that participating businesses have been operating for an average number of 7.23 years. This is a positive finding in terms of the maturity and experience levels of participating businesses.

### 3.2.3 Average number of managers and workers by gender

Table 3.3 shows the average number of full-time and part-time managers and workers by gender for the participating businesses.



**TABLE 3.3****AVERAGE NUMBER OF MANAGERS AND WORKERS BY GENDER**

<b>Employees</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Full-time managers	2.05	1.24	2.03
Full-time workers	7.20	4.42	8.63
Part-time workers (incl managerial workers)	2.46	2.31	3.88
Contract/seasonal workers	1.33	2.00	2.80
<b>Total</b>	<b>6.03</b>	<b>4.89</b>	<b>10.92</b>

It is clear from table 3.3 that the average number of workers (taking into account all types of workers) employed by small catering businesses is approximately 11 workers. Clearly, on average, more males than females (except for contract/seasonal workers) are employed by small catering businesses. Also, on average more full-time than part-time workers are employed. Further analysis of the employment profile of participating businesses not reflected in table 3.3 shows that more than half (55.2 %) the total number of employees employed by all participating establishments were male.

To further explore the employment profile of participating businesses, table 3.4 profiles businesses by employment size group.

**TABLE 3.4****DISTRIBUTION OF RESPONDENTS BY EMPLOYMENT SIZE GROUP**

<b>Employment size group</b>	<b><i>n</i></b>	<b>%</b>
3 or less	10	27.0
4 – 5	9	24.3
6 -10	7	18.9
11 - 15	6	16.2
15+	5	13.5
<b>Total</b>	<b>37</b>	<b>100.0</b>

Table 3.4 shows that the interviews were conducted mostly with microenterprises (MEs) in the catering sector (businesses employing 10 or fewer people). Of all participating businesses, approximately 70.0% employ 10 or fewer employees.

### 3.3 MAJOR ISSUES FACED BY CATERING BUSINESSES

As introduction to the study, participants were requested to indicate the major challenges faced by catering businesses. To analyse the findings emerging from this question, the relative importance of each challenge was computed by weighting the importance of each challenge according to the priority rating (first, second or third mentioned) and frequency of mention. This approach resulted in the identification of the top five challenges faced by the catering sector. These challenges are listed in order of importance in exhibit 3.1.

#### EXHIBIT 3.1

##### CHALLENGES EXPERIENCED IN THE CATERING INDUSTRY

Finance/recession
Lack of customers
No business premises/furniture/transportation
Crime/corruption
Competition

It is clear from exhibit 3.1 that the major challenge faced by most catering businesses is access to finance, which is probably exacerbated by recessionary economic conditions and circumstances (ie crime and corruption). Furthermore, caterers experience the building of a sustainable customer base as the second most important challenge. Arguably, high levels of competition and the informal nature of the businesses (also ranked among the top five challenges) are the most likely major factors that inhibit caterers from building and maintaining a sustainable customer base to promote financial liquidity. Financial hardships and the informal nature of the catering businesses are major factors that can impact on small businesses' ability to contribute to the UIF scheme. In addition, crime and corruption were cited as additional challenges experienced by small catering businesses. Some small businesses allegedly bribe SAPS members not to prosecute them if not registered as businesses (and thus remain outside the tax loop). Also, some cases were cited where small businesses are purportedly granted unfair preferential treatment with state contracts and loans. Participating businesses believe that such corrupt

practices ultimately distort fair competition. Corruption was also perceived to be present in the management of UIF funds. In this regard greater transparency in UIF expenditure and physical proof of UIF payments were suggested.

It is also worth noting other challenges faced by caterers that are not listed as part of the top five displayed in exhibit 3.1. These include unreliable staff lacking dedication, staff being reluctant to register for UIF, high rental rates, unlicensed businesses and delays in delivery.

### 3.4 DEDUCTIONS/MONETARY CONTRIBUTIONS FROM SALARY/WAGE

The research questionnaire was also designed to determine which type of deductions or monetary contributions are made monthly from workers' salaries/wages by caterers. The main aim of the question was to determine whether UIF features among five other predetermined deductions/contributions as displayed in table 3.5. Table 3.5 shows the salary/wage deductions by participating catering businesses.

**TABLE 3.5**  
**MONTHLY/ANNUAL SALARY/WAGE DEDUCTIONS**

Type of deductions	Yes		No		Total	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Unpaid leave	10	27.0	27	73.0	37	100.0
Repayment of loans/advances	11	29.7	26	70.3	37	100.0
Third party payments (banks, unions)	3	8.1	34	91.9	37	100.0
Damage or loss	7	18.9	30	81.1	37	100.0
Benefit funds (pension, provident, retirement, medical aid)	3	8.1	34	91.9	37	100.0
Unemployment insurance (UIF)	12	32.4	25	67.6	37	100.0

It is clear from table 3.5 that 12 of the 37 respondents (or 32.4%) indicated that they deduct money for UIF from their workers' salaries or wages. This implies that only approximately a third of the participating catering businesses contribute to UIF. Besides UIF, 'other' deductions made by at least a quarter of the participating

caterers include deductions for repayment of loans/advances (29.7%) and unpaid leave (27.0%).

### 3.5 PARTICIPATION IN UIF SCHEME

This section deals only with those catering business who indicated that they participate in the UIF scheme.

#### 3.5.1 UIF registration status and reasons for nonregistration

As shown in table 3.5 approximately a third (32.4%) of participants indicated that they deduct money from employees' wages/salaries for UIF. The following follow-up question was put to these respondents:

*Have you registered some or all of your workers with the Department of Labour (UIF)?*

Table 3.6 below presents the findings.

**TABLE 3.6**

#### **REGISTRATION STATUS OF CATERING WORKERS**

<b>Response</b>	<b><i>n</i></b>	<b>%</b>
Some	5	41.7
All	7	58.3
<b>Total</b>	<b>12</b>	<b>100.0</b>

When interpreting table 3.6 it should be noted that the findings apply only to those respondents (12 or 32.4% of all respondents) who contribute to UIF. Of those who contribute to UIF, seven or 58.3% have registered all their workers with the Department of Labour (DoL) for UIF. Five respondents registered only some of their workers for UIF.

To determine the main reason(s) for not registering all workers for UIF, the discussion guide was constructed to probe deeper on the reasons for not registering. The reasons cited by the five participating respondents for not registering for UIF were collated and included the following:

- contribution is only made for full-time employees (four of the five responses); and
- workers do not remain in employment.

### 3.5.2 Reasons for contributing to UIF

Participants who contribute to UIF were also requested to list the reasons for contributing to UIF. Exhibit 3.2 displays the outcome of these findings.

#### EXHIBIT 3.2

##### REASONS FOR CONTRIBUTING TO UIF

- Because it is the law/it is the right thing to do
- It will benefit the employees if they lose their jobs or when business closes down
- It will help employees if they stop working to have money while looking for other work
- It takes care of financial needs of workers if they are retrenched or lose their jobs
- It protects workers if they are injured or lose their work, and if business goes bankrupt even owners will qualify for UIF
- To ensure that workers receive unemployment benefits such as maternity leave
- To display to employees that business is a responsible entity

It is clear from exhibit 3.2 that caterers are positive towards the UIF scheme's ability to provide income for part-time unemployment for workers who lose their jobs or become pregnant (maternity leave) or when a business closes down. Furthermore, participating business indicated that they are legally bound to register and pay UIF and that they have a responsibility to protect employees from any potential job losses. By contributing to UIF, participating business also believe that they are acting responsibly towards their employees who may be at risk of potential job losses in the future.

### 3.5.3 Feelings evoked by contributing to UIF

Participants who contribute to UIF (12 or 32.4%) were requested to share their feelings that their contribution towards UIF evokes. The outcome of the findings in this regard is summarised in exhibit 3.3.

#### EXHIBIT 3.3

##### FEELINGS EVOKED BY CONTRIBUTING TO UIF

- A responsible employer taking care of workers and their rights
- Businesses feel good because it displays a gesture of taking care of employees' best interests
- Businesses feel free and happy when complying with government rules
- Businesses feel happy and protected
- Businesses feel good as they comply with law and are doing the 'right thing'

When analysing the responses of the 12 participants who contribute to UIF, it is clear that compliance with UIF displays a caring attitude towards employees and legal conformity. More specifically, participating businesses indicated that the act of contributing to UIF eases their conscience in that they are taking care of their employees. UIF payment also displays good corporate citizenship by providing security and abiding by the law.

### 3.5.4 Major concerns/problems with UIF

Participants who contributed to UIF (12) were also requested to cite their major concern(s) regarding UIF. These concerns are shown in exhibit 3.4.

**EXHIBIT 3.4****MAJOR CONCERNS/PROBLEMS WITH UIF**

- No problem/concern
- Corruption
- Sometimes business have to contribute more after deducting unpaid leave from the workers salary, which the UIF demands the employer to pay every month
- The DoL won't have enough money to pay people out who contribute because of shortage of funds/concerns that DoL could go bankrupt
- UIF takes too long to pay out money

The major concerns/problems displayed in exhibit 3.4 include corruption, financial sustainability of UIF and time delay in paying out monies. Once again, corrupt practices refer to perceived mismanagement of UIF funds. This perception originates from claimed limited awareness about the distribution and payout of UIF funds as well as the lack of formal proof of payment received for UIF contributions. High levels of unemployment in South Africa also evoked concerns among participating businesses that the UIF will not be able to meet their future financial obligations towards beneficiaries and ultimately faces insolvency. Such a misconception could probably be best addressed by UIF education and media campaigns.

**3.5.5 Recommending UIF to others**

The reasons for recommending UIF to others were established among the 12 participants who indicated that they contribute to UIF. The outcome of these research findings is shown in exhibit 3.5. The exhibit captures the verbatim recordings of the respondents.

**EXHIBIT 3.5****CONSEQUENCE OF RECOMMENDING UIF**

- It is a good thing because it is the right thing to do
- It is the best thing business can do for the community and themselves
- Benefit employees
- Build the nation and make life easier for everyone
- Assist others to realise the importance of UIF
- Can lead to economic growth of the country
- Help business to know that UIF is an insurance scheme that covers and protects them and their workers
- Improve the statistics of contributing companies
- Increase the number of people who register for UIF
- Make businesses more aware that they are acting against the law by not contributing
- Make businesses believe that they will be reported if they do not contribute towards UIF
- To score brownie points/earning government favour as a consequence of performing a credible act

Participating businesses who contribute to the UIF were unanimous that referral of the UIF to others is most likely to build good community practices and corporate citizenship. Businesses indicated that sharing the 'UIF message' with others is the right thing to do as the UIF provides a safety net for current employees and benefits the unemployed who receive UIF. Participating businesses also indicated that recommending the UIF as an ideal social safety net for employees and the unemployed, will improve the knowledge of both employers and employees regarding the UIF scheme and help to eradicate nonparticipation. Respondents also recommended that the DoL should publish statistics regarding the number of companies that contribute to UIF. From the verbatim recordings it was clear that some small caterers would not consider participating in the UIF scheme while there are still some businesses that do not register and/or contribute to UIF.



### 3.5.6 Action against nonpaying businesses

The 12 participants who contributed to UIF were also asked to complete the statement 'Businesses that do not contribute towards UIF must be . . .'. All 12 respondents suggested some serious action should be taken against nonpaying businesses. Exhibit 3.6 summarises these suggestions.

#### EXHIBIT 3.6

##### ACTION AGAINST NONCONTRIBUTERS

- Fine businesses
- Give warnings and penalise misconduct
- Close down businesses who do not comply
- Force business to contribute by law
- Prosecute and suspend noncompliers

Suggested actions against businesses that do not contribute to UIF included warnings, financial penalties in the form of fines, legal prosecution and de-registration or closure of business.

### 3.5.7 Discussion of UIF benefits with workers

Participants that indicated that they contribute to UIF (12) were also requested to indicate whether they discuss the benefits of UIF with their workers. Figure 3.1 displays the outcome.

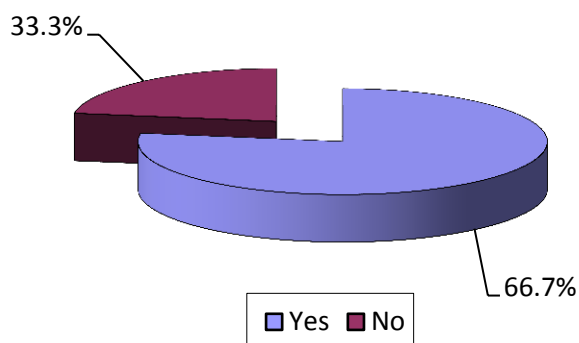
**FIGURE 3.1****AFFIRMATION OF EMPLOYERS DISCUSSING UIF BENEFITS WITH WORKERS**

Figure 3.1 shows that three quarters of the participants who contributed to UIF discussed the benefits of UIF with their workers. The nature of the discussion regarding these benefits is captured in exhibit 3.7.

**EXHIBIT 3.7****NATURE OF EMPLOYER/EMPLOYEE DISCUSSIONS REGARDING UIF**

- Explain benefits of contributing to UIF
- Inform workers of their rights
- Explain to workers what UIF is and how it works
- Informed workers about the amount of money they need to contribute and how this will assist them if they become unemployed
- Explain procedures of claiming UIF money from DoL
- Explain deductions from pay-slips
- Confirmation that workers will be registered for UIF and what how they will benefit from the scheme once unemployed
- Explain reason for paying UIF

The nature of employer/employee discussions regarding UIF mainly revolved around explaining the need to participate in the UIF scheme and how to qualify and register for, contribute to and claim UIF. Such discussions largely facilitate a better understanding of worker rights and the benefits of contributing to UIF. Generally, employers who discuss the UIF with employees, also inform employees regarding

the amount that will be deducted from their salary/wages for UIF and how such a deduction will be reflected on their salary advice (pay-slips).

Participants who claimed that they contribute to UIF but have not discussed the benefits thereof with their employees were also requested to convey the reasons for this. These are shown in exhibit 3.8.

### **EXHIBIT 3.8**

#### **REASONS FOR NOT CONVERSING ABOUT UIF BENEFITS WITH WORKERS**

- No use to discuss UIF benefits with workers
- My partner did it on my behalf
- Workers are aware of UIF and how it works

In summary, employers who do not communicate with employees regarding UIF benefits believe that such information is superfluous as workers are already informed about the UIF scheme and how it works.

### **3.6 NONPARTICIPATION IN UIF SCHEME**

The 24 participants who indicated that they do not contribute to UIF were requested to indicate the main reasons for noncontribution as well as to identify the type of feeling(s) evoked through not contributing. Exhibits 3.9 and 3.10 summarise the views of the noncompliers.

**EXHIBIT 3.9****REASONS FOR NOT CONTRIBUTING TO UIF**

- Business is informal
- Business not a franchise and operate to assist the community
- Business still developing/not well established
- Financial strain/can't afford to contribute
- Business is seasonal and competes with malls
- Not informed about UIF and uncertain how it works
- Employees are temporary
- Employees are still at school and don't have IDs
- Employees are foreigners
- Workers do not deserve it
- Employees earn too little
- Workers don't stay long and it's difficult to register a worker that will work for only a month or two
- It is a rip-off from the government
- Too much corruption
- Workers don't have ID and others don't work long in the same place

The reasons cited in exhibit 3.9 can be summarised into six groups, namely: participants of especially informal businesses are of the opinion that they are not liable to pay; a lack of knowledge of UIF; it is only necessary to contribute in respect of full-time employees; not necessary to contribute for employees with a low income; high staff turnover; and corruption. Exhibit 3.9 once again reflects the financial destitution experienced by many small catering businesses due to competition from, amongst others, increased mall developments. Other business concerns cited included the seasonal nature of catering work, extended work hours and high labour turnover brought about by, among others, the employment of under-aged and foreign workers. In many cases these workers work for short periods and often lack proper identification documents, which impact negatively on any good intentions to register these workers for UIF purposes. The employment of under-aged and foreign workers is also indicative of corrupt practices that exist among some small businesses. These 'external' business factors were collectively cited as major inhibitors of registering for and contributing to UIF. Finally, businesses indicated that government is not entirely honest regarding UIF and the

financial management of the scheme. Such a perception arguably evokes suspicions regarding the legality of the UIF scheme and needs to be addressed and corrected. Besides perceived financial mismanagement of UIF funds, additional corrupt practices were shared about businesses that allegedly bribe SAPS members not to prosecute them if not registered for business purposes or UIF.

The feelings evoked among small businesses by not contributing to UIF are captured in exhibit 3.10.

### EXHIBIT 3.10

#### FEELINGS REGARDING NONCONTRIBUTION

- 'Nothing', because I only focus on the growth of my business and the workers don't stay long/I cannot pay for part-time workers
- 'Okay' because business is paying tax
- Economic circumstances don't allow businesses to contribute
- Business too small
- Businesses are not doing the right thing for their employees because if they lose their jobs they won't have any form of income
- Afraid that they might be caught and force to closed down the business
- Unsure because if business closes down it won't have anything to benefit from
- 'Fine' because business was not educated about UIF
- Unsafe
- Bad

In summary, 10 of the 25 participants indicated that they feel bad about not contributing to UIF and will probably change their behaviour if assisted. Unfortunately there were six businesses who indicated that they feel 'nothing' by not contributing. The remaining businesses indicated that they feel 'okay' or not guilty by not contributing. To convince those participants who are not concerned about and who have not been contributing in the past to do so is a daunting task. However, the fact that many businesses feared the consequences of not registering and contributing to UIF, provides a window of opportunity to convince businesses to participate in the UIF scheme. By demonstrating sympathy towards small businesses' concerns regarding consequences, financial hardship and sustainable

business prospects and by guiding them in developing financial and innovative entrepreneurship skills in particular, these businesses could be encouraged to participate in the UIF scheme. Of critical importance will be to demonstrate to business how they in particular (and not only employees) will benefit by contributing to UIF. This recommendation follows from the uncertainty discernible among the participating businesses.

### 3.7 LASTING VIEWS REGARDING UIF

This section of the report deals with the self-reported views of the participants regarding the use of UIF contributions as well as ways in which the DoL can improve on contribution rates. The views of participants regarding these issues were prompted by using the following incomplete sentence approach:

- (i) *Contributions received by the UIF are used for ...*
- (ii) *The catering business can be encouraged to contribute to UIF by ...*
- (iii) *I am aware of businesses that do not register their workers for UIF because ...*

It is important to note that these questions were put to both UIF contributors (12 participants) and noncontributors (25 participants).

#### 3.7.1 Perceived usage of UIF contributions

The views of the participants regarding the use of UIF contributions are summarised in exhibit 3.11.

#### EXHIBIT 3.11

##### USE OF UIF CONTRIBUTIONS

- |  |
|--|
| <ul style="list-style-type: none"> <li>• Support/assist/compensate people being retrenched/retired/who lose their jobs/maternity leave/unemployed</li> <li>• Enrich government</li> <li>• Assist people when companies close down</li> <li>• Don't know</li> </ul> |
|--|

It is clear from exhibit 3.11 that some participants have a fairly accurate view of the value associated with UIF contributions (ie providing support to people who become unemployed). Others were uncertain about the use of UIF contributions or of the opinion that government uses UIF contributions for reasons other than intended.

### 3.7.2 Ideas to encourage contributing to UIF

The proposals of participants on how the DoL can encourage small catering businesses to contribute to UIF are captured in exhibit 3.12.

#### EXHIBIT 3.12

##### IDEAS TO ENCOURAGE CONTRIBUTING TO UIF

- Inform/educate/train businesses on UIF benefits/importance
- Visits by government officials to assist/explain how UIF works to businesses
- Enforcement of the law
- By registering business
- By rewarding the business/tax deduction
- DoL must work through unions
- By giving a breakdown of how UIF money is used
- Empower the business with equipment
- Deduct small percentage from salaries

It is clear from the ideas in exhibit 3.12 that educating the owners/managers of small catering businesses about UIF is one of the most appropriate ways to encourage future participation. Also, more direct and forceful actions, such as lawfully compelling business to register (i) to trade and (ii) for UIF, were cited. It was further suggested by respondents that businesses that register and contribute to UIF should be rewarded by, for example, tax concessions. Alternatively, UIF contributions should be based on business size whereby low-turnover businesses be required to contribute less when compared to other more profitable business. Closer collaboration with stakeholder groups such as business and trade unions during education and marketing campaigns targeting employers/employees regarding UIF registration practices and procedure were also recommended alongside more

transparency in managing UIF funds. In this regard, participating businesses suggested that the DoL should consider more public reporting of UIF expenditure and provide tax invoices for UIF payments. Better support to small catering business was cited as a means of establishing good rapport between business and the DoL. In this regard, the DoL should consider diversifying its UIF education campaigns by simultaneously focusing on training to improve, among others, business financial skills and innovative entrepreneurship. In summary, businesses recommended a 'one-stop' service approach whereby not only labour issues (such as UIF) be addressed during collaboration between government and business, but that inclusive collaboration initiatives also include broader functional and operational business matters that could promote sustainability and growth of small businesses.

### 3.7.3 Awareness of catering businesses not registering for UIF

All participants were asked the reasons why catering businesses do not register for UIF. The outcome of this question is shown in exhibit 3.13.

#### EXHIBIT 3.13

##### AWARENESS OF PERCEIVED REASONS FOR CATERING BUSINESSES NOT REGISTERING FOR UIF

- Do not have information about UIF/not informed
- Business is small, newly established, cannot afford it
- Employees are not permanent/don't last long/only a few employees/employees not reliable
- Afraid SARS will catch them
- Have no operating licence
- Feel it is a rip-off
- It's a long costly process
- Employers do not care for their employees
- Poor service delivery by DoL

Ignorance about UIF is the reason mentioned most often for not registering for UIF. This was followed by the size of the business and the permanency of the employees. Alongside these inhibiting factors, participating businesses do not register for UIF as they will be exposed and forced to register for trading purposes and consequently



pay tax to SARS once they register for UIF. Participating businesses also indicated that the UIF scheme is a rip-off and that the UIF registration process is too long. In some instances poor service delivery by the DoL, with specific mentioning of long queues and slow UIF payouts, were advanced as reasons for not participating in the UIF scheme.

### 3.8 PRECONDITIONS FOR PARTICIPATION

The participants were requested to indicate under which conditions they would participate in the UIF scheme. A series of preconditions to participate in the UIF were presented and the participants were also required to elaborate on the reasons why they would contribute to the UIF scheme. These are the self-reported views of the participants regarding the preconditions for participation in the UIF scheme as well as the reasons why they would consider participating in the UIF scheme. It is important to note that this section was completed by businesses that contribute UIF for their employees as well as those that do not. The preconditions for participation in the UIF scheme are discussed in the following subsections.

#### 3.8.1 Precondition: UIF scheme benefiting workers

In general, inputs from the participants reflected positive perceptions and an understanding of the motivation to participate in the UIF scheme to benefit workers in particular. The participants indicated that they are willing to participate in the UIF scheme when it benefits workers. In this regard respondents had the following to say about the UIF scheme:

- It is an employees' right to benefit from UIF because he/she works hard for his/her money
- It secures employees' future as it constitutes part of their salary
- It ensures that employees are compensated when they become unemployed, are unfairly dismissed or on maternity or sick leave
- Employees can benefit from the UIF scheme to avoid poverty and stress
- If workers are not working anymore then they will be taken care of for a while

- It is of the utmost importance that workers who contribute also benefit

Besides these general remarks, it should be noted that a fair proportion of the participants were very sceptical and uninformed about UIF. This implies that there are still businesses that lack knowledge and understanding of UIF which could be cited as a possible reason for noncompliance with the UIF Act. In this regard, respondents shared the following broad thoughts regarding the UIF scheme:

- Don't have an idea about UIF
- UIF makes it easy for the employees to save money
- If you owe money you are still covered and protected if something happens
- Lots of people struggle to get their money

### 3.8.2 **Precondition: Workers providing quality service**

Almost a quarter of the participants indicated that they would participate in the UIF scheme if workers provided quality service. In this regard participating businesses had the following thoughts to share:

- If workers are committed to their work, it creates a healthy working environment
- If workers are educated, they contribute to the business and become productive simultaneously
- If employees worked harder they would qualify for extra money
- Workers can offer good service by being honest and reliable
- Quality work would trigger increased production growth

Besides these remarks, some participants also mentioned that UIF has nothing to do with quality service and that employees can only be motivated if offered a salary increase. In many instances participants were of the opinion that UIF is only concerned with unemployed people and does not relate to the performance of employees. Many businesses displayed concerns regarding the lack of productivity

in the catering sector. It was also suggested that educating people about UIF should start at school level.

### 3.8.3 **Precondition: Civil/moral obligation**

A fairly low proportion of the participants indicated that they contribute to UIF as it is a civil or moral obligation. Views supporting this opinion were phrased as follows:

- It's a must for business owners to contribute to UIF
- Government should treat all businesses equal
- UIF protects workers if anything unexpected happens to them (ie job losses)
- They will contribute to UIF if workers are paid well
- It is important that workers are aware of their rights and benefit from UIF once they lose their jobs

It is important to note that the majority of the participants do not regard participation in the UIF scheme as a civil or moral obligation and are not prepared to contribute to UIF. Respondents' comments in this regard included the following:

- Businesses should not be forced to contribute to UIF
- Businesses do not see participation in the UIF scheme as a civil obligation because not all businesses contribute towards UIF
- There is no one to monitor or check whether businesses meet their obligation
- Much depends on what employees think about UIF - many workers display a careless attitude and are not bothered about contributing to UIF
- It has nothing to do with a moral obligation but rather government's way of 'cheating' poor people
- In our business nobody is willing to pay UIF because of greed

### 3.8.4 **Precondition: UIF scheme effectively addresses poverty and unemployment**

Participants reflect a positive inclination to participate in the UIF scheme should it eradicate poverty and unemployment. However, a few participants seemed rather indecisive as to whether contributions to the UIF scheme would effectively address poverty and unemployment. Although most of the participants expressed their willingness to contribute to the UIF scheme on condition that contributions would be used to eradicate poverty and unemployment, the following additional thoughts were shared in this regard:

- Employees need to be paid more in order to contribute to UIF. However, with a low turnover and poor economic conditions, salary increases are virtually impossible in the small business sector
- Government and not business is primarily responsible for creating jobs for the unemployed
- Businesses and employers would be encouraged to contribute if they were educated/informed about UIF benefits
- UIF benefits should be provided for longer periods (ie at least a year) until workers find a new job
- The UIF scheme should also be used to fund developing businesses
- Businesses should be forced to participate in the UIF scheme as part of a compulsory social responsibility programme
- UIF can reduce poverty by paying out those who are not working anymore

Those businesses who were indifferent about the UIF scheme as an effective mechanism to eliminate poverty and unemployment had the following to say about the UIF:

- The UIF scheme is not powerful enough to address poverty and unemployment and workers are not compensated in time. This discourages both business and employees from contributing to UIF

- In general, businesses do not associate UIF with reducing poverty and/or unemployment

### 3.8.5 **Precondition: Department of Labour (DoL) improves UIF service delivery**

A fairly high proportion of the participants shared their intention of contributing to the UIF scheme should the Department of Labour (DoL) improve service delivery. Respondents mentioned the following aspects that could further motivate participation in the UIF scheme:

- The DoL must visit all catering establishments to update and educate them about UIF
- DoL need to make sure that corrupt practices are addressed
- DoL should ensure that all businesses and workers contribute towards UIF
- DoL should reduce long queues at labour centres

Those participants who felt the DoL should improve service delivery had the following general comments regarding service delivery:

- The DoL is ineffective and will never change
- The DoL is slow in everything they do
- Government officials steal employees' money
- The DoL lack good customer services and fail to serve clients in a reasonable time

### 3.8.6 **Precondition: Businesses receive tax deduction when paying UIF for workers**

In general, participants were very supportive of the idea that businesses should receive a tax deduction when paying UIF. In this regard participants had the following to share:

- Tax reductions would help small businesses and encourage them to contribute

- Small businesses who participate in the UIF scheme will highly value tax returns

Despite these general comments, a fair proportion of the participants indicated that even if businesses were to receive a tax deduction they would remain reluctant to contribute to UIF. Participants sharing this view uttered the following:

- UIF must not be taxable because double tax is bad for the business
- Not all businesses contribute to the UIF and many are operating illegally
- A tax deduction would serve as a form of bribery and an enticement to participate in the UIF

### 3.8.7 **Precondition: UIF participation enforced by law**

Various participants indicated that they would contribute to the UIF when enforced by law. In this regard participants shared the following thoughts:

- Those who don't contribute should be fined and/or forced to close down
- DoL must ensure that all businesses pay their UIF to the benefit of employees
- DoL should send officials to regularly visit all businesses to educate them about UIF and 'force' them to register for UIF
- Tighten UIF laws to improve compliance
- Illegal business operations should be prevented

A few participants felt that law enforcement should play no role in contributing to UIF. Those who shared this sentiment had this to say about the UIF:

- Participation should be out of free will and not forced
- Employers don't want to pay because employees do not work long enough

### 3.9 GENERAL COMMENTS

Respondents were given a final opportunity to give general comments regarding UIF at the end of the interview. These comments are captured in exhibit 3.14. It should be noted that some comments are similar to previous comments shared by participants but are repeated to provide a comprehensive picture.

#### EXHIBIT 3.14

##### GENERAL COMMENTS REGARDING UIF

Positive comments regarding UIF	Negative comments regarding UIF
<ul style="list-style-type: none"> <li>• Employees intend to be more willing to contribute to UIF once benefits and the registration process are explained.</li> <li>• It is important to apply for UIF especially when running a small business.</li> <li>• If all business owners were trained about UIF they would be willing to contribute.</li> <li>• Small businesses need to be informed about the UIF.</li> <li>• The government needs to be very strict with those businesses that do not pay UIF.</li> <li>• The government must have people who will monitor and ensure that all businesses contribute UIF.</li> <li>• The government must make sure that even street vendors contribute to UIF and also pay tax.</li> <li>• The DoL must employ people who are willing to educate business owners in the townships about the UIF.</li> </ul>	<ul style="list-style-type: none"> <li>• There is too much corruption in respect of the UIF. Government officials steal the money contributed for UIF.</li> <li>• The government needs to assist small businesses.</li> <li>• It is difficult to contribute towards UIF, because businesses already pay tax for operating a small business.</li> <li>• Workers cannot take the strain of working hours.</li> <li>• Workers earn very little to afford contribution to the UIF.</li> </ul>

In summary, the constructive views of businesses regarding the UIF show that education regarding the UIF will be central to any strategy aimed at improving the willingness of businesses to participate in the UIF scheme. (It is important to note the appeal from businesses to articulate UIF training in especially rural and township areas). Concomitantly, this process will rely on a sound regulatory environment that will require government to expose and prosecute those that do not pay UIF. Such an approach will support the notion that all businesses must participate in the UIF

scheme. To support such a holistic approach, the DoL should consider differentiated UIF contribution rates based on business size/profit.

In turn, when considering the more negative views of the business participants, it is evident that businesses are concerned about the way in which UIF funds are managed. In general, businesses feel that they are already doing enough by employing workers and paying company tax. Consequently, they feel no obligation to contribute to UIF. Businesses also expressed dissatisfaction about UIF as it is regarded as a cumbersome process and is targeted at employees who do not earn enough to motivate deductions towards UIF. It also seems that small catering businesses are disillusioned by the UIF and are more concerned about efforts to survive and build a sustainable business.

### 3.10 **CONCLUSION**

This chapter reported on the findings emanating from the in-depth interviews conducted among a selection of small businesses operating in the catering sector of South Africa. It was evident from the discussion that as long as no guarantee could be provided that all small businesses and employees contribute to UIF, small catering businesses would remain sceptical about participating in the UIF. It is not only important to ensure that all businesses participate in the scheme to benefit employees, but that all workers, including foreigners, contribute. However, as long as workers remain reluctant to work the required hours, small catering businesses will find it very difficult to participate in the UIF scheme. In many cases small catering businesses indicated that participation in the UIF scheme places and will place an extra burden on their operations while many small businesses are already challenged by financial hardship and high levels of competition. In many instances small catering businesses regard the payment of company tax and employment of people as sufficient indication by small business to cooperate with government and contribute to government income and social welfare.



Also, as long as workers are perceived as unproductive and unwilling to work the required hours, small catering businesses will remain reluctant to participate in the UIF scheme. One pertinent prerequisite that small catering businesses cited as a possible motivator to warrant improved participation, is to be more informed and educated about UIF. This seems to display a need of especially small businesses to engage at a personal level with the DoL regarding UIF. However, whether small businesses are using this as a convenient excuse for not currently participating in the UIF scheme or actually requesting opportunities to directly engage with government officials is uncertain. What is evident from the study, is that as long as small catering businesses struggle to survive financially and as long as 'unemployed' and 'foreign workers' are available to fill-in for contract and seasonal work (due to the cyclical nature of the catering business), small catering businesses will remain reluctant to fully cooperate. Further requirements for participation in the UIF as cited by small caterers are transparency regarding UIF payments and improved service delivery with specific reference to the speed of processing payments. Until government has proved to serve the small business operations of caterers and ensures inclusive participation in the UIF scheme, the current status of nonparticipation will probably prevail. Nonetheless, small catering businesses seemed fairly convinced that should government use a more 'threatening' approach to force small business to contribute, this might just result in the desired increased participation in the UIF scheme. However, such an approach could damage the good intentions of government to support the development of small businesses. It is clear that business emotions towards employees and how UIF contributions could benefit them in a sector where the risk of business closure and job losses is far greater when compared to more established businesses, could ensure improved future participation. It is also important to note that emotional commitment towards doing the 'right thing' to the benefit of employees displays good intentions of small businesses to extend their socially responsible role within the broader society. Against this background the DoL should consider structuring its UIF 'direct contact' education programmes to emphasise worker and societal benefits in particular. It is also recommended that community organisations and trade unions be included in this process. Establishing a 'good' or 'positive' feeling among small businesses when participating in the UIF

scheme, may just reverse UIF noncompliance practices evident in the small business catering sector of South Africa. Compliance could be boosted by, for example, charging different UIF contribution rates based on business size/profit. In this case, the contributions of less profitable businesses and their employees should be lower. Also, closer collaboration between the DOL and catering business sector during information and marketing campaigns where information on UIF is shared is required. This should evoke a feeling of inclusiveness and a better understanding of the UIF scheme as well as the potential problems faced by the catering sector that prevent businesses from registering and contributing to UIF. Such endeavours should ideally be complemented by business training initiatives focused on developing financial and innovative entrepreneurship skills among small catering businesses.

## **CHAPTER 4**

### **ANALYSIS OF CATRA RESEARCH FINDINGS**

#### **4.1 INTRODUCTION**

This chapter firstly summarises the outcome of the in-depth interview with CATRA as part of the initial exploratory research phase of the UIF study. As mentioned earlier, CATRA recommended a supplementary survey among its members following the BMR/RPP survey among a selection of catering business (see chapter 3). The findings emerging from the CATRA members' feedback survey are discussed in the latter part of the chapter. It should be noted that this additional survey is not representative of the entire catering industry of South Africa nor does it reflect any regional representation. Thus, readers are cautioned not to overgeneralise the findings of the CATRA survey that were purely added to gain deeper insights into the minds of CATRA members and their perceived views regarding UIF and how it impacts on the small caterer industry at large. Logically, the additional research also served to establish links or similarities with the BMR/RPP study among a selection of small catering establishments (see chapter 3).

#### **4.2 IN-DEPTH INTERVIEW DISCUSSIONS WITH CATRA**

This section presents an overview of the transcriptions of the interview conducted with CATRA. The interview provides a historic background to and the aims of CATRA and describes the problems faced by the catering industry in general. More specifically, the interview features CATRA's view of the UIF and provides some guidelines in terms of possible improvements in the UIF scheme. Exhibit 4.1 summarises the outcome of the CATRA interview.

**EXHIBIT 4.1****SUMMARY OF CATRA IN-DEPTH INTERVIEW****Background and aims of CATRA**

The Restaurant and Food Service Association of South Africa (CATRA) has been in existence since 1919. CATRA is a registered employers' organisation and is a party to the bargaining council in the catering sector. The bargaining council gives inputs to rules and regulations that regulate terms and conditions of employment within the industry. CATRA is a national employers' organisation and is active in all nine provinces with satellite offices.

The objectives of CATRA are to protect and promote the interests of its members and their employees, to provide services and benefits to the members and to foster harmonious relationships between members through the process of conciliation and dialogue.

CATRA's background is firmly rooted in the family-operated establishment, ranging from the small corner café/grocer to the formal upper market restaurant to the local take-away outlet and represents 10 000 small business operators in the food service sector. Almost all food franchises belong to CATRA.

**CATRA's views and recommendations regarding UIF**

CATRA cited the following specific issues on UIF:

- Franchises have to comply with franchise policies, which include employment policies such as UIF compliance. Franchisees have inspectors that ensure that franchises are fully compliant with these policies.
- Generally, independent restaurants comply with UIF requirements, possibly because employees are more aware of their rights. However, *the extent of compliance is an issue with these restaurants.*

The Department of Labour needs to educate employees, because in a smaller business there is reluctance from an employee to contribute 1% of his/her wage. The question from the employee is *'what do I get out of the 1%?'* And if he does need to claim, the UIF needs to improve their claim procedures. In other words, when people want to claim, it must not be as difficult as is currently the case. Furthermore, the DoL must improve their claim system by improving turnaround times. Pertaining specifically to maternity claimants, UIF must consider when would be a good time for women to claim UIF because it is difficult to claim while you are on maternity leave already:

*Apparently they need to go and pick it up themselves. And today they sit there for hours while waiting for it. When do they pick it up if they're sick? When do they apply? They've got to apply two months before, three months before, in order to get the money when they need it. So that's something that they need to look into.*

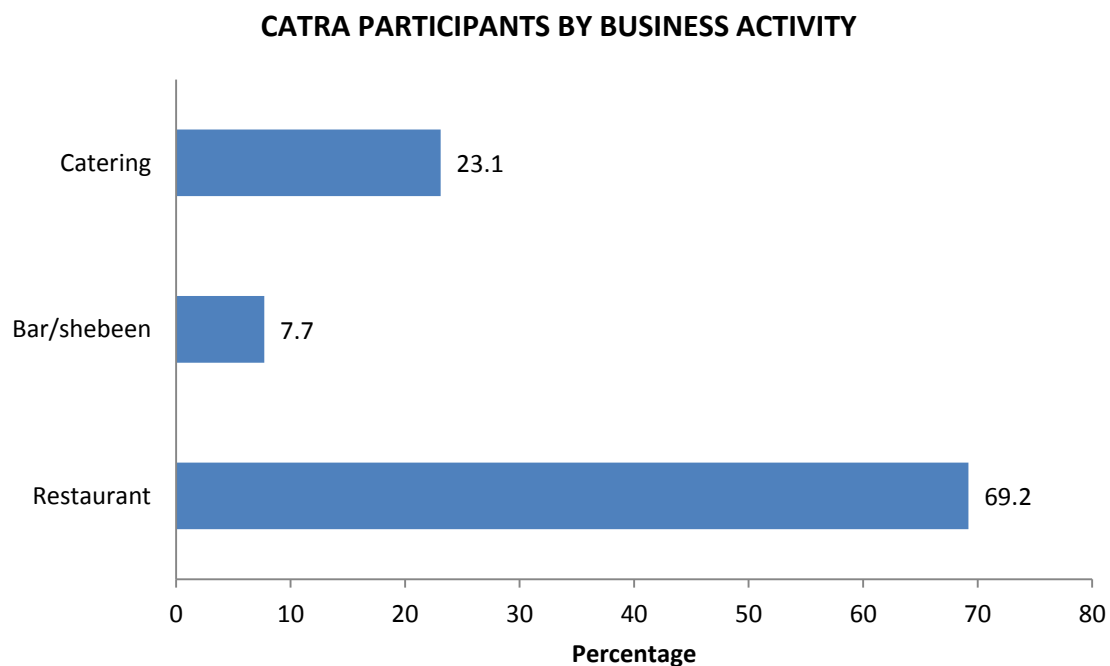
### 4.3 CATRA WEB-BASED SURVEY FINDINGS

As mentioned, CATRA recommended a supplementary survey among its members. The research outcomes of the self-completed Web-interviews are discussed in the subsections to follow. It should be noted that 50 catering establishments completed the Web-based questionnaire.

#### 4.3.1 Profiling CATRA participants

Figure 4.1 represents the distribution of CATRA participants by business activity. It should be noted that the distribution of the business activities presented in this study are not exhaustive of all CATRA members and as a result no generalisation of the research findings is possible.

**FIGURE 4.1**



As reflected in figure 4.1, over two thirds of CATRA members who participated in the survey operate in the restaurant business (69.2%). Approximately a quarter of

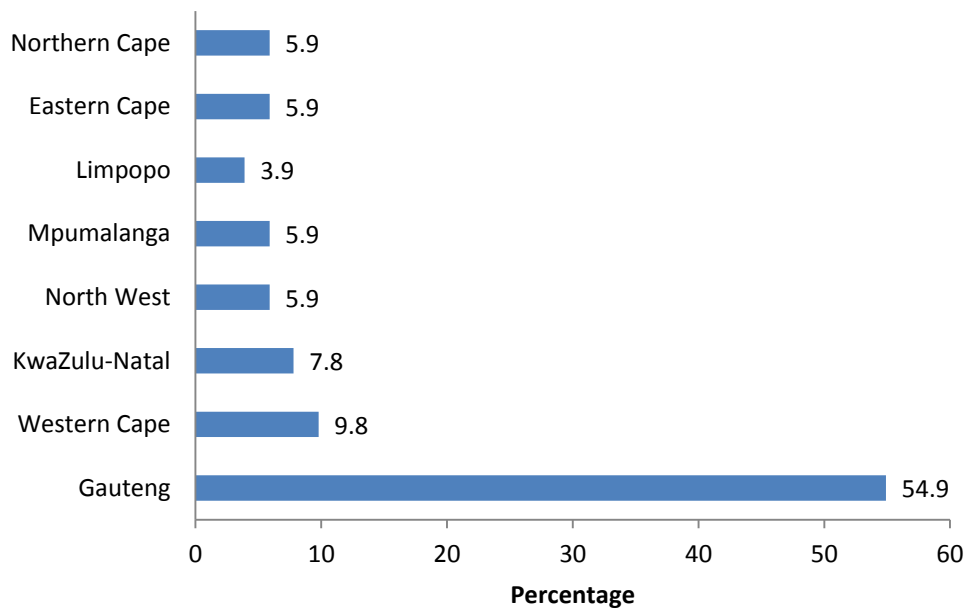
the businesses that participated in the study operate as caterers and less than 10% operate as bars/shebeens.

#### 4.3.2 Regional distribution of CATRA participants

CATRA participants were requested to indicate the region where their businesses are located. Figure 4.2 below displays the regional distribution of CATRA members who participated in the study.

**FIGURE 4.2**

#### **REGIONAL DISTRIBUTION OF CATRA PARTICIPANTS**



As reflected in figure 4.2, over half of the participants indicated that their businesses are located in Gauteng. Less than 10% of businesses indicated that they operate in the other regions with no members operating in the Free State.

### 4.3.3 UIF-related problems experienced by employers

The participants were requested to indicate UIF-related problems that they experienced within the industry. Thirteen UIF-related problems were assessed using a dichotomous (yes/no) response format. Table 4.1 below represents the distribution of UIF-related problems experienced by the employers according to business activity. It should be noted that the information displayed in table 4.1 only displays information for businesses that confirmed experiencing the specific problems listed in the table. For example, of the 51 small businesses who participated, 23 or 45.1% indicated that they have experienced a problem in identifying employees qualifying for UIF contribution.

As displayed in table 4.1, the top five UIF-related problems experienced by employers were:

- Ease of retrieving UIF information online (56.9%)
- Department of Labour's brochures and/or publications (51.0%)
- Ease of access to UIF forms at labour centres (46.0%)
- Identifying employees qualifying for UIF contribution (45.1%)
- Downloading time of the electronic forms (43.1%).

TABLE 4.1

## DISTRIBUTION OF UIF-RELATED PROBLEMS EXPERIENCED BY EMPLOYERS ACCORDING TO BUSINESS ACTIVITY

Problem	Restaurant		Bar/shebeen		Catering		Total	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>N</i>	%
Identifying employees qualifying for UIF contribution	15	41.7	1	25.0	7	63.6	23	45.1
Registration of employees for UIF	11	31.4	2	50.0	5	45.5	18	36.0
UIF declarations on the number of employees	9	25.7	2	50.0	3	27.3	14	28.0
Contribution payment to UIF	7	19.4	1	25.0	3	27.3	11	21.6
Ease of retrieving UIF information online	20	55.6	3	75.0	6	54.5	29	56.9
Accessibility of the Department of Labour (UIF) Website	15	41.7	2	50.0	3	27.3	20	39.2
Easy access to UIF forms at labour centres	14	40.0	3	75.0	6	54.5	23	46.0
Downloading time of the electronic forms	14	38.9	3	75.0	5	45.5	22	43.1
Effectiveness of online UIF payments	9	25.7	2	50.0	3	27.3	14	28.0
Ease of understanding the forms	9	25.7	2	50.0	5	45.5	16	32.0
Legibility of the forms	8	22.2	2	50.0	2	18.2	12	23.5
Duration of completing forms	11	31.4	2	50.0	5	45.5	18	36.0
Department of Labour's brochures/publications	17	47.2	3	75.0	6	54.5	26	51.0
Total number of respondents	36	100.0	4	100.0	11	100.0	51	100.0



#### 4.3.4 Perceived UIF-related problems experienced by employees

The participants were also requested to indicate the perceived UIF-related problems experienced by employees. Four possible UIF-related problems were assessed by the dichotomous (yes/no) response format used in the questionnaire. Table 4.2 below represents the distribution of the perceived UIF-related problems experienced by employees according to business activity.

**TABLE 4.2**

**PERCEIVED UIF-RELATED PROBLEMS EXPERIENCED BY EMPLOYEES  
ACCORDING TO BUSINESS ACTIVITY**

Problem	Restaurant		Bar/shebeen		Catering		Total	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Application for UIF claims takes too long	21	58.3	3	75.0	6	54.5	30	58.8
Time frame for approval of UIF applications	23	63.9	3	75.0	6	54.5	32	62.7
Queues at labour centres too long	25	69.4	3	75.0	9	81.8	37	72.5
Waiting period for UIF payouts	24	66.7	3	75.0	6	54.5	33	64.7
Total number of respondents	36	100.0	4	100.0	11	100.0	51	100.0

As displayed in table 4.2, four possible perceived UIF-related problems experienced by employees were assessed. Queues at labour centres perceived as too long tops the list followed by the waiting period for UIF payouts. Also, more than half the CATRA members who participated in the survey indicated that the time frame for approval of UIF applications and application for UIF claims takes too long.

#### 4.3.5 Employee categories qualifying for UIF contribution

CATRA participants were also requested to provide an opinion on which employee categories qualify for UIF contribution. In this regard, six types of employment categories were assessed by using a dichotomous (yes/no) response format approach. Table 4.3 represents the outcome of this research finding.

**TABLE 4.3**

#### **EMPLOYEE CATEGORIES QUALIFYING FOR UIF CONTRIBUTION BY BUSINESS ACTIVITY**

Employee category	Restaurant		Bar/shebeen		Catering		Total	
	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Full-time employees	35	100.0	4	100.0	11	100.0	50	100.0
Part-time employees	22	62.9	1	25.0	7	63.6	30	60.0
Independent contractors	12	33.3	1	25.0	5	45.5	18	35.3
Casual workers	13	37.1	1	25.0	4	36.4	18	36.0
Employees with work permits	27	75.0	2	50.0	8	72.7	37	72.5
Employees without work permits	4	11.1	0	0.0	2	18.2	6	11.8

As is evident from table 4.3, catering businesses would rather consider paying UIF for employees working on a full-time basis. Employers are reluctant to contribute for independent and casual workers and employees without work permits.

#### 4.3.6 Participants' suggested UIF contribution

CATRA participants were also requested to suggest the percentage of employees' remuneration that they must contribute to UIF as well as the ideal percentage employees must contribute to the UIF. Tables 4.4(a) and 4.4 (b) display the suggested percentages by business activity.

TABLE 4.4 (a)

## DISTRIBUTION OF SUGGESTED UIF CONTRIBUTION ACCORDING TO BUSINESS ACTIVITY

Employer/ employee	Suggested contribution (%)	Restaurant		Bar/shebeen		Catering		Total	
		<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Employers	0.0	4	11.8	0	.0	1	11.1	5	10.6
	0.5	6	17.6	0	.0	0	.0	6	12.8
	1.0	16	47.1	2	50.0	4	44.4	22	46.8
	1.5	3	8.8	0	.0	0	.0	3	6.4
	2.0	1	2.9	0	.0	2	22.2	3	6.4
	2.5	0	.0	2	50.0	0	.0	2	4.3
	3.0	4	11.8	0	.0	0	.0	4	8.5
	5.0	0	.0	0	.0	2	22.2	2	4.3
		<b>34</b>	<b>100</b>	<b>4</b>	<b>100</b>	<b>9</b>	<b>100</b>	<b>47</b>	<b>100</b>
Employees	0.0	0	.0	0	.0	0	.0	0	.0
	0.5	4	11.8	0	.0	0	.0	4	8.3
	1.0	20	58.8	2	50.0	4	40.0	26	54.2
	1.5	4	11.8	0	.0	0	.0	4	8.3
	2.0	4	11.8	0	.0	5	50.0	9	18.8
	2.5	0	.0	1	25.0	0	.0	1	2.1
	3.0	2	5.9	0	.0	0	.0	2	4.2
	5.0	0	.0	1	25.0	1	10.0	2	4.2
		<b>34</b>	<b>100</b>	<b>4</b>	<b>100</b>	<b>10</b>	<b>100</b>	<b>48</b>	<b>100</b>

TABLE 4.4 (b)

## MEAN DISTRIBUTION OF UIF CONTRIBUTION ACCORDING TO BUSINESS ACTIVITY

Employer/ employee	Suggested contribution (%)											
	Restaurant			Bar/shebeen			Catering			Total		
	Mean	Minimum	Maximum	Mean	Minimum	Maximum	Mean	Minimum	Maximum	Mean	Minimum	Maximum
Employers	1.10	.00	3.00	1.75	1.00	2.50	2.00	.00	5.00	1.33	.00	5.00
Employees	1.24	.50	3.00	2.38	1.00	5.00	1.90	1.00	5.00	1.47	.50	5.00

It is clear from table 4.4 (a) that over 40% of the participants across the three business activities are willing to contribute 1.0% of an employee's remuneration to UIF. In turn, employees should ideally contribute 1.0% of their remuneration to UIF. This finding supports current practice and correlates closely with the proposed average percentage contribution displayed in table 4.4(b). However, almost 20% of the participants indicated that employees should contribute 2.0% of their remuneration.

#### 4.3.7 **General opinions regarding UIF**

CATRA participants were also requested to indicate their general opinion regarding the UIF scheme. Four opinion statements were assessed on a response continuum ranging from disagreeing to agreeing with a specific statement. Table 4.5 below presents the outcome of these findings by business activity.

As reflected in table 4.5, more than two thirds of the participants agreed that businesses contribute towards UIF because they feel it is their social duty (68.6%) and workers benefit from UIF at a time of need (64.7%). In turn, participants largely disagree that workers in the catering sector are well informed about UIF (64.7%) and that UIF contributions are managed well (60.8%).

TABLE 4.5

## DISTRIBUTION OF PARTICIPANTS' OPINIONS REGARDING UIF BY BUSINESS ACTIVITY

Statements		Restaurant		Bar/shebeen		Catering		Total	
		<i>n</i>	%	<i>n</i>	%	<i>n</i>	%	<i>n</i>	%
Workers in the catering sector are well informed about UIF	Agree	11	30.6	2	50.0	5	45.5	18	35.3
	Disagree	25	69.4	2	50.0	6	54.5	33	64.7
Businesses contribute towards UIF because they feel it is their social duty	Agree	27	75.0	1	25.0	7	63.6	35	68.6
	Disagree	9	25.0	3	75.0	4	36.4	16	31.4
UIF is managing the money contributed well	Agree	13	36.1	1	25.0	6	54.5	20	39.2
	Disagree	23	63.9	3	75.0	5	45.5	31	60.8
Workers benefit from UIF at a time of need	Agree	23	63.9	2	50.0	8	72.7	33	64.7
	Disagree	13	36.1	2	50.0	3	27.3	18	35.3

#### 4.3.8 **Suggestions on how DoL can encourage UIF participation**

Participating respondents were also requested to indicate how the DoL can encourage businesses to contribute to UIF. Almost a third (30.8%) of the participants suggested the following:

- Differentiate UIF contribution by business size class. Smaller businesses should pay less than bigger businesses.
- Simplify UIF process and make it more user-friendly.
- Explain/communicate UIF benefits to qualifying individuals and businesses.
- Increase incentives for businesses that contribute to UIF.
- Streamline UIF process (ie UIF claims and declarations) similar to SARS eFiling (online) system.
- Publicly inform on how UIF contributions are spent and improve financial legitimacy and transparency.
- Improve service delivery standards at labour centres and eliminate corrupt practices.
- Distribute newsletters on UIF developments and amendments to continuously inform employers and employer associations.

#### 4.3.9 **Final comments regarding UIF**

Finally, participating CATRA members were offered a final opportunity to voice their opinions on any aspects related to UIF not covered in the study. In this regard, 17.3% of the participants cited the following outstanding aspects to be noted by the DoL:

- UIF only provides short-term benefits and the lead-time for seeking new employment should be extended.
- The UIF should recruit, appoint and train field managers to visit businesses and educate them on the UIF.
- Extend UIF to include foreign nationals.
- Improve call centre services at labour centres with specific emphasis on telephonic communication skills of operators.

#### 4.4 CONCLUSION

The results discussed in this chapter feature the outcome of the empirical research study conducted among 50 CATRA members who participated in the Web-based survey. It should be noted that this supplementary study aimed to establish the views and perceptions of CATRA members with regard to the issues surrounding the UIF scheme. As cautioned, generalisation of the survey findings should be avoided.

It is encouraging to note that the findings from the CATRA study resonate many of the findings emerging from the BMR/RPP study among a selection of small catering businesses (see chapter 3). In this regard, there seems to be consensus that employers and employees are not well informed about the UIF scheme. There is considerable doubt regarding financial transparency in managing of the UIF. Also, catering businesses are unanimous in their view that queues at the labour centres are too long and the waiting period for UIF payouts and the approval of UIF applications and claims take too long. Another concern raised by most CATRA members in particular is the difficulty experienced in retrieving UIF information online. It was also evident that catering businesses are more willing to pay UIF for employees working on a full-time basis than for employees in other categories.

Although confirmation was sought on the equal contribution of employers and employees (1% each), catering business suggested differentiations by business size. It was suggested that bigger businesses need to contribute a higher percentage than small businesses. Further suggestions were to simplify and streamline the UIF process (ie UIF claims and declarations) and to increase education and communication efforts regarding UIF.

## CHAPTER 5

### SUMMARY, RECOMMENDATIONS AND CONCLUSION

#### 5.1 INTRODUCTION

The chapter presents the research summary, recommendations and conclusions for the UIF noncompliance study within the small business catering sector of South Africa. The purpose of this chapter is to summarise the findings emerging from the secondary, exploratory and primary research conducted among a selection of small businesses operating in the catering sector of South Africa.

#### 5.2 SUMMARY, RECOMMENDATIONS AND CONCLUSION

This study features the outcome of the research conducted among a selection of catering businesses operating across the nine provinces in South Africa. It is important to note that this study aimed to capture the views, perceptions and behaviour of catering businesses regarding UIF compliance/noncompliance, the findings of which should not be generalised. Overall, the study provided valuable in-depth insights on perceptions regarding UIF and how participation in the scheme could most likely be improved.

It was evident from the discussions in chapter 3 that as long as no inclusive guarantee could be provided that all small businesses and employees contribute to UIF, small catering businesses will remain sceptical about participating in the UIF. It is not only important to ensure that all businesses participate in the scheme to benefit employees, but also important that all workers, including foreigners, contribute. However, as long as workers are unproductive and remain reluctant to work required hours, small catering businesses will find it very difficult to participate in the UIF scheme. In many cases small catering businesses indicated that participation in the UIF scheme places and will place an extra burden on their operations while many businesses are already challenged by financial hardship and high levels of competition. In many instances small catering businesses regard the payment of company tax and employment of people as a sufficient indication by



small business that they cooperate with government and contribute to government income.

One pertinent prerequisite that small catering businesses cited as possible motivator to improve participation, is to be more informed and educated about UIF. This also displays the need of especially small businesses to engage at a personal level with the DoL regarding UIF. Whether small businesses regard this as an easy excuse for not currently participating in the UIF scheme or are actually requesting opportunities to directly engage with government officials is uncertain. What is evident from the study is that as long as small catering businesses struggle to survive financially and as long as 'unemployed' and 'foreign workers' are available to fill-in for contract and seasonal work, small catering businesses will remain reluctant to fully cooperate. Further requirements for participation in the UIF are transparency regarding UIF payments and improved service delivery with specific reference to the speed of processing payments. Once government has proved to serve the small business operations of caterers and ensures inclusive participation in the UIF scheme, the current status of nonparticipation will probably remain. Nonetheless, small catering businesses seemed fairly convinced that should government use a more 'threatening' approach to force small businesses to contribute, it might just result in the desired increased participation in the UIF scheme. However, such approach could damage the good intentions of government to support the development of small businesses. It is possible that business emotions towards employees and how UIF contributions could benefit them in a sector where the risk of business closure and job losses is far greater when compared to more established businesses, could ensure improved future participation. It is also important to note that emotional commitment towards doing the 'right thing' to the benefit of employees displays good intentions of small businesses to extend their socially responsible role within the broader society. Against this background the DoL should consider structuring its UIF 'direct contact' education programmes to emphasise worker and societal benefits in particular. It is also recommended that community organisations and trade unions be included in this process. Establishing a 'good' or 'positive' feeling among small business when participating in the UIF scheme, may just reverse the UIF

noncompliance practices evident in the small business catering sector of South Africa.

It is also important to note that the findings from the CATRA study (chapter 4) resonate many of the findings emerging from the BMR/RPP study among a selection of small catering businesses (see chapter 3). In this regard there seems to be consensus that employers and employees are not well informed about the UIF scheme. There is considerable doubt regarding financial transparency in managing the UIF. Also, catering businesses are unanimous in their view that queues at the labour centres are too long and the waiting period for UIF payouts and the approval of UIF applications and claims take too long. Another concern raised by most CATRA members in particular is the difficulty experienced in retrieving UIF information online. It was also evident from the discussion that catering businesses are more willing to pay UIF for employees working on a full-time basis than other types of employees. Although confirmation was sought on the equal contribution of employers and employees (1% each), catering businesses suggested differentiations by business size. It was suggested that bigger businesses need to contribute a higher percentage than small businesses. Further suggestions made were to simplify and streamline the UIF process (ie UIF claims and declarations) and to increase education and communication efforts regarding UIF.

It is finally recommended that the findings of the study be distributed as widely as possible within the DoL and that a strategy be developed to address noncompliance behaviour in the catering sector. The above summary of the findings of the study presents some illuminating suggestions to improve compliance practices and awareness of the UIF scheme. Once a corrective action plan is developed it is also recommended that the DoL consult with business, community structures and trade unions to allow for a much broader consultation process.

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