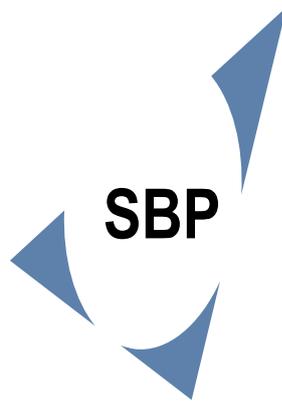


# THE IMPACT OF CRIME ON SMALL BUSINESSES IN SOUTH AFRICA

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A study commissioned by the  
South African Presidency



July 2008

SBP's survey of the impact of crime on small businesses was undertaken under the auspices of The Presidency. The survey was funded by USAID-South Africa under the SEGA II programme. The Friedrich-Naumann-Stiftung provided financial support for the publication of this report.



Friedrich Naumann  
STIFTUNG **FÜR DIE FREIHEIT**

SBP's research team managed the project, undertook the data analysis and compiled the report. Kerri McDonald, research manager at SBP, is the principal author. Additional expert input was provided by Professor Lawrence Schlemmer and Dr Neil Rankin. MarkData (Pty) Ltd undertook the survey fieldwork.

SBP is an independent not-for-profit private sector development and research company, promoting strategic partnerships and a better policy, regulatory and operational environment for business growth in Africa. Our work combines research, advocacy, and practical business development programmes. Our projects are supported by the private sector and a variety of development agencies. SBP (originally the Small Business Project) is registered in South Africa as a Section 21 company.

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## FOREWORD

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THE PROMOTION of entrepreneurship and small business is an important priority of the government of South Africa. The Small Business White Paper (1995), the Small Business Act (1996), and the Integrated Strategy on the Promotion of Entrepreneurship and Small Business provide a framework for role-players that seek to make a contribution in assisting the entry of new players into the formal economy, strengthening growth and sustainability of existing enterprises and creating necessary linkages in the continuum of enterprises so that some start-ups may graduate from local micro to globally competitive businesses.

Our commitment is to ensure that small businesses progressively increase their contribution towards growth and performance of the South African economy. The small business sector has the potential to bring millions of people out of poverty into the mainstream economy. The crucial indicator for the success of SMME sector is the continued creation of new start-up firms by all segments of society and in all corners of our country resulting in the improvement of economic and social well being of the poor communities. These start-ups must then cross the threshold to sustainability and develop the capacity to create decent jobs. However, crime is a constraint to doing business in South Africa which affects small businesses quite severely.

The international panel of economists that reported to government on growth and employment creation identified crime as a factor that seemed to disadvantage small businesses in South Africa. That project was not, however, able to follow up this observation with a scientific survey.

Although levels of crime have been gradually going down, the scourge of crime remains a real challenge. Over 2 million crimes were reported to the police in the financial year of 2007/08 in South Africa. Of these, 52 percent were theft, commercial crime and property crime; 24 percent interpersonal violence; 9 percent robberies; 8 percent firearms and alcohol and drug; and 7 percent damage to property and arson. Analysis of 2007/08 crime statistics shows an increase in crime victimisation of businesses – burglary of business premises increased by 8 percent, commercial crimes by 6 percent, and shoplifting by 2 percent. Even more worrying is a 14 percent increase of robberies in residential premises.

Crime statistics provide valuable information on volume of crime and are often used by the police in operational planning. However police crime statistics do not provide sufficient information on public perceptions of crime, fear of crime, public attitudes to criminal justice system as well private security measures. Victim sur-

## **FOREWORD**

veys are used to complement police statistics in formulating a holistic picture of crime. It is through the surveys that we can measure the physical and psychological impact of crime and private spending on security. Understanding the small business response to crime is important for developing crime prevention policy as well as small business and police partnerships.

In the pursuit of a more equitable, crime-free and prosperous South Africa, the Policy Co-ordination and Advisory Services (PCAS) unit in the Presidency requested SBP to provide a better understanding of the extent to which crime impacts on small enterprises, and more particularly on emerging black-owned businesses. Our objective was to get quantifiable assessment of the direct and indirect costs of crime for these businesses.

The survey covered all types of very small business, but focused on black-owned small and emerging businesses, and has provided useful new information about the types and severity of crimes experienced by small businesses, costs to businesses as well their sustainability. The results of the study will inform practical and workable policy recommendations that will assist towards the fight against crime in the country.

We understand that crime is not a sole concern of the state and effective crime prevention measures do not solely rest on state agencies and programmes. Citizen participation in crime prevention is indispensable and tends to yield better results than when state agencies are acting on their own. Acknowledging that there is much to be done to improve law enforcement and protection of the business sector, government will continue to lead and encourage efforts to increase the level of small business creation. This undoubtedly entails intensifying the fight against crime. We call upon all stakeholders and role players to focus their efforts in respect of this challenge.

**Alan Hirsch**

Deputy Head: Policy Coordination and Advisory Services

The Presidency

July 2008

# MAIN REPORT

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# 1 INTRODUCTION

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THERE IS broad agreement that the high levels of crime – and violent crime in particular – significantly constrain businesses in South Africa. However, very little has been known about:

- how likely small and emerging business are to be victims of crime
- the types of crime they experience most frequently
- the ways in which crime constrains small business growth and development, and
- how much crime actually costs small businesses both in money and in resources.

This report provides the first evidence-based answers to these questions. The survey covered 446 small and emerging businesses, almost all owned by historically disadvantaged black Africans, in Cape Town, Durban and Johannesburg. The survey focused on businesses operating in industrial sectors with the potential to contribute to economic growth and to support job creation. The sample largely excluded subsistence-level activities. It covered businesses located in inner city areas, large townships and informal settlements, and densely developed suburban areas such as shopping centres and business parks, and provides robust evidence about the experiences and perceptions of small business owners in a variety of settings in and around the three major metropolitan areas, with their different local economies and urban cultures.

Crime rates in South Africa – and particularly rates of violent crime - are high by international standards. The World Bank's *Investment Climate Report: South Africa* (2005) rated crime as one of the four major constraints on enterprise operation and growth. About 30 percent of enterprises of all sizes surveyed for the World Bank study said crime was a major or very serious problem, and enterprises of all types were likely to rate crime among the top four constraints to doing business. The report noted that while firm productivity was relatively high and the investment climate mostly favourable, private investment was relatively low, partly as a consequence of the high cost of crime.<sup>1</sup>

These findings were echoed in the January 2007 Grant Thornton International Business Report (IBR), which reported that while expectations for growth in key areas such as turnover, profitability and employment were higher than in previous years, overall optimism amongst South African privately held businesses was considerably lower, as a result of mainly non-business factors including increased crime.<sup>2</sup>

It seems likely that crime also has a deterrent effect on new business entrants. The South Africa victim's survey found that over a quarter of those interviewed said that they would not start their own business because they feared violent crime.<sup>3</sup>

Christopher Stone, in a paper based on his work on AsgiSA, observes that: 'While there is broad agreement that high levels of violent crime constrain growth, there is very little known about how it does so and by how much... The South African government itself routinely lists the high level of crime, particularly violent crime, as an impediment to growth. Yet the evidence is much weaker about specifically how crime constrains growth. On this question, there are many hypotheses and few certainties.'<sup>4</sup>

To date, studies assessing the impact of crime on business have tended to focus on the large corporate sector. The specific problems of the small and emerging sectors of business have been less intensively considered. International studies have found that while small and micro firms are less likely to be targeted by criminals than larger firms, when they are victimized, their costs are proportionately much higher.<sup>5</sup> Big businesses can provide a relatively robust assessment of the costs of crime based on insurance data. In contrast, the proportion of small businesses with insurance against criminal acts is relatively low. Evidence from international research also suggests that SMEs are very likely to under-report crimes to the police.

Given the importance of small business as a driver of economic growth and job creation, particularly in developing countries, the extent to which crime deters the formation and sustainability of small enterprises needs to be clearly understood. It is also important to understand the links between a more vibrant small enterprise sector and reduced crime. To quote Martin Feinstein writing in *Business Report*: "A society where entrepreneurs are highly valued and supported, where small businesses flourish and where young people can put their energies into starting businesses because they see it as a viable and feasible option, will be a society where more people see options other than crime."<sup>6</sup>

In 2007 the Policy Co-ordination and Advisory Services (PCAS) unit in the Presidency requested SBP to undertake research that would provide a better understanding of the extent to which crime impacts on small enterprises, and more particularly on emerging black-owned businesses. An objective, quantifiable assessment of the actual and efficiency costs of crime for small businesses was a key requirement. The study was funded by USAID under the SEGA II programme.

The research was undertaken between May and October 2007, and involved close consultation with key stakeholders throughout the project. A reference group was established, comprising representatives of The Presidency, the South African Police Service, the National Secretariat for Safety and Security, the National Prose-

cuting Authority, National Treasury and the Department of Trade and Industry. Its valuable input was complemented by advice from a team of issue experts in the fields of crime research, community safety and business action against crime, who brought their considerable experience to bear at critical stages during the project, from survey design and to the report writing stage.

Key findings from the draft project report were presented to a broad range of stakeholders in a series of regional workshops in the three cities surveyed. These workshops enabled representatives of business, local government and the SAPS to comment on the findings and, crucially, to contribute to formulation of recommendations, as contained in section 11 of the report.

## **2 THE SURVEY**

---

THE SCOPE OF the research was limited to small, micro and informal/emerging businesses run by black South Africans.<sup>7</sup> For the purposes of the study, small businesses were defined as enterprises with between 5 and 50 employees; micro-business as enterprises with fewer than five employees; and informal businesses as enterprises not registered as companies or for VAT. The survey was specifically interested in businesses with the potential to contribute to economic growth and support job creation, and therefore largely excluded subsistence-level activities.

SBP contracted MarkData (Pty) Ltd to undertake surveys of small and emerging businesses in areas of high business density in three major urban centres: Durban, Cape Town and Johannesburg. Fieldwork took place between 20 June and 20 August 2007. Over 100 separate locations were covered, and detailed results were gathered from a total of 446 enterprises.

Interviews took place face to face with SME owners at the place of business. The interviews were conducted in the respondents' choice of language and answers recorded in English. Completed questionnaires were quality checked by the fieldwork supervisor.

### **2.1 Location of businesses**

The survey targeted three types of locations in each city:

- Inner city areas of high business density
- Large urban townships and adjacent informal settlements; and
- High density business locations in suburban locations, such as shopping centres and office and industrial parks.

The survey design included several sites within each category, to enable comparison of localities experiencing high, medium and low levels of crime.

Sampling involved the selection of random starting points from street maps in areas of business concentration, classified according to the three location categories defined above. Respondents were to be selected at roughly predetermined intervals.

In order to qualify for selection, businesses:

- had to comply with the project definition of small or emerging businesses
- could operate in either the formal or informal sectors

- had to operate in one of four industrial sectors: Retail, personal or professional services, small manufacturing and construction.

<b>Table 1: The sample by location type and city</b>	
<b>Location type</b>	<b>No. of businesses</b>
<i>Inner city</i> areas of high business density – businesses mostly based in shopping centres and office blocks. This category includes informal traders (14% of category total)	110
<i>Large urban townships</i> and adjacent informal settlements. About a third of businesses in this category operated from their own homes, and slightly over a third from office blocks and shopping centres. Just over 20% were informal traders.	133
<i>High density</i> business areas in suburban locations, such as shopping centres, business strips and office parks. This category includes a small portion of informal traders (10% of category total) operating in areas of high business density, and a small number of business located in industrial parks	203
<b>Johannesburg</b>	
Johannesburg Inner City	37
Townships/informal settlements: Soweto, Dobsonville, Kagiso, Alexandra, Daveyton, Kathlehong, Tembisa	50
High density suburban	71
<b>Total Johannesburg</b>	<b>158</b>
<b>Cape Town</b>	
Cape Town Inner City	35
Townships/informal settlements: Khayelitsha, Langa, Nyanga, Gugulethu, Woodstock, Bishop Lavis, Mitchel's Plein, Parow (Industrial), Ottery, Crossroads, Grassy Park, Kuils Rivier	40
High density suburban	66
<b>Total Cape Town</b>	<b>141</b>
<b>Durban</b>	
Durban Inner City	38
Townships/informal settlements: KwaMashu, Umlazi, Inanda, Chatsworth, Umbilo, Clermont	43
High density suburban	66
<b>Total Durban</b>	<b>147</b>
<b>Main Sample Total</b>	<b>446</b>

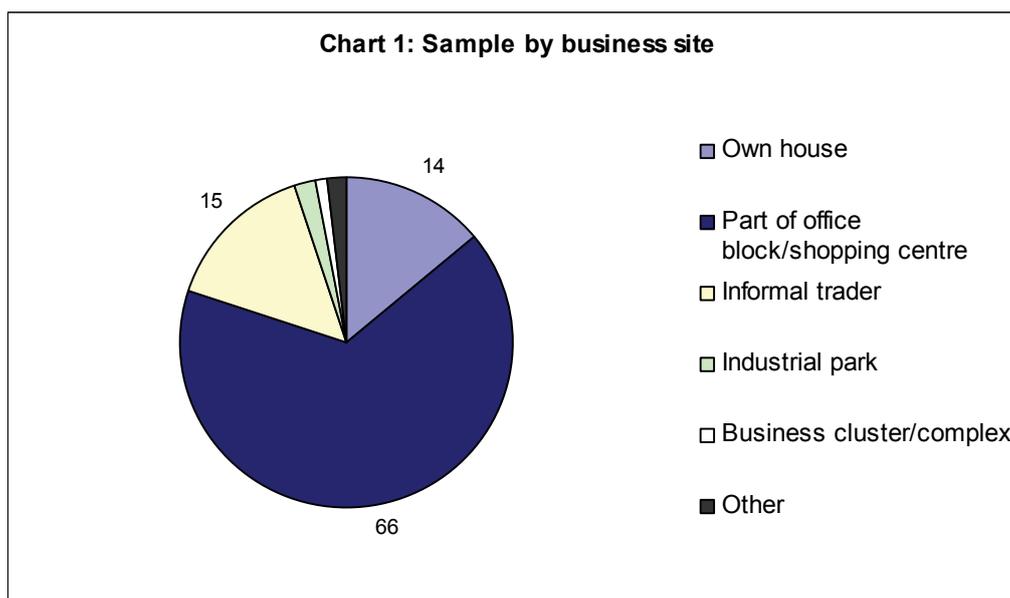
Once sampling began, it was found that only a relatively small number of businesses complied with the project definition of emerging businesses. The intention to sample at intervals thus largely fell away, and all or most businesses that com-

plied with the definition were included. As a result, the samples in most cases comprised ‘clusters,’ the broad locations of which were randomly distributed.

It is important to stress that experience of crime was *not* used as a filtering criterion.

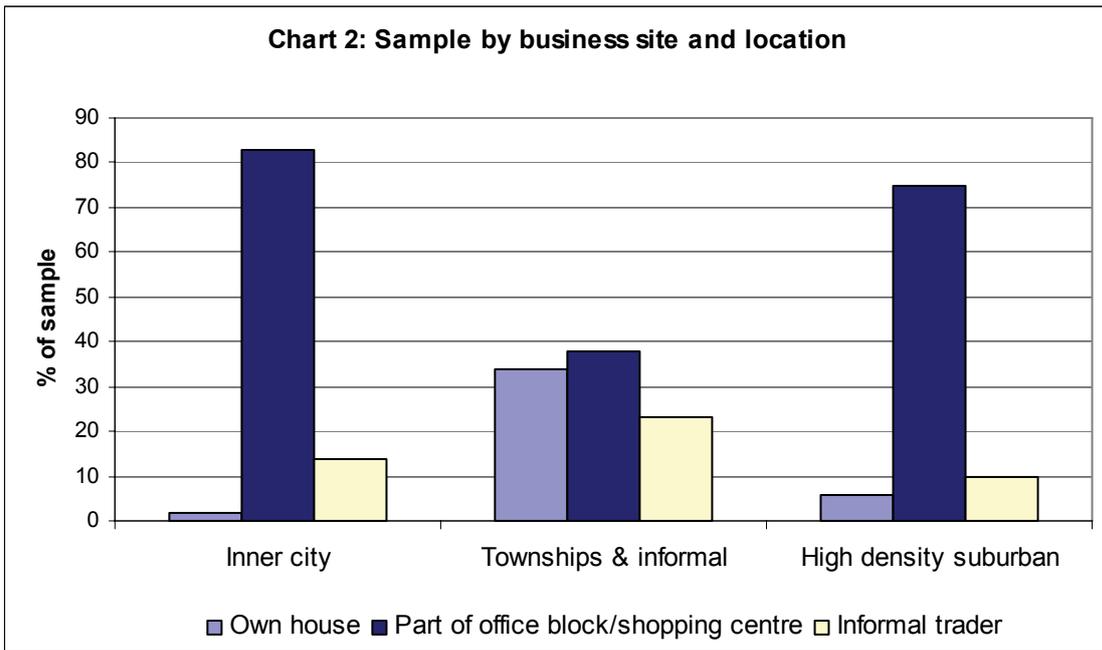
### 2.1.1 Site of operations

The majority of businesses included in the sample were located in an office block or shopping centre. The remainder of the sample was comprised of informal traders, businesses operating from home, and small numbers of businesses in industrial parks, factories or free standing road-side structures. The majority of informal traders were retailers of convenience items, sweets and groceries, and clothing. A small number of personal services providers were also included in this sub-category. Over half the informal traders operated in townships and informal settlements, while just under a third worked in densely developed suburban areas, around shopping malls and office parks.



Sample size: 446 businesses

Variations in site of operations by location are illustrated in Chart 2.



Sample size: 446 businesses

## 2.2 Sub-sectors

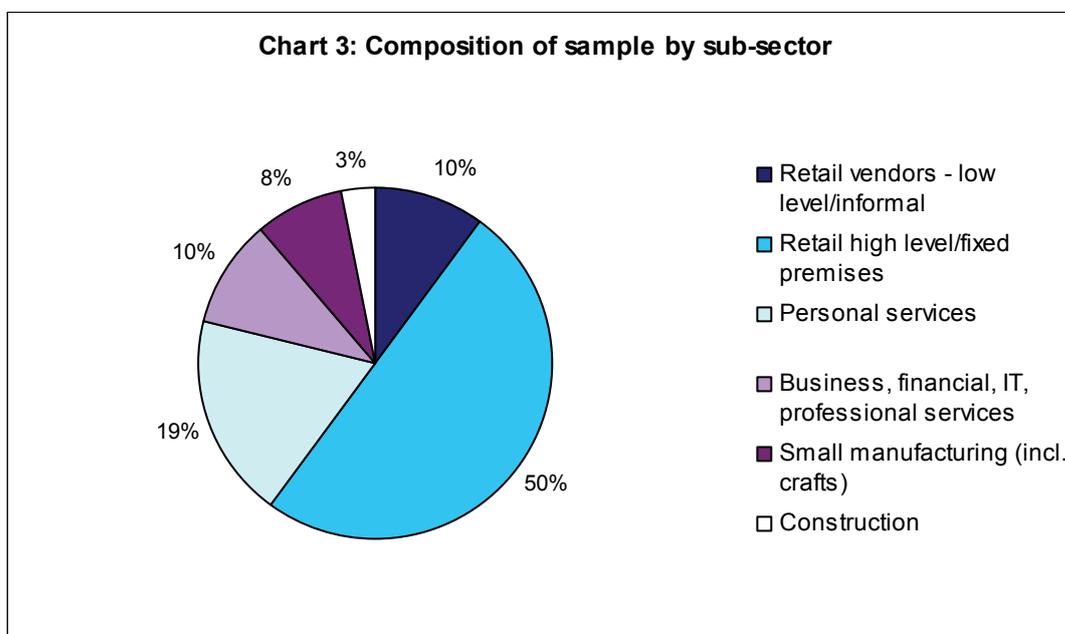
Businesses included in the survey were drawn from a limited number of sectors, to enable robust comparative analysis. Sectors were selected and weighted with reference to recent Finscope research, which identified retail, services, construction, manufacturing, transport and professionals as key industry categories.<sup>8</sup>

The sub-sectors were relatively evenly represented across types of location. High value and fixed premises retail businesses were concentrated in inner city and high density suburban areas, with slightly lower numbers in townships. Low level and informal sector retail vendors were concentrated in townships and informal settlements. The majority of personal and professional service providers were located in the inner city, as demonstrated in Chart 4.

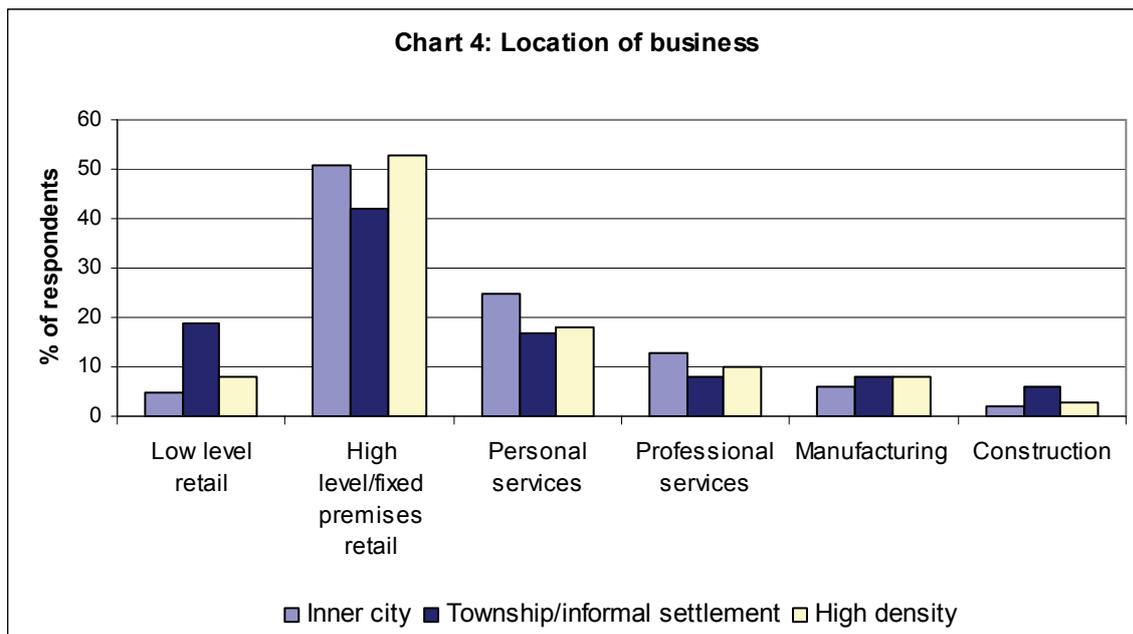
THE IMPACT OF CRIME ON SMALL BUSINESSES

<b>Sub-sector</b>	<b>Description</b>	<b>Businesses</b>
Retail: Lower level vendors (informal traders and vendors operating from own homes or in shopping centres/office blocks)	Computers, mobile phones, other electronic goods; clothing and accessories; groceries and convenience items; other retail businesses	46
Retail: Fixed premises and high level vendors (located mainly in shopping centres/office blocks)	Heavy goods e.g. furniture, fridges, cars; specialised equipment; computers, mobile phones, other electronic goods; clothing and accessories; convenience and grocery stores; other retail businesses	221
Personal services (operating mainly from shopping centres/office blocks, but incl. one quarter informal traders)	Non-tangible products, such as hairdressers; and businesses operating with high value equipment such as computers and printers	86
Professional services (operating mainly from shopping centres/office blocks)	Business and financial services, IT support, medical services such as doctors, optometrists and dentists	44
Small manufacturing (operating mainly from industrial parks, own home, and some informal traders)	High value low bulk goods; low value goods; heavy or bulky goods; repairs; crafts	34
Construction (operating mainly from own home, industrial parks, and some informal traders)	2 firms with large payrolls, 11 enterprises with few employees	15
<b>Total</b>		<b>446</b>

Sample size: 446 businesses



THE IMPACT OF CRIME ON SMALL BUSINESSES



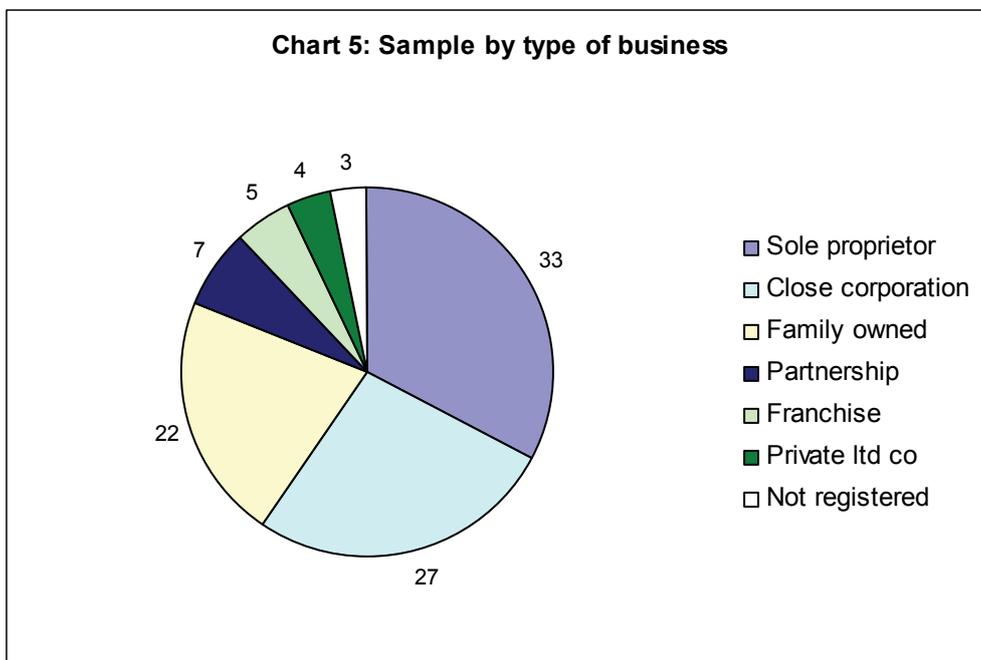
Sample size: 446 businesses

Sub-sector	Location/type	% of sub-sector
High level and fixed premises retail	Shopping centres or office blocks	87
	Work from home	6
	Informal trader	4
	Industrial park	3
Lower level retail	Informal traders	65
	Vendors operating from their own homes or in shopping centres	35
Personal services	Shopping centres or office blocks	55
	Informal traders	24
	Work from home	17
	Industrial park	4
Professional services	Shopping centres or office blocks	73
	Work from home	18
	Informal trader	5
	Industrial park	4
Manufacturing	Shopping centres or industrial parks	52
	Work from home	29
	Informal traders	20
Construction	Work from home	47
	Shopping centres or industrial parks	33
	Informal traders	20

### 2.3 Types of business

The majority of businesses included in the sample were sole proprietors, close corporations and family owned businesses. Partnerships and franchises comprised a small proportion, as did private limited companies. A very small percentage of businesses described themselves as not registered in any way.

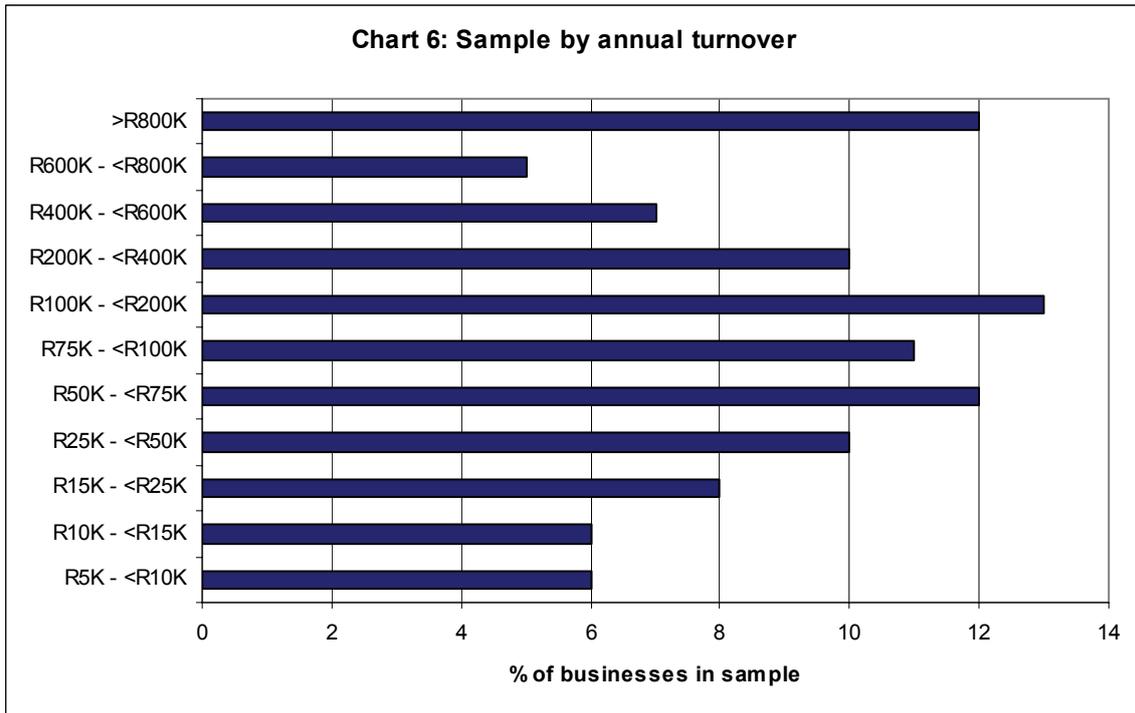
Business included in the sample had been in operation, on average, for just under eight years. This average was fairly stable across location types. Small manufacturing and construction businesses appeared to be slightly more established, averaging nine and a half years, while retail vendors averaged just over six years in operation.



Sample size: 446 businesses

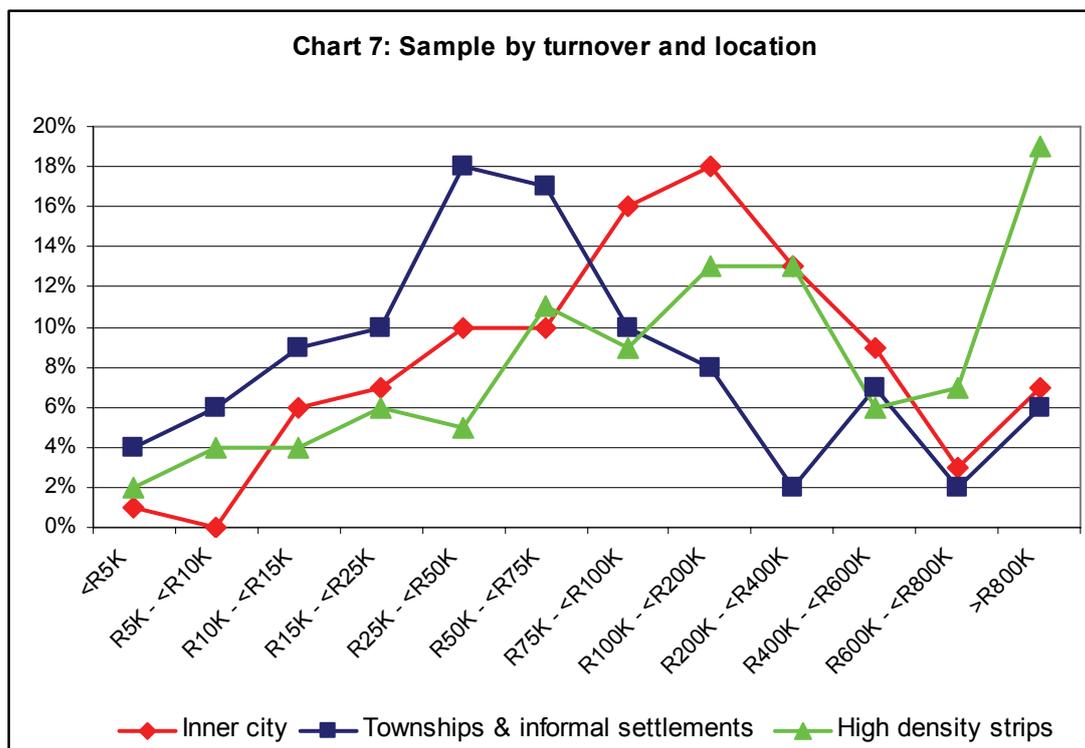
### 2.4 Business size

Businesses included in the survey represented a broad range of turnover categories, with the majority clustered between R25 000 and R400 000 per annum, and a significant proportion above R800 000, as illustrated in Chart 6. A small proportion of firms represented in the over R800 000 band reported turnover of up to R3 million per annum.



Sample size: 424 (22 firms declined to provide turnover information)

Turnover was very variable by location. High-grossing businesses were concentrated in areas of high density such as shopping centres. Inner city businesses were broadly distributed across turnover bands, with some concentration between R75 000 and R400 000. Businesses located in townships and informal areas tended to turn over less, with particularly high representation in the R25 000 to R75 000 bracket. These variations are shown in Chart 7.



Sample size: 424 businesses

Each sub-sector included a range of firm sizes, as can be seen in Table 4. Enterprises in the low level vendor and informal sector retail category were concentrated in the below R50 000 turnover band – although just under a third reported earnings of over R400 000 per year. High level vendor and fixed premises retail businesses tended to be larger, concentrated between R50 000 and R400 000 per annum, with a substantial number earning above R800 000 a year. The personal and professional service providers and manufacturing and construction businesses in the sample were widely spaced across the turnover bands, from relatively small businesses earning R5 000 a year, to businesses earning over R1 million per annum.

<b>Table 4: Sample by sub-sector and turnover bands</b>						
	Low level retail	High level retail	Personal services	Prof. services	Manufacture	Construction
Percentage of respondents						
<R25K	54	7	33	16	19	14
R25K - <R50K	15	8	14	9	13	7
R50K - <R75K	2	13	11	19	19	
R75K - <R100K	7	13	7	11	10	7
R100K - <R400K	7	27	22	25	16	20
R400K - <R600K	8	8	1	9	10	13
R600K - <R800K	2	7	2		3	13
>R800K	4	15	10	8	10	27

## 2.5 Number of employees

Eighty three percent of the businesses included in the survey employed more than one person. The likelihood of businesses employing staff other than the business owner was lowest for businesses located in townships and informal settlements, but even here 70 percent of businesses employed at least one person other than the owner. On average the businesses surveyed employed about 6 staff.

By sub-sector, 93 percent of construction businesses and 91 percent of high level and fixed retail businesses employed staff. The figures for manufacturing, personal services and professional services were 79 percent, 78 percent and 70 percent, respectively. Enterprises in the low level retail vendor category were less likely to employ staff, although 65 percent did so.

## 2.6 Gender

The sample was fairly evenly split between businesses owned by men and businesses owned by women. Male-owned businesses constituted 53 percent of the sample, and female-owned businesses 47 percent.

### **3 PERCEPTIONS OF CRIME**

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SMALL BUSINESS owners are very worried about crime. They worry about its effects on their businesses, and they feel unsafe. They are also pessimistic about any prospect of relief: two thirds do not foresee any decrease in crime levels – and indeed, over a third expect crime levels to rise even further. Burglary and robbery are particular concerns, but the business owners also worry about other kinds of crime ranging from petty theft and shoplifting to hijacking.

Any discussion about crime in South Africa needs to acknowledge that there is a lively political debate about the relationship between public perceptions and reality. The South African Police Service and senior government figures have argued that fear of crime and perceptions of crime levels are exaggerated, and are not justified by actual levels of crime as captured by police statistics.

Fear of crime is a major problem for developing countries around the world. A recent UN Habitat survey found that fear of crime is driving investment away from cities in developing countries and that more than half of urban dwellers in both rich and poor countries worry about crime all of the time or very often. The Habitat study found that crime, and fear of crime, was worst in Latin America and Africa.<sup>9</sup>

It is important to emphasise that a political debate about the relationship between the perception of crime and its reality cannot be ended by gathering empirical data about perceptions of crime and actual rates of victimisation. Within very broad limits, no matter what the actual rate of crime may be, there will be those who will consider perceptions of crime to be exaggerated, while others will argue that crime creates an intolerable burden on society and perceptions to this effect are absolutely justified.

While an empirical survey cannot settle the debate, it can quantify both perceptions and the actual rate of victimisation and describe the extent of overlap between perceptions and reality.

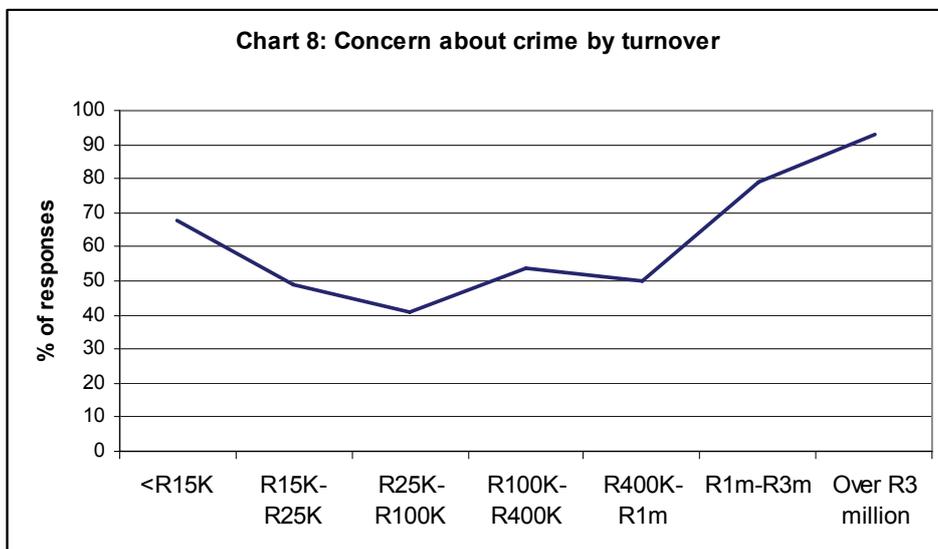
Section 3 explores perceptions of the impact of crime on business viability, and personal feelings of safety and risk when at work. Section 4 describes actual rates of victimisation and concludes with a brief discussion of the relationship between perception and reality.

### 3.1 Crime as a key challenge for small business

Business owners were asked to think about all the difficulties and constraints that currently face their businesses, and to mention the three most serious problems. The question about constraints to business was open-ended and no probing was undertaken. However, respondents were informed in advance that the survey was specifically about the impact of crime on small businesses, and were thus likely to have crime concerns in mind from the start of the interview.

Fifty-four percent of respondents cited crime in general as a key problem. Other crime-related issues, such as shoplifting, credit card fraud, use of counterfeit money, and disruption to business owing to crime, were also specifically mentioned by a number of respondents. The perception of crime as a key challenge facing business was particularly prominent among business owners in densely developed areas such as shopping centres and malls (70 percent of respondents), compared to businesses in townships and informal settlements (63 percent) and inner city businesses (54 percent).

There was considerable variation in responses across sub-sector. Seventy-two percent of high level retail businesses cited crime as a major problem, as did 69 percent of low level retail vendors and 67 percent of construction firms. The figures were considerably lower for businesses offering professional and personal services and manufacturing enterprises, where crime was mentioned by just over half the respondents. A significantly higher than average proportion of bigger enterprises (turnover above R1 million per annum) cited crime as a major challenge facing their businesses, with over 90 percent of the biggest firms in the sample citing crime as a serious concern. The figure was also high for the smallest firms in the sample (turnover below R15 000 per annum), many of whom are informal traders and have very little security for their stock.



Unsurprisingly, businesses located in areas characterised as ‘high crime’ (on the basis of businesses’ own perceptions) were most likely to cite crime as one of the major problems facing their businesses – with 76 percent of them citing crime generally as a challenge to doing business. Among businesses located in ‘moderately high crime areas,’ about half of the respondents rated crime as a major challenge to their businesses, while the figure for those located in ‘low crime areas’ was 29 percent.

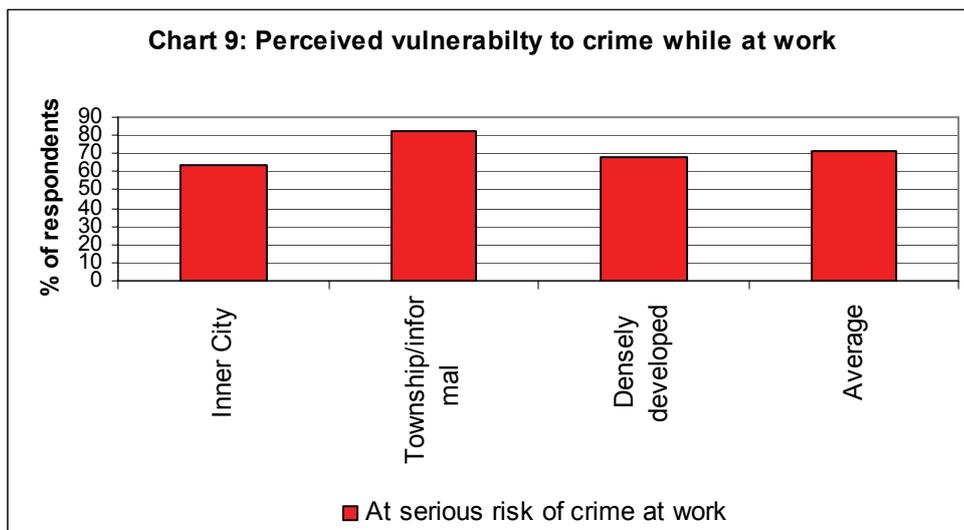
#### YOUNG PEOPLE’S FEAR OF CRIME

Fear of crime is also clearly present among South Africa’s potential entrepreneurs. In May 2007, ‘Generation Next’ survey results showed that 70 percent of South Africa’s young people said it was likely that they would work overseas and make a future for themselves there. Concern about crime was cited as a key motivating factor. Asked if crime was “something I dislike enough for me to leave South Africa,” 66 percent of respondents said yes. The number of people who would leave because of crime increased with the age of the respondent. Among young urban black respondents, 67 percent would seriously consider leaving the country owing to concerns about crime.<sup>10</sup>

### 3.2 Individual risk of crime while at work

The survey asked respondents to describe the extent to which they perceived themselves and, where relevant, their employees, to be at risk of crime while at work.

Seventy percent of respondents *agreed* with the statement: “I and/or my staff are at serious risk of crime while at work” (22 percent of these strongly agreed). Business operating in townships and informal settlements were more concerned than average about their vulnerability to crime while at work, as can be seen in Chart 9. Lower level and informal sector retail vendors also considered themselves more at risk at work than the sample average. This probably reflects the lack of access to secure premises or private security for enterprises in this sub-sector, as well as a significant concentration of these enterprises in townships and informal settlements, as discussed in section 2.



Sample size 445 businesses

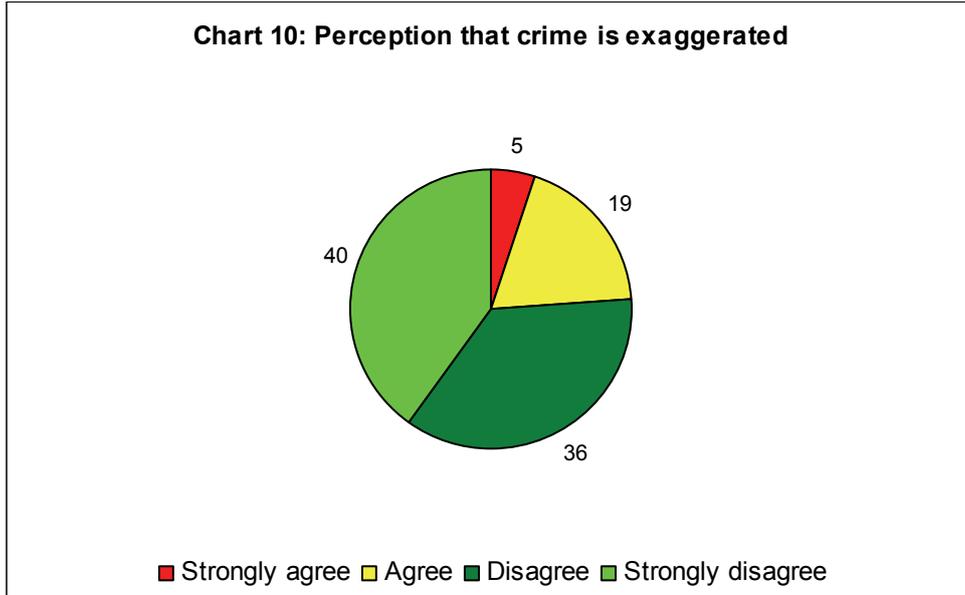
Respondents were also asked to react to the statement “I and/or my staff are at serious risk of crime while travelling to and from work.” Three quarters of respondents agreed with the statement (of these, a quarter of respondents *strongly agreed*). Respondents operating from inner city businesses were somewhat more likely to feel at risk. Manufacturing businesses also reported slightly higher than average perceptions of risk (sample size 440).

#### PERCEIVED RISK

The level of perceived risk described by respondents was slightly higher than those found in comparable business surveys. A Household and Business Satisfaction Survey undertaken on behalf of the City of Johannesburg in 2006, for example, found that just over half of informal sector business operators in the city reported feeling unsafe or very unsafe. The survey found that, while the perception of workers being safe in the workplace was 69 percent on average for firms of all sizes across the sample, perceptions of safety were significantly lower for small businesses and for informal businesses, where just under half believed their employees were at considerable risk of crime in the workplace. Just over half of respondents across the sample (all firm sizes) believed that their staff members were at risk while travelling to and from work. Concerns included hijackings, robberies and muggings.<sup>11</sup> Reaction to public perceptions Respondents were asked to comment on the statement: “generally the dangers of crime are exaggerated.” Three quarters of respondents disagreed with the statement. Chart 10 illustrates the breakdown of responses. Business owners in townships and informal settlements were least likely to agree that perceptions of crime were exaggerated.

### 3.3 Reaction to public perceptions

Respondents were asked to comment on the statement: “generally the dangers of crime are exaggerated.” Three quarters of respondents disagreed with the statement. Chart 10 illustrates the breakdown of responses. Business owners in townships and informal settlements were least likely to agree that perceptions of crime were exaggerated.

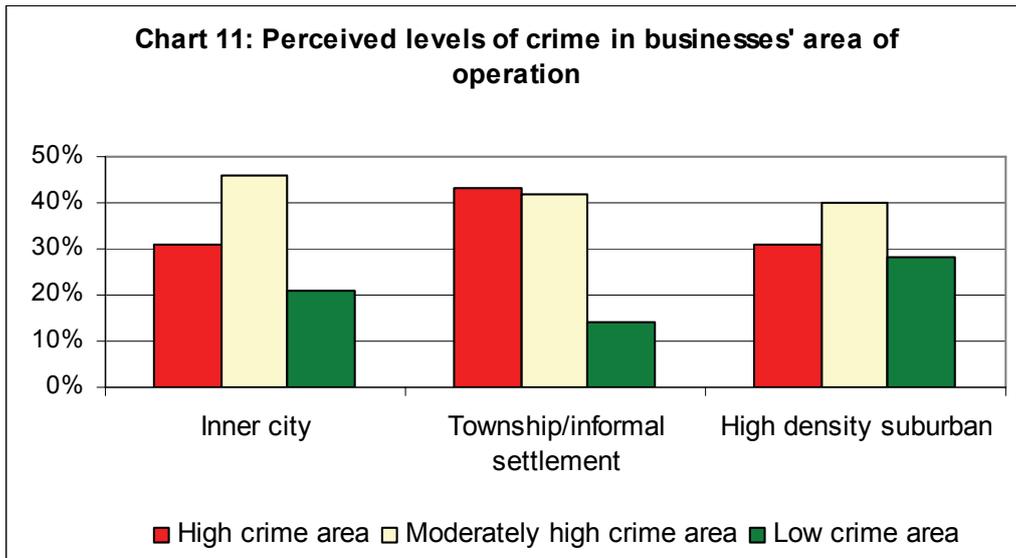


### 3.4 Perceived levels of crime in area of operation

Firms were asked to comment on whether the area in which their business was located was seen to be a high crime area, a moderately high crime area, or a low crime area. Thirty five percent of respondents described themselves as being located in high crime areas, 43 percent in moderately high crime areas, and 22 percent in low crime areas.<sup>12</sup>

Lower level retail vendors were most likely to describe their locations as high crime areas (48 percent), with only 15 percent describing their locations as low crime. The spread among other sectors was largely in line with sample averages.

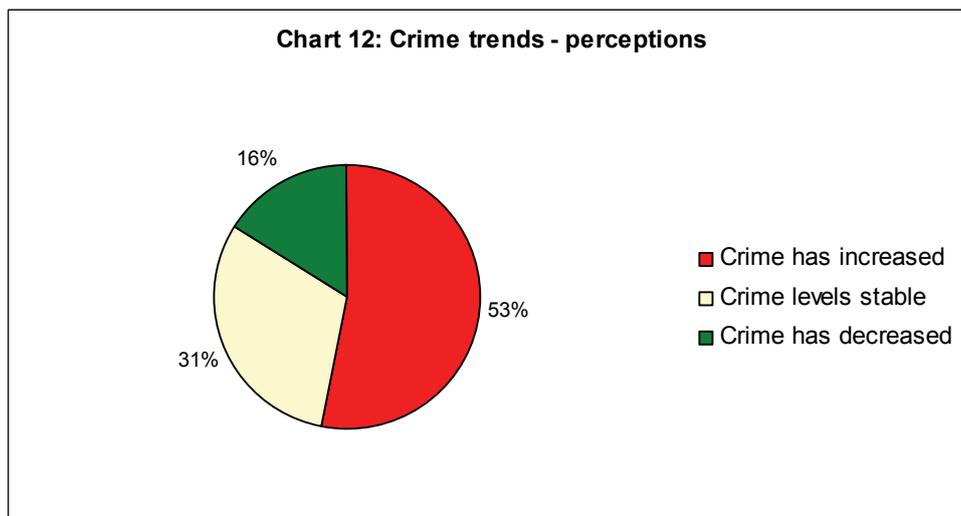
Businesses operating in townships and informal settlements were most likely to describe their locations as high crime areas. The majority of inner city businesses described themselves as operating in moderately high crime environments, while businesses operating in densely developed suburban areas such as shopping malls were most likely to characterise their locations as low crime areas.



Sample size: 441 businesses

### 3.5 Perceived trends in crime levels

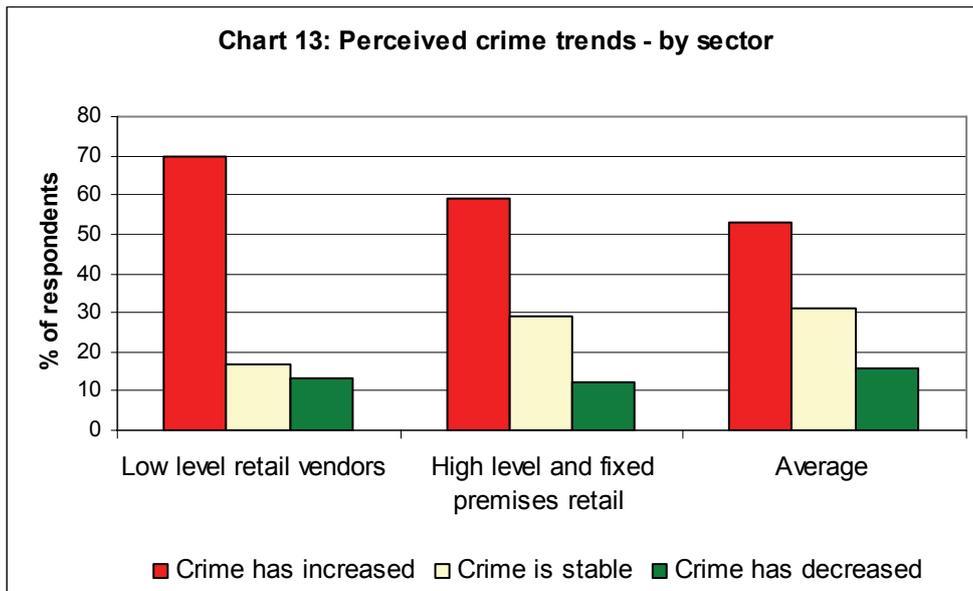
The survey probed respondents for their perceptions of recent trends in crime levels in their area of operation. The majority of respondents believed that incidents of crime against small businesses in their local areas had increased in the past year. Only 16 percent felt that incidents of crime against small businesses had decreased.<sup>13</sup>



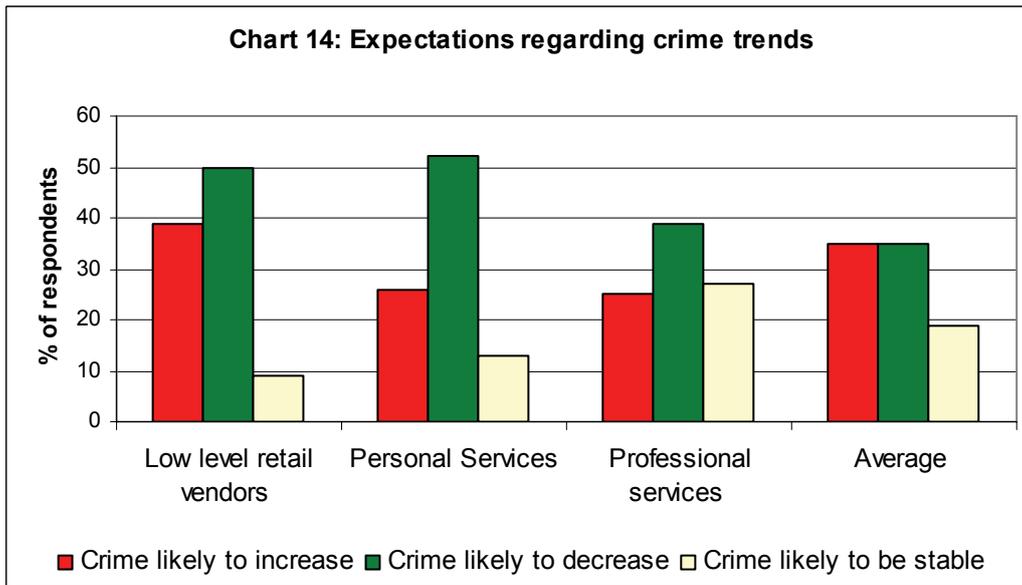
Respondents in townships and informal areas were most likely to believe that crime had worsened (63 percent) while inner city businesses were most likely to report that crime had decreased. Seventy eight percent of respondents operating in high

crime areas believed that crime had increased compared to 31 percent of respondents in low crime areas.

At sub-sector level, retailers demonstrated a much higher than average perception of an increase in crime trends. This was particularly true for low level and informal sector retail vendors, but was also a clear result for high level and fixed premises retail outlets.

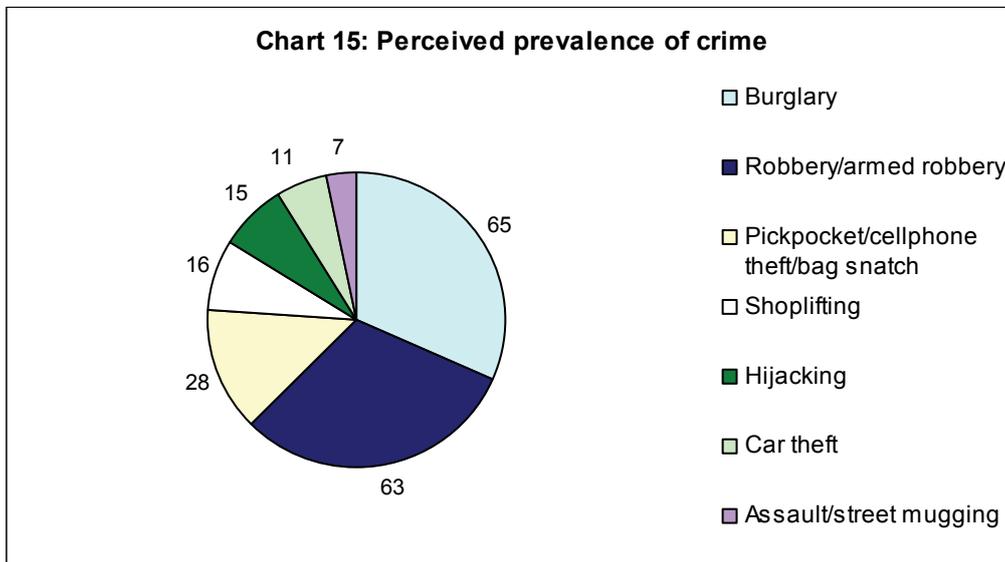


Respondents were evenly split as to whether levels of crime against small businesses were likely to increase or decline over the coming year. Thirty five percent predicted an increase, 35 percent a decrease, and 19 percent thought that levels were likely to remain stable (ten percent of respondents had no clear expectations). Responses were fairly evenly spread across type of location, but showed some interesting variations by sub-sector. Low level and informal sector retail vendors, the group reporting the highest perception of increased crime levels in the past year, was also one of the most optimistic that crime levels would decline in the in the coming year. Respondents in the personal and professional services sub-categories were also more optimistic than average about the prospects for a decline in crime levels.



### 3.6 Crimes perceived as being most problematic in the area

Businesses were asked to state the kinds of crimes that were most problematic in their area of operation at that time. Both burglary and robbery featured prominently in the responses, along with petty theft such as bag snatching and cell phone theft, and shoplifting.

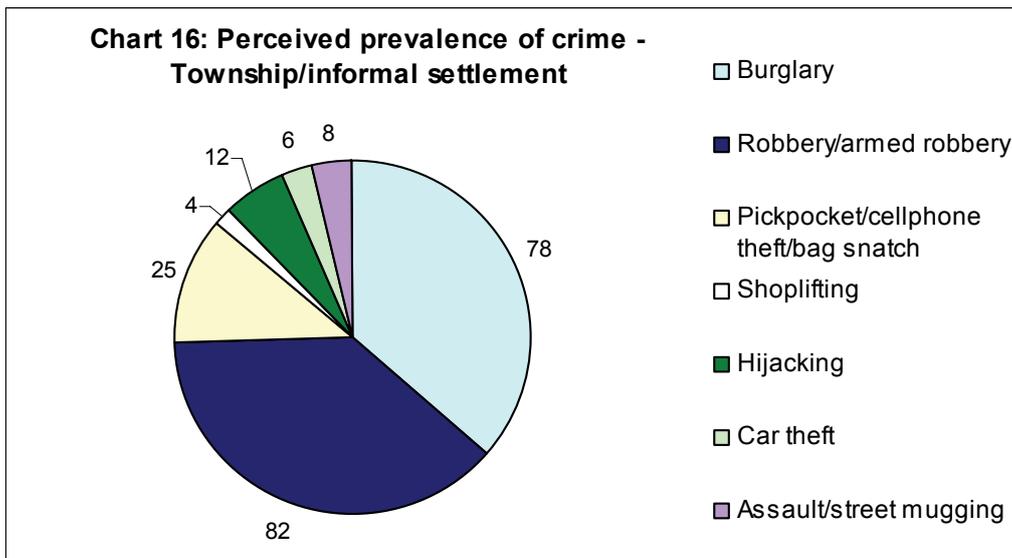


Note: Respondents gave multiple responses – percentages therefore add up to over 100%.

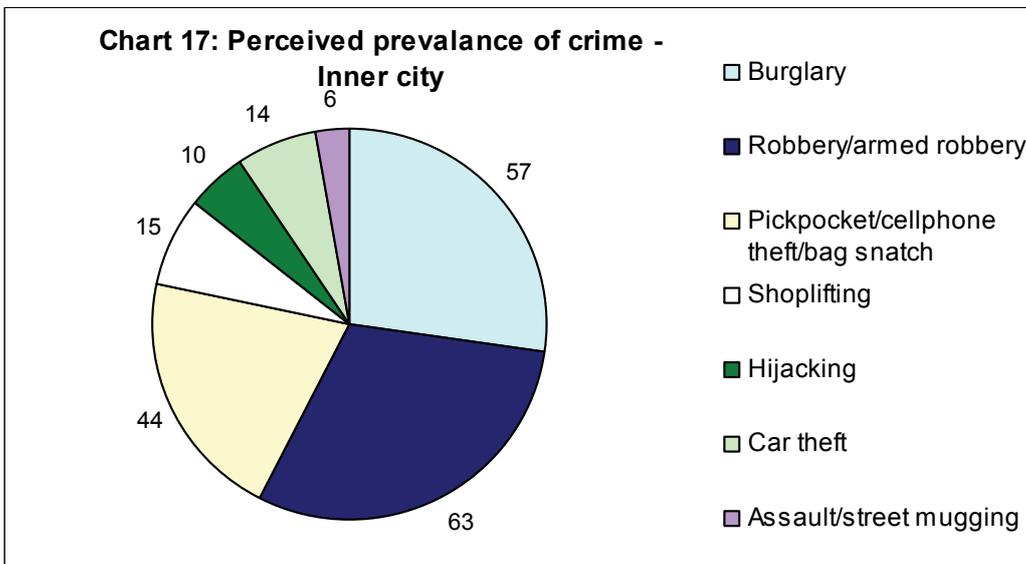
The types of crime perceived as prevalent in different areas varied with the characterisation of areas as high, moderate or low crime. In high crime areas, robbery was perceived as being ten percent more prevalent than the sample average. Burglary,

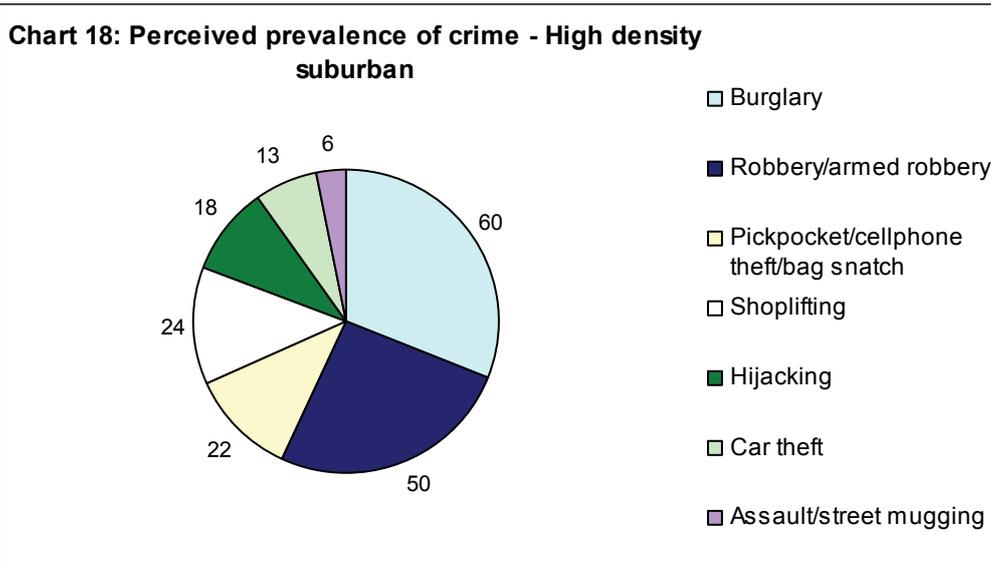
on the other hand, was perceived as slightly higher in moderately high crime areas (70 percent of responses). Shoplifting was a more common response in low crime areas (21 perception of responses), reflecting the concentration of businesses in large shopping centres in the low crime category.

The perceived prevalence of different types of crime showed considerable differences across location type. Businesses operating in townships and informal settlements were most likely to report a prevalence of burglaries and robberies in the area.



Inner city and suburban businesses reported higher levels of petty theft, such as bag snatching and cell phone theft, and shoplifting. Businesses in suburban locations were also more likely to cite hijacking as a concern.





## 4 ACTUAL EXPERIENCE OF CRIME

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### 4.1 Direct experience of crime

Just over half of the respondents said that they had experienced an incident of crime in the past year. This overall figure is comparable to the experience of small businesses in developed countries such as Australia, the UK and the USA. But although South African small businesses face the same overall rate of crime, the pattern is different - South African small businesses experience more serious and more violent crime. The risks of crime appear to be highest for the most vulnerable small entrepreneurs, and for companies on the verge of entering the 'first economy' – a particularly unfortunate pattern for growth and development. Respondents were asked whether their businesses had experienced an incident of crime in the past year. Of the 446 respondents, 243 businesses, or 54 percent, had experienced an incident of crime in the past year.

#### INTERNATIONAL COMPARISONS

Interestingly, our figure (a victimisation rate of 54%) is closely comparable to the experience of small businesses in developed countries such as Australia, the UK and the USA, where surveys of small businesses' experience of crime have found that approximately half of small businesses report at least one incident of crime over a one year period. It is considerably lower than recent figures for Jamaica, which suggest that 65 percent of small businesses fall victim to crime in a period of one year. However, the *types* of crime experienced show considerable variation across countries. In the United States study, over 80 percent of crimes were against small businesses properties, with burglary and vandalism prevalent. Violent crime had affected only five percent of businesses in the sample. UK small businesses were also more likely to suffer damage or loss to property than to encounter criminals face to face - the main types of crime experienced by survey respondents were vehicle damage (20 percent), theft (16 percent), and vandalism (14 percent), although 15 percent of the sample reported experiencing threatening behaviour or intimidation. The top crimes experienced by SMEs in Australia were burglary (27 percent of respondents), shoplifting (21 percent), vandalism (18 percent) and fraud (ten percent). Only in Jamaica were the victims of crime likely to come face to face with their attackers – violent crime, including robbery, extortion and protection rackets, accounted for a third of crimes experienced by small businesses in the study.<sup>14</sup> In our study, about 20 percent of incidents involved a violent or threatening encounter.

Businesses surveyed had experienced an average of 1.36 incidents of crime during the previous year. The figure was slightly higher for inner city businesses, at 1.7. Firms in townships and informal settlements reported a slightly lower figure, averaging one incident in the past year. In areas perceived as high crime, the average number of incidents in the past year was 1.9, compared to 1.1 in moderately high crime areas and 1 in low crime areas. Larger businesses reported more crime incidents than did smaller firms, as can be seen in Table 5.

<R15K	R15K-R25K	R25K-R100K	R100K-R400K	R400K-R1m	R1m-R3m	>R3m
0.5	0.6	1	1.4	2.2	3.6	1.9

The results also showed some variation across sub-sectors, with fixed retail premises and construction businesses reporting higher than average crime incidents (1.8 and 1.7 respectively).

## **4.2 Firm characteristics and crime**

Our analysis includes an assessment of the characteristics associated with businesses affected by crime, and of whether a similar set of characteristics are associated with the number times a firm is affected by crime. Column 1 in Table 6 presents the results of a probit estimation. The dependent variable is whether a firm has experienced a crime incident in the past 12 months. The results suggest that those firms which report that they are situated in a high crime area are 28 percent more likely to be affected by crime than those in a low crime area. Firms in moderate crime areas are 14 percent more likely to be affected by crime than those in low crime areas. This cannot be interpreted as a causal relationship however – firms that are affected by crime may be more likely to report that they are in a high crime area than those that are unaffected.

Whether a business operates from the inner city, a township or a suburban area appears to make little significant difference on whether a firm experiences an incident of crime. However, Cape Town firms are more likely to have experienced a crime than firms in either Johannesburg or Durban.<sup>15</sup> Across size bands, businesses with more than R800 000 turnover are more likely to have been affected by crime than those with turnover of less than R800 000.

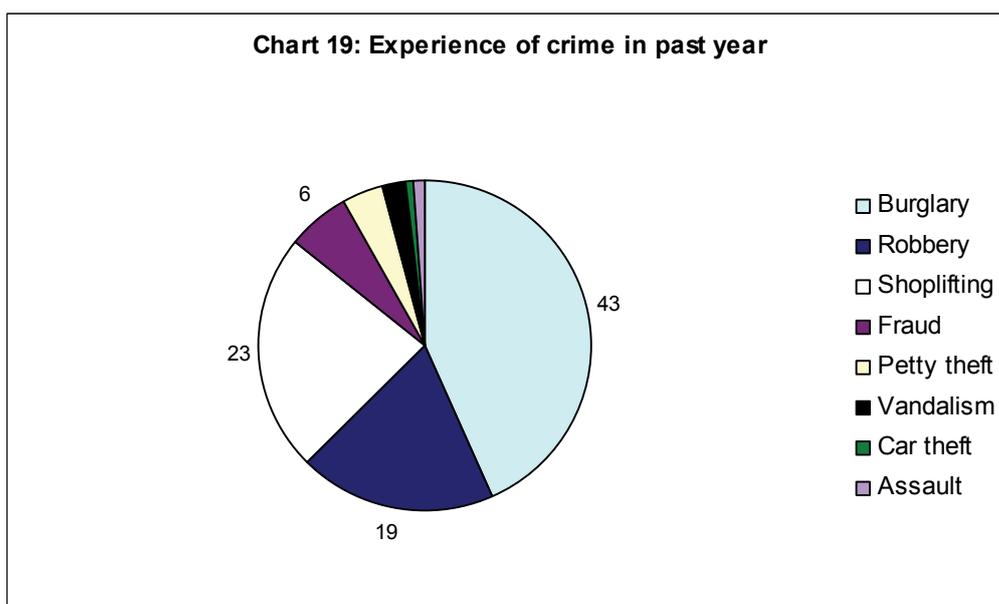
THE IMPACT OF CRIME ON SMALL BUSINESSES

<b>Table 6: Probit estimates of factors influencing the probability of being exposed to crime, and the number of crimes</b>		
	(1)	(2)
	Crime incidence	Ln (Number of crimes)
	(Marginal effects)	
High crime area	0.282 (3.88)***	0.051 (0.41)
Moderate crime area	0.136 (1.92)*	-0.048 (0.43)
City centre	0.051 (0.73)	0.281 (2.43)**
Township	0.071 (1.02)	-0.163 (1.66)*
Turnover < R10 000	-0.013 (0.06)	-0.763 (1.82)*
Turnover R10 000-R14 999	-0.385 (1.88)*	-0.576 (1.36)
Turnover R15 000-R24 999	-0.068 (0.35)	-0.626 (1.51)
Turnover R25 000-R49 999	-0.246 (1.25)	-0.500 (1.16)
Turnover R50 000-R74 999	-0.109 (0.58)	-0.413 (0.99)
Turnover R75 000-R99 999	-0.125 (0.64)	-0.428 (1.02)
Turnover R100 000-R199 999	-0.012 (0.06)	-0.514 (1.22)
Turnover R200 000-R399 999	-0.067 (0.34)	-0.634 (1.51)
Turnover R400 000-R599 999	-0.039 (0.19)	-0.421 (0.98)
Turnover R600 000-R799 999	0.097 (0.45)	-0.269 (0.62)
Turnover R800 000-R999 999	0.292 (1.79)*	-0.209 (0.50)
Turnover >R1 million	0.298 (1.73)*	-0.269 (0.64)
Cape Town	0.537 (8.20)***	0.445 (4.09)***
Durban	-0.102 (1.57)	-0.028 (0.24)
Constant		0.802 (2.00)**
Observations	446	243
R-squared		0.22
Absolute value of z statistics in parentheses		
* significant at 10%; ** significant at 5%; *** significant at 1%		

Column 2 examines the factors associated with the number of times a firm is affected by crime conditional on the firm being affected. There is no evidence that the perception of the crime intensity of the area is associated with the number of crime incidents. Firms in the city centre are more likely than suburban firms to be affected repeatedly, and those in townships are less likely. Cape Town firms are more likely than Johannesburg or Durban firms to be affected multiple times by crime. There is little evidence that the size of firm is related to the number of times that the firm is struck by crime.

### 4.3 Types of crime experienced by businesses in the sample

Looking at all incidents of crime suffered by businesses in the sample, burglary accounted for just over 40 percent of incidents, followed by shoplifting and robbery. Other crimes such as fraud, petty theft, vandalism, car theft and street violence together accounted for about one fifth of incidents.

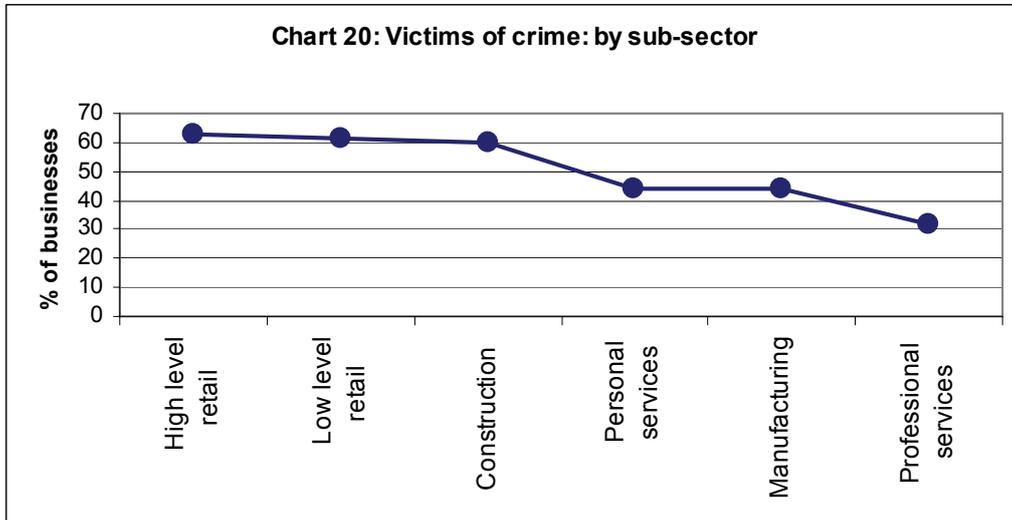


**INCIDENCE OF CRIME IN THE GENERAL POPULATION**

The 2006/07 SAPS Annual Report and the SAPS report on the Crime Situation in South Africa (June 2008) provide figures for the incidence of crime per 100 000 of the broader population:

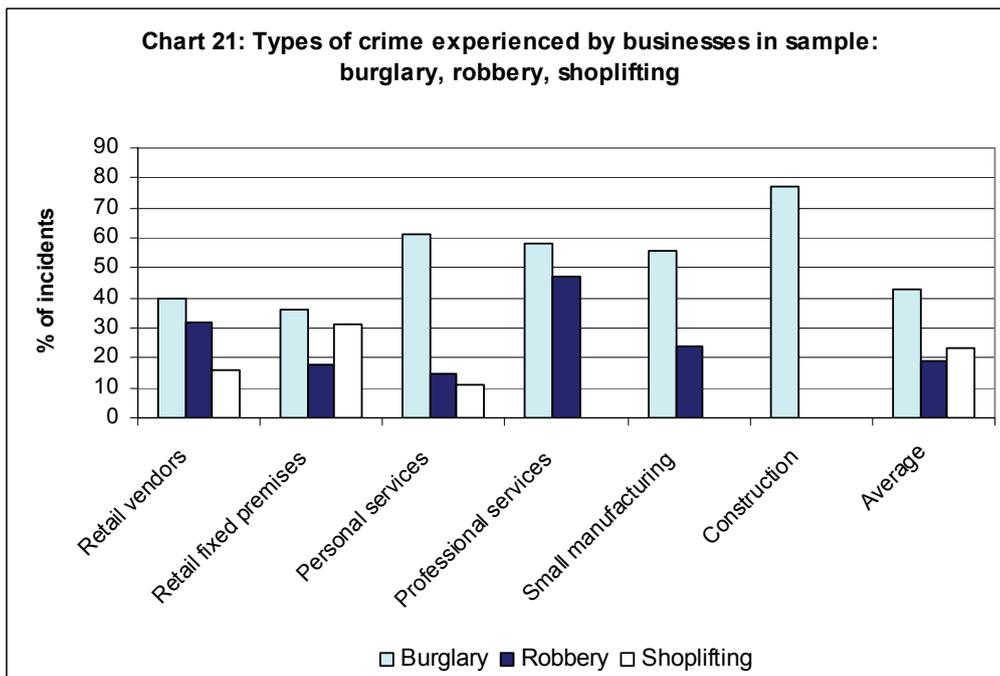
	2006/7	2007/8
Burglary at non-residential premises	123	131.7
Robbery with aggravating circumstances	267	247.3
Shoplifting	138	140.0
Commercial crime	130	136.4

The results showed some variation across sub-sector. Chart 20 shows the variation in the proportion of businesses in each sector that had been victims of crime. Retail businesses - from high level businesses selling items such as cars, fridges and



clothing, to low level retail vendors selling food and convenience items - were most likely to have suffered one or more incidents of crime in the previous year.

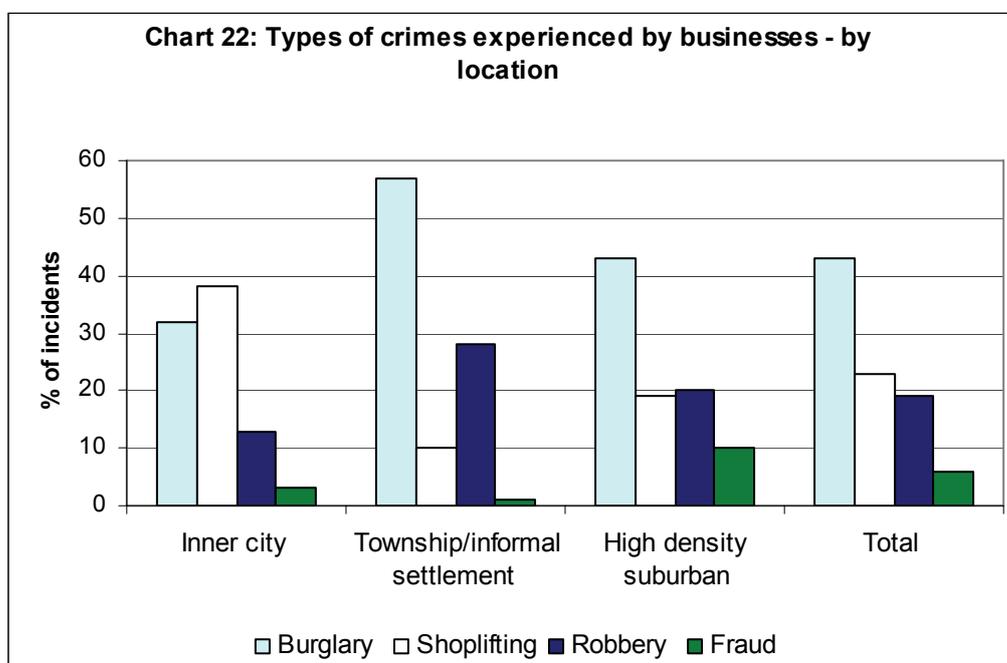
The most commonly experienced crime across all sectors was burglary. Low level retail, professional services and manufacturing enterprises reported above average incidents of robbery. Shoplifting was, unsurprisingly, concentrated among retail enterprises. Chart 21 shows the percentage of incidents of burglary, robbery and shoplifting as a percentage of the total number of crime incidents experienced by



businesses in each sub-sector (other crimes such as petty theft, vandalism and car theft accounted for a very small proportion of total incidents).

Burglaries accounted for 57 percent of incidents in townships and informal settlements, while robberies made up 28 percent of crimes against businesses in these areas. Among inner city businesses, burglaries accounted for 32 percent of incidents and robberies for 13 percent, while shoplifting accounted for just below 40 percent. In areas of high density such as malls burglaries comprised 43 percent of incidents, robberies 20 percent and shoplifting 19 percent of incidents.

According to SAPS figures, between October 2004 and September 2005, 54 percent of armed robbery cases occurred in inner cities, and only ten percent of business robberies took place in townships. However, the SAPS statistics cover businesses of all sizes. Bigger businesses are more likely to report crimes to the police, particularly when they wish to make insurance claims, and reporting data is thus likely to be skewed toward the experience of larger firms in the formal sector. The large numbers of informal sector enterprises operating in townships and informal settlements may be less inclined to report incidents of crime, even in the case of burglary and robbery, as noted in Section 10. It should also be noted that SAPS statistics, which categorise both robberies and burglaries into crimes ‘against business premises’ and crimes ‘against residential premises’ may not accurately record crimes against businesses when entrepreneurs operate from their homes – as is the

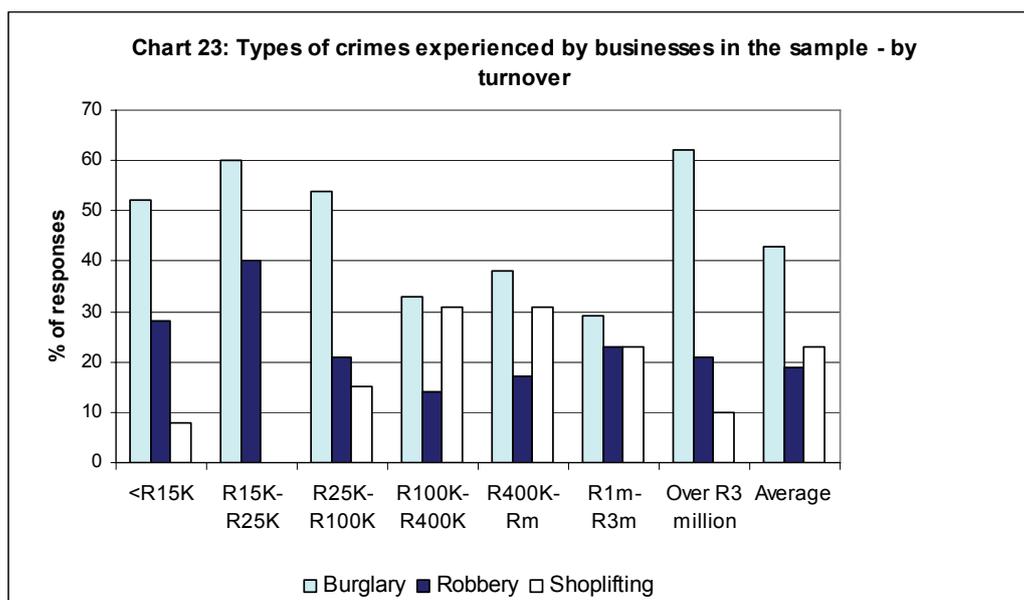


case for a significant proportion of our sample, particularly in townships and informal locations.

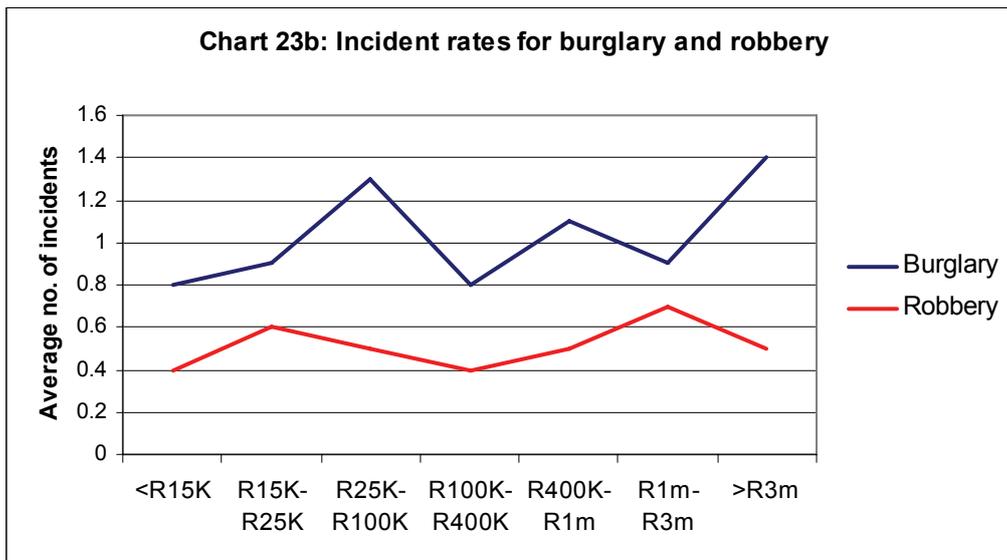
Almost all the incidents of crime experienced by the smallest enterprises in the sample (turnover below R15 000) were burglaries and robberies. These businesses were mainly informal traders, with limited access to secure storage facilities for stock or equipment, and limited personal security.

Burglary accounted for the highest proportion of crimes for the smallest and the larger businesses in the sample. Businesses in the highest turnover band are likely to present an attractive target, with sophisticated equipment on site, including computers and laptops, in addition to stock. They also generate more activities and thus present a broader target. In the middle turnover bands, businesses reported a wider variety of crime incidents, with shoplifting in particular accounting for a significant proportion of crime incidents among firms in the R25 000 to up to R3 million turnover bands.

Chart 23 shows incidents of burglary, robbery and shoplifting incidents as a percentage of the total number of crime incidents experienced by firms in each turnover band.



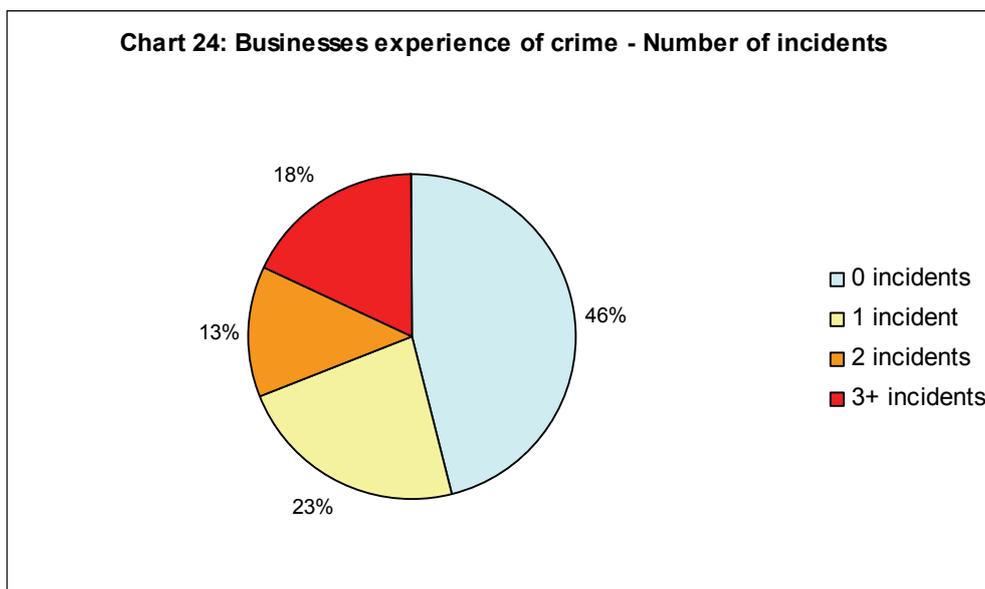
Analysis of the number of incidents of each type of crime against the number of businesses in each turnover band reveals that incident rates for burglary were highest among enterprises in the R25 000 - R100 000 and the over R3 million turnover bands. Incident rates for robbery, similarly, were highest for enterprises in the R25 000 - R100 000 and R1 million - R3 million turnover bands.



#### 4.4 Repeat victimisation

The averages calculated for the sample as a whole mask a very high degree of repeat victimisation among those businesses that have been targeted. Among the 243 businesses that had been affected by crime, a total of 578 incidents were experienced – an average of 2.4 incidents per business.

While just under a quarter of businesses in the sample reported that they had experienced only one incident of crime, almost a third had been victimised more than once – with eighteen percent victimised three or more times. Among businesses that had experienced 3 or more incidents of crime in the past year, the average number of incidents was 4.8.



Comparative research in other countries also highlights skewed patterns of victimisation, with a minority of businesses being repeatedly targeted and accounting for a considerable proportion of recorded crimes. Studies from America, Australia, the UK and Jamaica indicate that once a business has suffered an incident of crime, the risk of repeat attacks is considerably higher. Research undertaken in the UK concludes that “victimisation is the best single predictor of victimisation,” that when victimisation recurs it tends to do so quickly, and that “a major reason for repetition is that offenders take later advantage of opportunities which the first offence throws up.” It also suggests that perpetrators who repeatedly victimise the same target tend to be more established in crime careers than those who do not.<sup>16</sup>

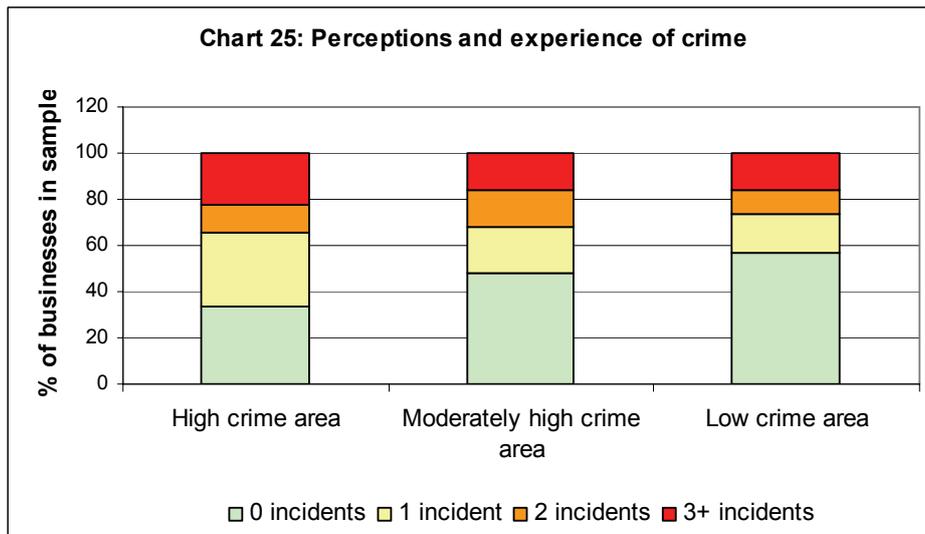
Factors noted as encouraging repeat victimization include general level of crime in the area, precise site of the premises, operational practices and interior and exterior design. The ability of businesses to repair breaches to security, and their access to resources to enable them to recover from an incident of crime, are also key issues.

#### REPEAT VICTIMISATION: THE UK EXPERIENCE

A 1998 study in the UK found that among small businesses victimised by crime, five percent suffered 34 percent of the most serious incidents, and three percent of the sample accounted for 81 percent of incidents of violence. Seventeen percent of businesses accounted for 69 percent of all incidents of burglary. Repeat victimisation was particularly prevalent in the retail and manufacturing sectors. Research in the UK has pointed to the benefits of targeted work to address repeat victimisation. The benefits of focusing specifically on repeat attacks include:

- Automatically concentrating effort on areas of highest crime
- Automatically concentrating on individuals at greatest risk of future victimisation
- Enabling resources to be appropriately targeted in time and geographically – by charting the typical time-course of repeat incidents
- Fusing the roles of victim support and crime prevention
- Enabling targeting of prolific offenders<sup>17</sup>

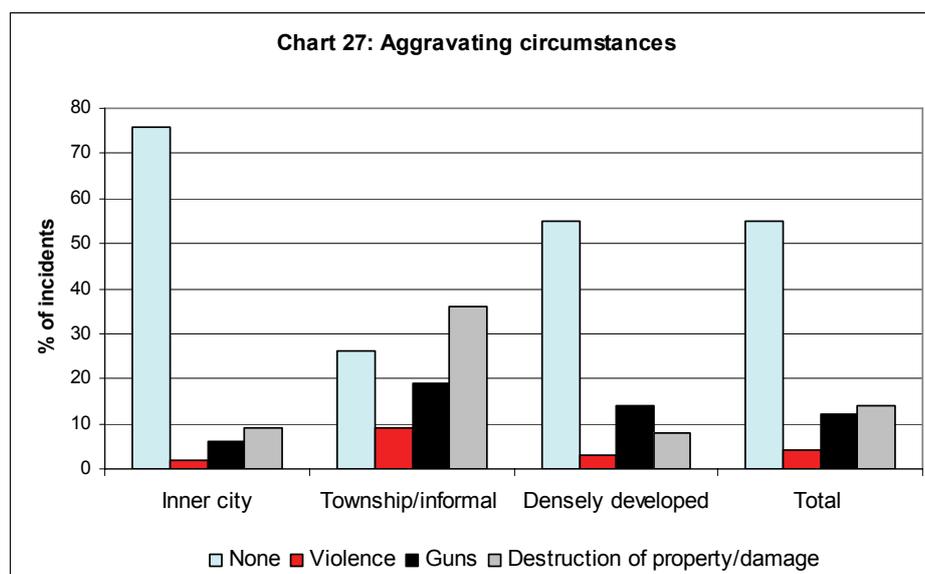
In locations described by respondents as high crime areas, two thirds of respondents had experienced one or more incidents of crime in the past year. Of these, 22 percent had experienced three or more incidents. In moderately high crime areas, just over half the respondents had suffered crimes against their businesses, with 16 percent experiencing three or more crimes in the past year. In low crime areas, 57 percent of businesses had been free of any incidents of crime, but repeat victimisation was comparable to that in moderate crime areas.



Looking across businesses at the number of actual incidents of each type of crime experienced, the picture of repeat victimisation is alarming. Eighteen percent of businesses experienced sixty one percent of all crimes – which included 57 percent of burglaries, 87 percent of shoplifting incidents, 34 percent of robberies and 81 percent of incidents of fraud.

#### 4.5 Aggravating circumstances

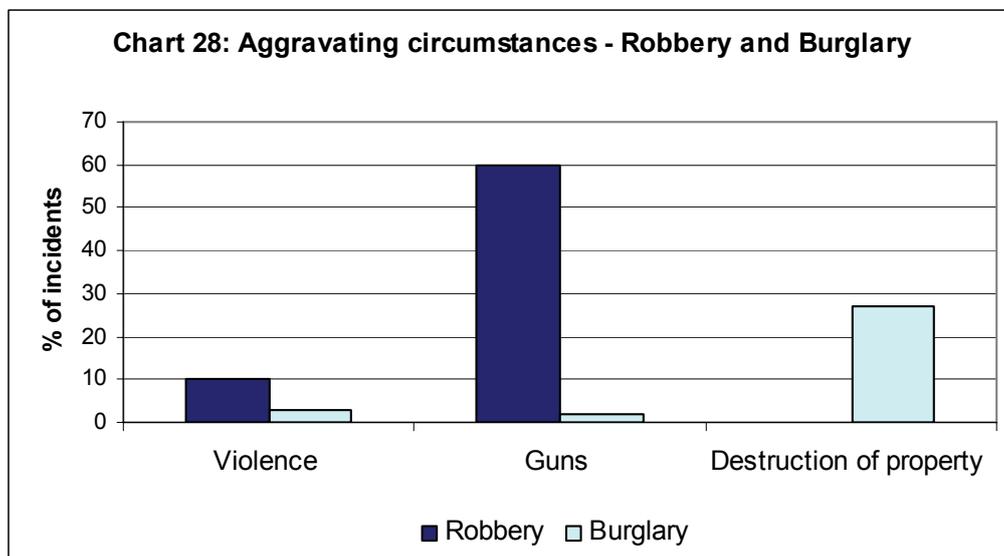
An analysis of aggravating circumstances across all incidents of crime experienced by businesses in the sample shows that victims of crime operating in townships and informal settlements were more likely to be exposed to violence, guns, and damage or destruction of their property, as can be seen in Chart 27.



Sample size: 243 businesses

In twelve percent of all incidents of crime the perpetrators had carried guns. During incidents of robbery experienced by businesses in the sample, perpetrators had been armed in 60 percent of cases. Robberies were accompanied by violence in ten percent of cases, and in one case had resulted in deaths. A small percentage of burglary cases had also involved violence, and in one of these cases a person had been killed. Serious damage to or destruction of property occurred in just under 30 percent of burglary cases, and was most common during burglaries in townships and informal settlements.

Chart 28 provides an overview of aggravating circumstances characterising incidents of burglary and robbery experienced by businesses in the sample.



Sample size: 243 businesses

#### 4.6 Familiarity of perpetrators

Respondents were asked whether they knew the people who had committed the crime against their business. Of the 243 businesses who responded to this question, many had experienced more than one incident of crime over the past year. Of the total of 578 recorded incidents, the perpetrators had *not* been known to the victims in 82 percent of cases (this figure includes burglaries and other crimes where there were no witnesses to the crime).

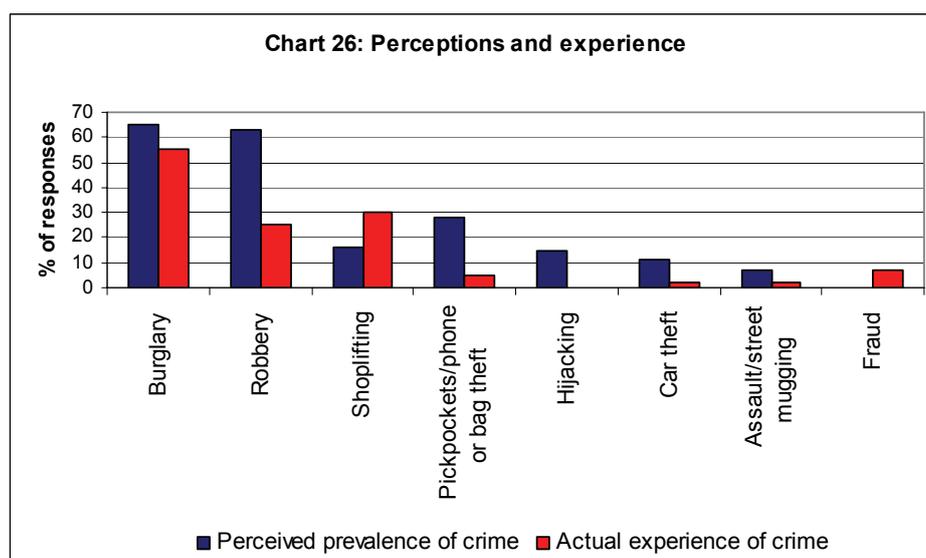
However, in 18 percent of incidents, the respondents claimed that the perpetrators were known to them. The proportion of victims reporting that they knew their attackers was significantly lower in businesses operating in densely developed suburban areas, compared to inner cities and townships/informal settlements. There were no significant patterns across high, moderate and low crime areas, and the proportion of victims who knew the perpetrators was much the same whether the

business had experienced one or multiple incidents of crime in the past year. The likelihood of perpetrators being known to the business also showed no particular correlation with the number of people employed by the business. While business owners with no staff said that they knew the perpetrators in 20 percent of incidents, the figures for businesses with one to six staff varied between 13 and 20 percent, and rose to 24 percent for businesses with seven or more employees.

#### 4.7 The overlap between perception and reality

There was a considerable degree of overlap between businesses’ actual experience of crime and their perceptions about crime levels. As reported in Section 3, just over 60 percent of businesses had suggested that burglaries were common in their area of operation. Over 40 percent of businesses in the sample had direct experience of being burgled. Taking into account repeat victimisation, burglaries accounted for over half of the crimes experienced by business.

Just less than 20 percent of businesses had direct experience of robbery – with the perpetrators armed in the majority of cases. Sixty percent of businesses described robbery as being prevalent in their areas of operation. If a small business in the immediate vicinity has been held up by armed robbers, neighbouring businesses are likely to know about it – and to worry about the threat of something similar happening to them. It is probably not surprising that respondents were more concerned about robbery than shoplifting, petty theft or fraud. While businesses had been subject to the latter crimes to considerable extent, they are unlikely to be life-threatening, and it is probably for this reason that businesses were less likely to mention them when discussing the prevalence of types of crime in the area. Chart 26 shows the variations in perceptions and experience for businesses in the sample as a whole.<sup>18</sup>



## 5 DIRECT AND INDIRECT COSTS OF CRIME

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THE SURVEY FINDINGS show that crime can have a devastating effect on the profitability and viability of many small enterprises. The smallest businesses may be particularly vulnerable; but the actual costs for larger firms can be disturbingly high. Crime has both direct and indirect costs. The direct costs are made up of the value of goods or money stolen and/or the cost of damage to property or goods. Indirect costs include the cost of the disruption to business/lost work hours owing to staff time off work, loss of necessary equipment or temporary closure of the business, as well as medical expenses, loss of staff and increased insurance premiums. Businesses also incur precautionary/security costs, which are dealt with in section 6. Opportunity costs, such as a tendency for businesses to limit growth or staff numbers owing to concerns about crime, are dealt with in section 7.

### THE MOUNTING COSTS OF THEFT IN A 'LOW CRIME' NEIGHBOURHOOD

*X Air* manufactures and installs air-conditioning units. The business is based in Roodepoort, on Johannesburg's west rand, and employs twenty staff members. The manager describes the area as a low crime neighbourhood. He is nonetheless aware of a number of break-ins and thefts among neighbouring enterprises, and his own business has experienced several incidents of theft in the past twelve months. The business faces onto an open space, and is about 1.5kms from a large informal settlement – two factors which he believes play a part in regular incidents of petty theft.

In the previous twelve months the business experienced five incidents of crime, ranging from the theft of a vehicle and equipment from the premises, to petty theft of tools through the workshop window. While no single crime had a particularly large impact in itself, the costs of repairing or replacing equipment saw the total direct costs of these five thefts tally up to about R19 000 over the year.

Indirect costs were also considerable. The stolen vehicle, loaded with equipment, was fortunately insured. However, it was two months before the claim was paid out – two months during which a particular job had to be put on hold because essential equipment could not be replaced. Three days of work were lost in the immediate aftermath of the incident, reporting the incident to the police, dealing with the insurance company, and making arrangements to deal with the loss of vehicle and equipment. Given that the firm works with a figure of R500 a day for labour and R700 a day in overheads – those three days alone amount to R3 600 in lost revenue.

The company's security costs included once off installation costs for trackers on the five company vehicles, at a cost of around R12 000, as well as installation of an alarm system. The company pays about R250 monthly for armed response. It also incurs insurance costs for the building, equipment and five vehicles.

Survey respondents were asked to estimate both their direct and indirect losses to incidents of crime in the past year. This section uses the survey data to examine the economic impact of crime in detail, using econometric modelling. It examines two specific areas:

1. The actual and statistically expected cost of crime
2. The factors that characterise firms impacted by crime

Table 7 shows the sum of indirect and direct costs, per incident, by firm size (measured by turnover).

<b>Table 7: Mean and median costs of crime by turnover</b>		
Turnover per year	Mean	Median
>R5,000	R1 650	R950
R5,000 - R9,999	R4 831	R2 750
R10,000 - R14,999	R4 040	R2 900
R15,000 - R24,999	R23 972	R2 750
R25,000 - R49,000	R3 382	R2 267
R50,000 - R74,999	R8 028	R3 875
R75,000 - R99,999	R2 758	R1 433
R100,000 – R199,999	R6 630	R1 417
R200,000 – R399,999	R2 030	R1 000
R400,000 – R599,999	R12 899	R3 500
R600,000 – R799,999	R2 796	R960
R800,000 – R999,999	R37 803	R4 813
More than R1m	R49 203	R4 833
Total	R15 556	R2 250

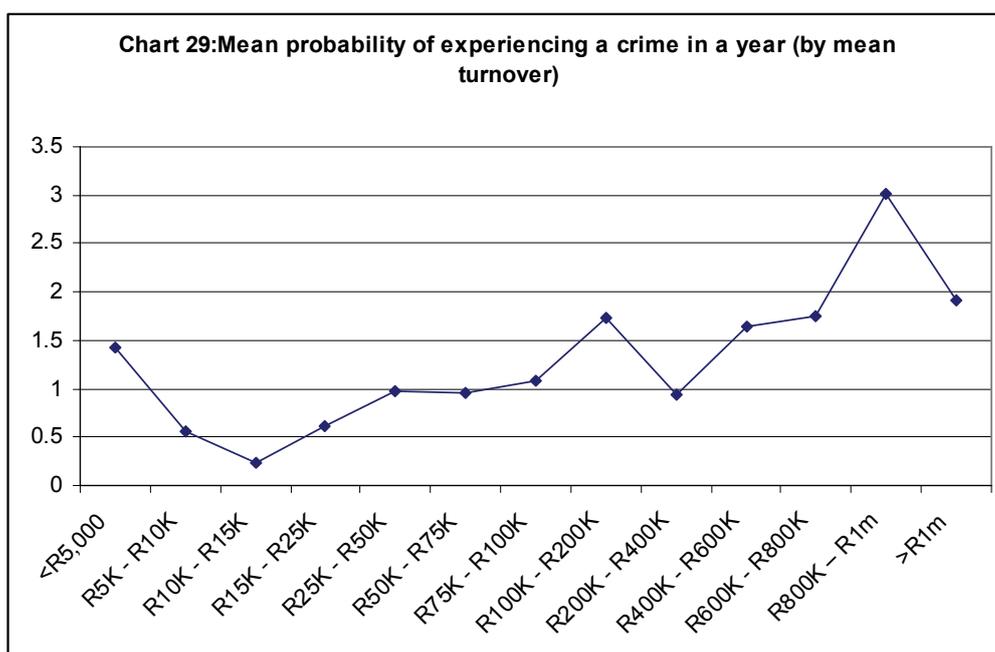
These results illustrate that, especially for smaller firms, the average costs of a crime incident can constitute a large proportion of their turnover. This finding is echoed by research in former Eastern bloc and Soviet Union countries, which found that the cost of crime as a proportion of company revenues is greater for small and micro firms than large firms, despite smaller and micro firms experiencing fewer incidents of crime. Similarly, a study in Jamaica found that the direct costs of crime amounted to two percent of revenue for large and medium firms, and nine percent of revenue for micro firms.<sup>19</sup>

The results presented in Table 7 are the costs of crime if a firm is a victim of crime. The probabilities of a business experiencing an incident of crime are presented in Table 8.

<b>Table 8: Probability of firm experiencing an incident of crime</b>		
Turnover per year	Mean	Median
<R5,000	1.43	1.00
R10 000 - R14 999	0.5	0.50
R15 000 - R24 999	0.61	0.00
R25 000 - R49 000	0.98	0.00
R50 000 - R74 999	0.96	0.00
R75 000 - R99 999	1.09	0.00
R100 000 – R199 999	1.74	1.00
R200 000 – R399 999	0.93	1.00
R400 000 – R599 999	1.65	1.00
R600 000 – R799 999	1.75	1.50
R800 000 – R999 999	3.02	2.00
>R1 million	1.91	1.50
Total	1.36	1.00

The results suggest that for the sample as a whole, the average probability of experiencing a crime is 1.36. The probability of being exposed to crime is U-shaped - very small firms and larger firms within the sample have higher probabilities of being victims of crime.

Chart 29 shows the mean probability that an entrepreneur or small firm will experience a crime in one year (a value of 1 means that it is a statistical certainty that the average firm will experience a crime). As Chart 29 shows, the smallest entrepreneurs in our sample will experience an average of 1.4 crimes in a year. Firms in the largest size bands experience well over 1 crime per year on average, with firms turning over just under R1 million experiencing a mean of 3 crimes a year. The chart suggests that the risks of crime are highest for the most vulnerable small entrepreneurs and for companies that are just on the verge of entering the ‘first economy.’ Crime therefore seems to hit the poorest and the most successful entrepreneurs hardest – a particularly unfortunate pattern for growth and development.



The likely impact of crime on firms is the probability of a firm being affected by crime multiplied by the costs of crime to the firm if it is affected. This is often called the ‘expected cost.’ The expected costs of crime are presented in Table 9 below. Columns 2 and 3 present the probability of being a victim of crime multiplied by the average cost of the crime incident (column 2) and the median cost (column 3). Columns 4 and 5 present these as a proportion of turnover.<sup>20</sup> Columns 6 and 7 present the actual costs of a crime incident as a proportion of turnover but do not take into account the probability of a crime affecting the firm. The median values are influenced less by crimes with high costs and are thus more reflective of the ‘typical’ firm.

Table 9: Expected costs of crime by turnover band						
	Expected cost		Proportion of turnover (expected cost)		Proportion of turnover (actual cost)	
	Mean	Median cost	Mean	Median cost	Mean	Median cost
<R5,000	R2 357	R1 357	62.9%	36.2%	44%	25.3%
R5 000 - R9 999	R2 718	R1 547	36.2%	20.6%	64.4%	36.7%
R10 000 - R14 999	R970	R696	7.8%	5.6%	32.3%	23.2%
R15 000 - R24 999	R14 529	R1 667	72.6%	8.3%	119.9%	13.8%
R25 000 - R49 000	R3 305	R2 215	8.8%	5.9%	9.0%	6.0%
R50 000 - R74 999	R7 719	R3 726	12.4%	6.0%	12.8%	6.2%
R75 000 - R99 999	R2 993	R1 555	3.4%	1.8%	3.2%	1.6%
R100 000 – R199 999	R11 541	R2 466	7.7%	1.6%	4.4%	0.9%
R200 000 – R399 999	R1 881	R927	0.6%	0.3%	0.7%	0.3%
R400 000 – R599 999	R21 222	R5 758	4.2%	1.2%	2.6%	0.7%
R600 000 – R799 999	R4 894	R1 680	0.7%	0.2%	0.4%	0.1%
R800 000 – R999 999	R114 135	R14 533	12.7%	1.6%	4.2%	0.5%
>R1 million	R93 933	R9 227	8.5%	0.8%	4.5%	0.4%
Total	R21 136 <sup>21</sup>	R3 057				

The results in Table 9 suggest that for firms with a turnover of less than R10 000 the expected cost of crime, measured using the median cost, is at least **20 percent** of turnover. This expected cost falls with an increase in firm size. This fall is not the result of a firm becoming less likely to be affected by crime (as noted above, larger firms have higher crime incidence) but rather because the costs of crime as a percentage of turnover is lower. In absolute terms, larger firms have higher expected costs of crime but since their turnover is also higher, their relative costs are lower.

Chart 30 shows how much crime cost the firms in our sample by turnover band. As can be seen, the cost impact of crime is strongly regressive: it has the largest proportional impact on small entrepreneurs. The average cost of crime by turnover stays above 5 percent of sales until firms have sales of above R75 000 per year. It should be emphasised that this is sales rather than profit. What this means is that crime is very likely to have a devastating impact on the livelihoods of many small entrepreneurs.

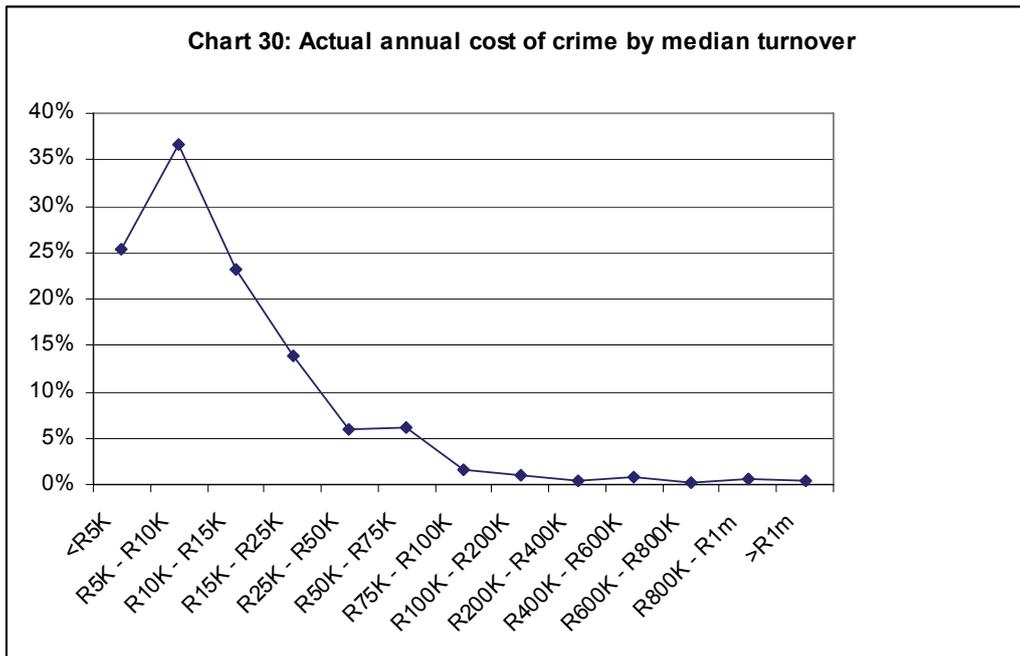
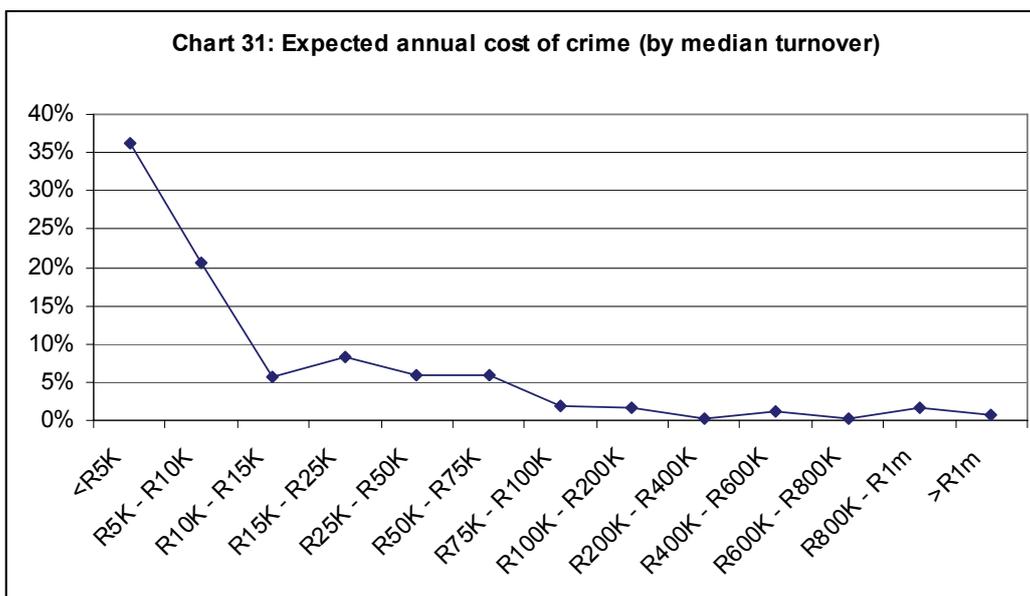


Chart 31 shows the expected cost of crime per year – that is the average cost of crime multiplied by the probability of experiencing a crime. In effect, this is an estimate of the likely financial impact of crimes on the firms in our sample next year, assuming that crime rates remain the same. For instance, if a small entrepreneur with sales of between R15 000 and R25 000 has escaped crime this year, it is nevertheless likely that he or she will face crime costs of around 8.3 percent of turnover next year. This could very well shut the business down. It is also worth noting that the rate of crime faced by the firms in our sample makes it very unlikely that any firm with sales under R75 000 a year could afford insurance.



**THE WORLD BANK'S ASSESSMENT OF THE COSTS OF CRIME**

The World Bank's Investment Climate Assessment: South Africa (2005) revealed that, for the median firm, direct losses due to crime and the cost of security were equal to about 1.1 percent of sales – similar to Brazil, Russia, the Philippines and Peru, but higher than China, Poland, Morocco, Turkey and the Ukraine. The survey reported that security costs account for about two-thirds of the cost of crime, while direct losses account for the additional third. Extrapolating the cost of crime to the whole economy, the study estimated the cost of crime to business at about R 28.5 billion per year, or R700 per capita. The study noted that this figure was in line with previous estimates. A 1996 NEDCOR project, for example, estimated the total annual cost of crime and violence, including indirect costs of lower investment, at R31 billion for the economy as a whole.

## 6 COSTS OF PRECAUTIONS

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THE COSTS OF precautions against crime include external security measures such as electric fencing, alarm systems, secure parking and armed guards, and systems to prevent employee theft and fraud, such as elaborate accounting and internal surveillance systems. These security costs apply even when the business is not directly affected by crime. Security costs essentially represent an unproductive investment, driving up costs for firms of all sizes, and diverting resources away from more productive activity. Security costs are very likely to disadvantage small firms relative to large firms, given that security costs are likely to be higher for small firms as a proportion of overall spend. Furthermore, small firms are likely to operate in markets where costs matter a great deal. Larger firms, on the other hand, are more likely to benefit from some degree of pricing power. High security costs will also tend to disadvantage local firms relative to foreign firms, if foreign firms enjoy lower security costs in their home countries. This has could inflate the costs of export products, and require local firms to compete against less costly imports.

### SECURITY COSTS AND SMALL BUSINESSES

A 2003 World Bank study in Jamaica found that over half the firms surveyed stated that increased security costs had a highly significant or significant negative impact on doing business. The study highlighted the disproportionate costs borne by small businesses as a result of expenditure on private security. It estimated that while the average size firm spent about 7 percent of revenue costs on private security, this cost equated to only 0.7 percent of revenue for large firms – and a staggering 17 percent of revenue for micro firms.<sup>22</sup>

### 6.1 Costs incurred by the business on security

Respondents were asked to estimate their costs incurred for security such as surveillance cameras, burglar guards and armed response. Other security costs incurred by businesses in the sample but not included in the figures below included use of private guards and car guards and payments for communal security arrangements for example in shopping centres.

Costs were separated into once-off and recurring costs. The average costs are presented in Table 10 according to business location, whether businesses are located in a high crime area, and how many incidents of crime the businesses have experienced in the past 12 months.

<b>Table 10: Security costs by location and levels of crime in the area</b>				
	Inner city	Townships/ informal	High density suburban	Average across sample
<i>Once-off</i>	R9 750	R7 840	R12 090	R10 110
<i>Recurring</i>	R13 630	R12 760	R8 020	R10 870
	High crime area	Moderately high crime area	Low crime area	
<i>Once-off</i>	R12 570	R10 230	R6 470	
<i>Recurring p.a.</i>	R19 050	R7 810	R4 810	
	No crime in past year	1 incident	2 or more incidents	
<i>Once-off</i>	R6 570	R11 450	R14 780	
<i>Recurring p.a.</i>	R6 660	R15 100	R14 300	

Businesses located in high density suburban areas tended to have higher initial security costs than the sample average, while inner city and township/informal settlement businesses reported higher recurring security costs. As noted in section 2, businesses in suburban areas were concentrated in the larger turnover bands, and it is thus perhaps not surprising that they were willing to incur fairly high initial costs for sophisticated and comprehensive security systems. On the other hand, businesses in townships/informal settlements and inner city locations were more likely to perceive their areas of operation as being characterised by high or moderately high levels of crime – possibly accounting for their higher annual security expenditure.

Security spending, both once-off and recurring, increases substantially if a firm experiences a crime. There is some evidence that the average once-off spending on security is larger for firms that experience two or more crimes, although median spending is lower. This suggests that there are a number of firms, that have experienced 2 or more crimes that spend large amounts on security thus increasing the average spend. Recurring costs are related to being affected by crime rather than the number of crime incidents that the firm experiences. Crime affected firms spend almost double what firms that are not affected by crime. The average spending by firms that have experienced one incident of crime is similar to those that have experienced more than one incident

Indeed, costs showed considerable variation across turnover bands, as can be seen in Table 11. It should be noted that a very small number of businesses reported very large security costs, comprising a considerable proportion of their turnover. In order to avoid distortion of the results by these very high figures, results are presented using medians rather than means.

<b>Table 11: Once-off security costs by turnover (R)</b>											
<10K	10K - 15K	15K- 25K	25K- 50K	50K- 75K	75K- 100K	100K- 200K	200K- 400K	400K – 600K	600K – 800K	800K – 1m	> 1m
<i>Once off cost in Rand</i>											
550	350	875	1,200	3,000	2,000	1,250	3,500	6,000	3,500	15K	5000
<i>Once off cost as percentage of turnover</i>											
11%	3%	4%	3%	5%	2%	1%	1%	1%	1%	2%	1%

Recurring costs also showed interesting variations across turnover bands. The smallest businesses (with turnover below R50 000 per annum) reported, on average, very low to no recurring costs. These businesses tended to reply on burglar proofing (a once-off cost) and for the most part considered things like armed response or alarm systems un-affordable when viewed against their bottom line. Annual costs were somewhat higher for the larger businesses in the sample, reflecting costs such as monthly subscriptions for alarms and armed response, vehicle tracking, and even staff credit card fees, where businesses sought to eliminate petty cash as a security measure. Recurring costs ranged widely across different businesses. The median shows that they nonetheless made up a very small percentage of turnover - from 1.6 percent for firms on the R50 000 – R75 000 band, to 0.3 percent for the largest firms in the sample.

## 6.2 Protection payments

It is unlikely that many businesses would freely admit that they make protection payments. Given this, respondents were asked whether they were aware of other small businesses like themselves paying protection, for example so that criminals would not target their businesses. Only 19 respondents said that they were aware of such arrangements (4 percent). Of these, most were in the retail sector and just over half were located in townships or informal settlements. Half were located in areas perceived as high crime areas. These respondents were fairly evenly spread across the turnover groups. Almost all had themselves experienced one or more incidents of crime in the past year.

Estimates of how much such protection payments might cost small businesses varied widely across individual respondents. Looking across the sample, the average estimate was around R15 300 per annum. Unsurprisingly, the responses received from businesses located in high crime areas were higher than in other areas – with average estimates of R20 700 per annum. In areas perceived as having lower crime rates the estimate was around R10 000.

Estimated costs varied across turnover bands. Firms in the R100 000 to R400 000 turnover category estimated substantially higher than average costs. It is of course very difficult to gauge the accuracy of such estimates, given that firms were asked the question hypothetically rather than directly, but it does appear that in some cases at least, the cost of protection payments may be significant.

## 7 OPPORTUNITY COSTS

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THE STUDY FOUND clear evidence that the impact of crime on small businesses goes beyond monetary costs. Perceptions of high levels of violent crime, together with businesses' actual experience of serious crimes such as robbery and burglary, create considerable opportunity costs for individual enterprises and the broader economy. Because of crime, many businesses limit their operations, and are reluctant to expand. Analysis of the survey data shows that businesses that have been directly affected by crime are less likely to increase their employment. In addition, businesses have to contend with the effects of fear of crime among customers/clients and suppliers, which can result in a loss of passing trade and in difficulties accessing stock.

Studies in various countries have demonstrated the negative impact of crime on small business development. A 2002 study assessing the impact of crime on firm performance in Latin America, for example, found that 67 percent of firms cited crime as an obstacle to doing business - substantially reducing the overall economic performance of private enterprises, and sales growth in particular.<sup>23</sup>

Businesses may decide to put expansion plans on hold because of concern about crime. A July 2006 study conducted in transition economies in Europe and Asia, for example, reported that increases in crime-related enterprise costs had diverted resources from business expansion and other improvements.<sup>24</sup> Twenty-three percent of US firms surveyed stated that they had postponed or cancelled expansion plans because of concerns about crime.<sup>25</sup> Among firms in Jamaica, 37 percent stated that crime had curtailed expansion plans, and 37 percent reported that crime had constrained investments to improve productivity.<sup>26</sup>

Respondents in our survey were asked whether general levels of crime (actual rather than perceived) in their area of operation had impacted on the way they did business. A third of businesses reported that crime had made an impact. The figure in areas characterised as high crime was just under half, compared to less than 20 percent in areas of low crime. Forty percent of retail businesses, across the turnover scale, reported changes to their business operations as a result of crime in their area of operation.

Over half of the respondents who indicated that crime had impacted on their ways of working referred to increased levels of personal vigilance and caution. A third of these noted various changes in their patterns of operation to try to reduce the risk of crime, including keeping lower levels of expensive equipment and stock on the premises, and avoidance of cash transactions. A quarter had increased their spending on security as a result of crime in the area.

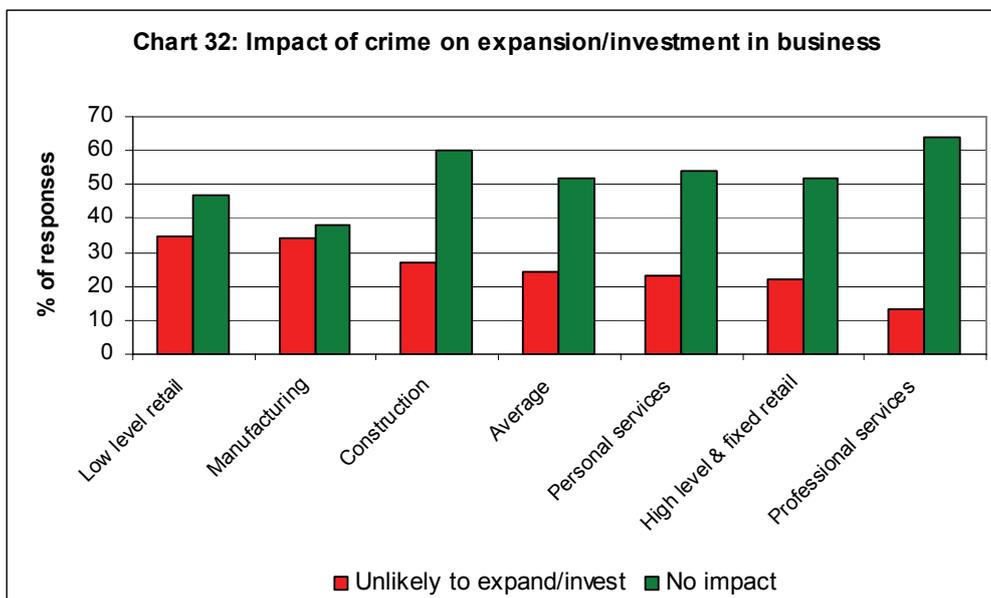
### 7.1 Impact on firm growth and employment decisions

The survey sought to test the extent to which businesses might be reluctant to expand their businesses or invest more money in their business owing to concerns about crime. Just over half the respondents stated that crime had made no impact on their decisions regarding investment in or expansion of their businesses. However a quarter of all respondents expressed reluctance or unwillingness to expand or invest in their business because of the threat of crime. For those unwilling to invest more in their businesses, reasons included the likelihood that equipment or computers would be stolen, and that money that could have been spent on growing the business was being directed toward improving security arrangements.

Businesses operating in townships and informal settlements were most likely not to invest in or grow their businesses owing to the threat of crime. Just under a third of respondents indicated that they were unlikely to expand or invest in improvements. The opportunity costs of crime appeared to be considerably lower in inner city areas and suburbs. Nonetheless, 27 percent of inner city responses indicated a reluctance to expand or invest in new equipment owing to concerns about crime, while the figure for businesses in densely developed suburban areas was 16 percent.

Thirty two percent of responses in high crime areas noted an unwillingness to expand or invest in improvements to the business owing to crime concerns – considerably higher than the 21 percent in moderate and 18 percent in low crime areas.

The spread of responses across sector types was fairly even. Lower level retailers were most likely to indicate unwillingness to expand. However, given the informal nature of many of these businesses, it should be recognised that crime is not the only factor, and perhaps not even a major one preventing expansion or investment in these businesses.



Thirty five percent of small manufacturing enterprises expressed unwillingness to expand and invest in new equipment or improvements to the business because of crime. Five percent of manufacturing enterprises were considering relocating or had already done so owing to crime concerns. However, this sector was also the most likely to report that businesses were already expanding (12 percent), indicating significant variations among businesses within the sector. Professional services, including financial and IT consultants, were least likely to report an impact of crime in decisions about expansion or investment – possibly reflecting variations associated with having a less tangible product and thus less risk regarding stock and equipment.

## **7.2 Impact on employment decisions**

*Are businesses reluctant to take on new employees owing to concerns about crime?*

Table 12 presents results from a probit estimation that examines the association between changes in firm size and the occurrence of crime. The results are large and significant. Businesses that have been affected by crime are 17 percent to 22 percent less likely to increase employment. Furthermore, businesses affected by crime are 10 percent to 12 percent more likely to decrease employment.

The results suggest a strong link between crime and enterprise growth. They also suggest that crime is the largest explanatory factor in changes in employment. The predicted probabilities from the model, a measure of the goodness of fit, are very close to the observed proportions for both the employment-increase and employment-decrease models if the crime variable is included as the only explanatory variable. Adding other controls, such as turnover bands and location, has little effect on these predicted probabilities. However, the estimated size of the crime effect might well have been different if it had been possible to include other firm characteristics, such as profitability, in the models.

THE IMPACT OF CRIME ON SMALL BUSINESSES

<b>Table 12: Probit estimates of the relationship between firm growth and crime</b>				
	(1)	(2)	(3)	(4)
	Employment increase	Employment increase	Employment decrease	Employment decrease
	(marginal effects)	(marginal effects)	(marginal effects)	(marginal effects)
Crime affected	-0.170	-0.219	0.122	0.101
	(2.55)**	(4.23)***	(2.55)**	(2.59)***
High crime area	0.017		-0.008	
	(0.23)		(0.16)	
Moderate crime area	-0.118		-0.016	
	(1.70)*		(0.33)	
Inner city	0.038		-0.042	
	(0.57)		(0.90)	
Township/informal settlement	0.008		-0.015	
	(0.12)		(0.31)	
Turnover <R10 000	-0.282		-0.046	
	(0.90)		(0.29)	
Turnover R10,000-R14,999	-0.024		-0.069	
	(0.08)		(0.47)	
Turnover R15,000-R24,999	0.121		-0.151	
	(0.51)		(1.76)*	
Turnover R25,000-R49,999	-0.031		-0.128	
	(0.13)		(1.28)	
Turnover R50,000-R74,999	-0.043		-0.102	
	(0.18)		(0.92)	
Turnover R75,000-R99,999	0.043		-0.121	
	(0.18)		(1.15)	
Turnover R100,000-R199,999	0.046		-0.169	
	(0.20)		(1.91)*	
Turnover R200,000-R399,999	-0.161		-0.165	
	(0.65)		(1.96)*	
Turnover R400,000-R599,999	0.177		-0.156	
	(0.79)		(1.81)*	
Turnover R600,000-R799,999	0.019		-0.139	
	(0.07)		(1.50)	
Turnover R800,000-R999,999	0.079		-0.132	
	(0.34)		(1.29)	
Turnover >R1m	-0.226		-0.118	
	(0.90)		(1.15)	
Cape Town	-0.076		0.026	
	(1.06)		(0.50)	
Durban	0.110		0.055	
	(1.54)		(1.03)	
Observations	370	370	370	370
Obs P	0.595	0.595	0.165	0.165
Predicted P (at mean)	0.605	0.599	0.147	0.159
Absolute value of z statistics in parentheses				
* significant at 10%; ** significant at 5%; *** significant at 1%				

Variations in impact can be demonstrated according to the type of crime experienced by businesses, as in Table 13. The results suggest that businesses that have had a burglary are 11.6 percent less likely to experience an increase in employment and 15.3 percent more likely to experience a decrease. Those who have been a victim of robbery or armed robbery are 16.6 percent less likely to grow and 13 percent more likely to shrink. The effect of fraud on firm growth is large and significant at the one percent level. Firms affected by fraud are 41.8 percent less likely to increase employment. Shoplifting appears to have a statistically significant impact on both firm expansion and contraction. Vandalism, pickpockets and assault seem to have little impact on changes in employment.

<b>Table 13: Probit estimation of employment changes</b>		
	(1) Emp. increase	(2) Emp. decrease
Crime - burglary	-0.116 (1.76)*	0.153 (2.98)***
Crime - robbery	-0.166 (2.14)**	0.130 (2.19)**
Crime - fraud	-0.418 (2.67)***	0.188 (1.52)
Crime - pickpockets	-0.051 (0.33)	
Crime – vandalism	0.216 (1.42)	-0.040 (0.36)
Crime - assault	-0.327 (1.20)	0.211 (1.17)
Crime - shoplifting	-0.325 (3.41)***	0.249 (3.04)***
High crime area	0.040 (0.52)	-0.020 (0.37)
Moderate crime area	-0.128 (1.75)*	-0.024 (0.47)
City centre	0.066 (0.92)	-0.053 (1.06)
Township	0.004 (0.06)	-0.026 (0.53)
Turnover less than R10,000	-0.257 (0.79)	-0.022 (0.13)
Turnover R10,000-R14,999	0.005 (0.02)	-0.072 (0.48)
Turnover R15,000-R24,999	0.093 (0.39)	-0.144 (1.52)
Turnover R25,000-R49,999	-0.057 (0.24)	-0.108 (0.97)
Turnover R50,000-R74,999	-0.035 (0.15)	-0.095 (0.83)
Turnover R75,000-R99,999	0.062 (0.26)	-0.118 (1.07)
Turnover R100,000-R199,999	0.061 (0.26)	-0.152 (1.58)

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Turnover R200,000-R399,999	-0.167	-0.161
	(0.67)	(1.81)*
Turnover R400,000-R599,999	0.178	-0.156
	(0.78)	(1.73)*
Turnover R600,000-R799,999	0.047	-0.146
	(0.18)	(1.61)
Turnover R800,000-R999,999	0.089	-0.124
	(0.39)	(1.17)
Turnover more than R1,000,000	-0.214	-0.111
	(0.85)	(1.01)
Cape Town	-0.052	-0.019
	(0.67)	(0.34)
Durban	0.108	0.058
	(1.46)	(1.02)
Observations	363	350
Obs P	0.590	0.174
Predicted P (at mean)	0.597	0.149
Absolute value of z statistics in parentheses		
* significant at 10%; ** significant at 5%; *** significant at 1%		

The extent to which concerns about crime impacted on respondents' employment decisions was not necessarily explicitly recognised by the business owners themselves. Just under half of all businesses in the sample stated that concerns about crime had impacted on the way in which they choose their employees. Among businesses that had experienced one or more incidents of crime the figure was 55 percent. While the majority of these respondents reported making regular use of references and background checks - only a very small number stated that they would be less likely to take on employees owing to crime concerns, and these tended to be businesses in the smaller turnover bands.

### 7.3 Changes to the business location

Businesses may choose to relocate to safer areas or premises owing to perceptions of the risk of crime. Potential costs could involve moving further from the customer base, increased rents, or reduced exposure to passing trade – as well as the direct costs of the relocation itself. A US study of urban small businesses found that a third of respondents had considered moving to a new location, usually outside the city limits, following an incident of crime. A study in transition economies in Europe and Asia found a similar pattern, and also reported that in extreme cases some enterprises had exited the marketplace altogether.<sup>27</sup>

Our survey asked businesses to describe what changes, if any, they had made to the location of their businesses as a result of the threat of crime in their area of operation over the past year. The large majority of respondents (about 90 percent) stated that they had made no changes in location as a result of crime. Twelve percent stated that they had increased the security of their existing premises rather than re-

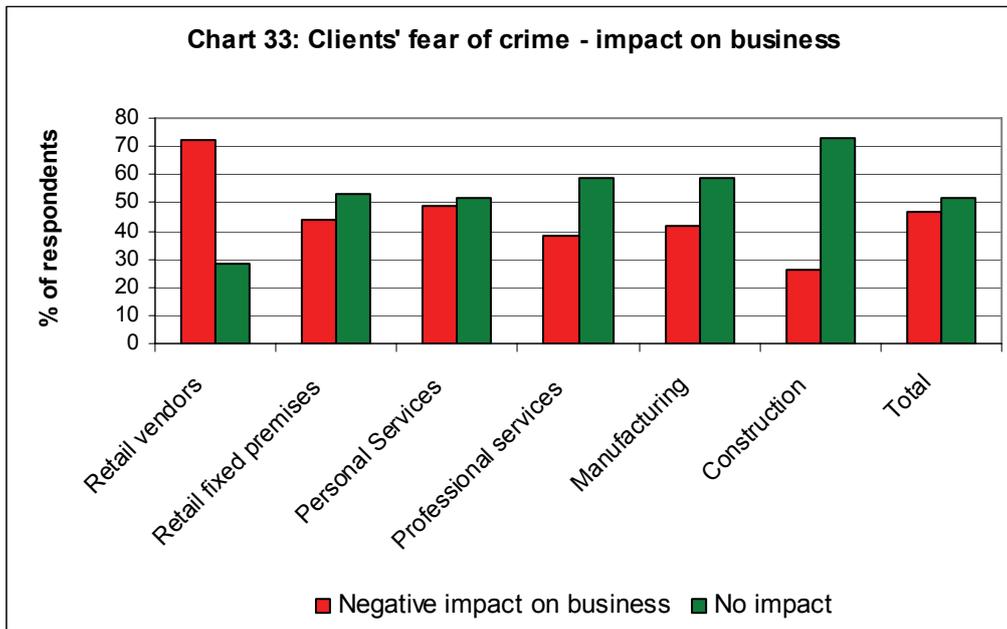
locate. Only four percent of respondents indicated that they had relocated as a result of crime or were thinking seriously of doing so. Respondents indicating a willingness to relocate were most likely to be based in inner city locations and areas perceived as high crime areas. About seven percent of low level vendors stated that they had already moved to malls or other busy areas as a means of reducing their vulnerability to crime. Manufacturing businesses were most likely to be considering relocating or to have relocated already owing to crime concerns (12 percent of responses).

#### **7.4 Loss of clients/customers**

Perceptions of crime among customers or clients is potentially damaging for small businesses. Clients may fear a re-occurrence of a particular incident after a business has been victimised, or may simply prefer to avoid a particular area or street owing to perceptions of risk associated with the location.

Forty seven percent of respondents felt that fear of crime among clients or customers had resulted in a negative impact on their businesses (sample size: 439).<sup>28</sup> There was considerable variation in responses across location types – 58 percent of business owners in townships and informal settlements reported losing customers, as did 53 percent of inner city businesses. The figure for businesses located in densely developed suburban areas was considerably lower at 37 percent. The majority of businesses in the latter category enjoy the benefits of shopping centre/business park security, with secure parking for customers or clients, and are thus less likely to lose customers or clients as a result of concerns about crime.

The perceived impact was similarly varied across sub-sectors. Just over 70 percent of low level and informal sector retail vendors reported that customers' or clients' concerns about crime had impacted negatively on their businesses. Many of these businesses operate in townships and informal settlements, creating considerable overlap with the location-specific results above. Construction businesses appeared to be least affected by customers' concerns about crime. These firms are also probably least reliant on customers coming to their premises to transact business, which may well reduce the perceived risk for customers.



### 7.5 Loss of passing trade

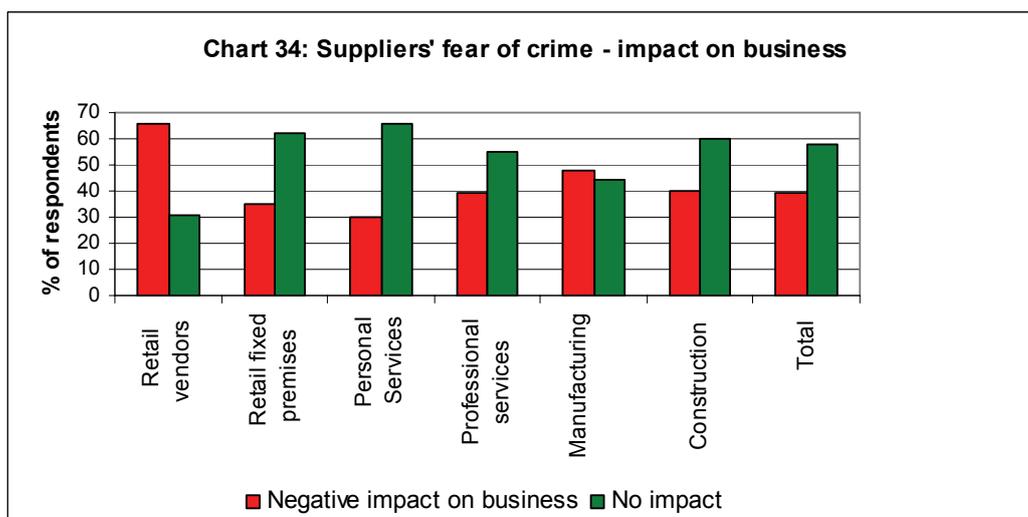
Firms were asked whether they had experienced any loss in passing trade as a result of crime in the area. Twenty eight percent of respondents felt that they had suffered such losses. The figure was slightly lower than average for firms in the inner city. Unsurprisingly, the number of firms reporting loss in trade as a result of crime was highest in areas characterised by high crime (37 percent%) and lowest in areas perceived as being safer (20 percent).

The impact of loss of passing trade was greatest for firms in the retail sector (vendors and fixed premises) – 36 percent of whom reported losses as a result of crime. Personal and professional service providers also reported suffering some losses, although on a smaller scale (21 and 16 percent respectively). Manufacturing and construction businesses, on the other hand, neither of which are particularly reliant on passing trade, tended not to report losses in this regard.

### 7.6 Difficulty accessing supplies/deliveries

Respondents were asked whether concerns about crime among their suppliers had created any negative impact for their businesses. Sixty percent of respondents stated that this was not a problem. The pattern for businesses in informal settlements and townships was markedly different however, where 60 percent of businesses felt that suppliers' concerns about crime *had* impacted negatively on their businesses. This result is likely to be influenced both by generally worse perceptions of crime among business owners in townships and informal settlements, as

evidenced in the previous sections, as well as reluctance among suppliers to deliver to such areas, which are likely to be viewed as more unsafe than more formal, better serviced areas. At sub-sector level, low level and informal retail vendors were substantially above average in their perceptions of a negative impact as a result of suppliers' concerns about crime. As noted above, this group was found to be considerably more concerned about the negative impacts of crime in general. It also operates largely from townships and informal settlements, where concerns about crime were found to be higher.



## 7.7 Changes to operating times

A number of international studies have identified changes to business hours of operation as an indirect cost associated with precautions to prevent crime. The 2003 World Bank study in Jamaica found that 37 percent of firms had opted to close before dark. Of these, many indicated that they would operate longer hours if their place of operation were perceived to be safer. Firms reported that, on average, they would be willing to remain open an additional 3.6 hours per day if they were located in a safer area.<sup>29</sup> In Australia, 17 percent of owners/managers reported that staff had requested timetable changes following a robbery.<sup>30</sup>

While 80 percent of respondents in our sample reported that they had not made any changes to their operating hours, 13 percent of the sample had made such changes specifically to try to reduce their risk of crime. Most of those who had made changes were located in townships and informal settlements. While just seven percent of businesses who had not been exposed to crime during the past year had changed their operating hours, the figure among businesses that had experienced one or more incidents of crime was 20 percent.

Lower level retail vendors were most likely to report having changed their hours of operation as a result of crime concerns (22 percent of sub-sector respondents) – an unsurprising result given their lack of fixed premises and limited access to security measures. Fixed retail premises were also somewhat more likely than average to report changes to operating hours (16 percent), a factor possibly associated with high levels of movable stock.

#### WORKING FROM HOME – MAMELODI AND MADINA

Christopher Stone cites the example of a comparative study of home-based enterprises in two low-income settlements – in South Africa and Ghana, both located on the fringes of the capital city.

In Mamelodi, 40 percent of households have at least one home based enterprise, 73 percent of which are operated by women. Businesses produce monthly income roughly equal to the minimum wage, and over 90 percent are operated by a sole proprietor or by family members. Fear of crime is pervasive. Shops close early, and business is conducted mainly indoors and often behind screens. Robberies are frequent. Ventures are often short-lived, as individuals find that the small margins do not justify the associated risk.

Madina, in contrast, while providing the same range of home-based enterprises, experiences very little crime. Many enterprises are busiest after dark when the streets are full of people, and operators often store their goods outside, with little fear of theft.<sup>31</sup>

### 7.8 Reluctance of insurers to provide cover in the area

Thirteen percent of firms stated that they had encountered reluctance from insurers to cover their businesses because of the area in which they were located. While this figure appears relatively low, it should be borne in mind that the majority of emerging small businesses do not apply for insurance at all. The proportion of firms who had been turned down for insurance was considerably higher than average in townships and informal settlements, at 21 percent. It was also considerably higher in areas characterised by high crime (20 percent), than areas of moderate (11 percent) and low crime (5 percent). Among businesses that had experienced an incident of crime the figure was 20 percent.

At sub-sector level there were no major deviations from the average, with the exception of the manufacturing sector. While it should be noted that the sample size was small (34 businesses), the survey found that 24 percent of businesses in the manufacturing sector reported difficulty getting insurance.

## **7.9 Competition from sale of stolen goods in the area**

Twenty two percent of respondents stated that their businesses had suffered as a result of competition from sales of stolen goods in the area. This figure was highest for firms in townships and informal settlements, at 35 percent, and firms in high crime areas (30 percent). Among retail businesses the impact of competition from stolen goods was slightly higher than average, particularly for low level vendors (28 percent). This result is to be expected, given that these low level vending enterprises for the most part sell small, highly tradable items such as CDs and DVDs, cell phones and electronic equipment – items which are easily stolen and resold.

## **7.10 Personal experience of crime and financial viability of business**

Respondents were asked whether incidents of crime experienced in their personal capacity had impacted on the financial viability of their businesses. Forty five percent of respondents stated that the financial viability of their businesses had been negatively affected as a result of their personal experience of crime. This figure was highest for businesses operating in townships and informal areas (55 percent) (sample size: 93).

## **7.11 Business closure**

Only two respondents in our sample indicated that they were likely to sell or close their businesses as a result of crime. Both of these were located in areas perceived to be characterised by high crime levels, and both experienced three or more incidents of crime in the past year.

All respondents were asked whether they knew of any businesses in the area that have closed down or relocated as a result of crime. Fourteen percent stated that they knew of such cases.

Through a process of snowballing, the survey team was able to identify a small sample of 42 individuals who had closed down their businesses, and who stated their primary reason for doing so as the effect of or concerns about crime. Just over half of these had formerly operated in townships or informal settlements, a quarter in densely developed suburban areas, and 20 percent in inner cities. Just under half had been fixed premises retailers, including food and convenience stores, about a third were informal sector retail vendors, and sixteen percent had been small manufacturers.

These businesses represented a broad range of turnover bands, from R10 000 to R15 000 per annum, all the way to R5 million per annum. Forty percent turned over between R25 000 and R75 000 per annum, and a further 30 percent fell in the

R100 000 to R400 000 bands. Just under half had been located in an office block or shopping centre, a quarter worked from home, and a quarter operated as informal traders. Forty one percent had been family owned, thirty percent were sole proprietors, and twenty percent were close corporations. On average the businesses had been in operation for about eight years – although the average in densely developed suburban areas was closer to fifteen years.

The large majority of respondents had closed their businesses following an incident of burglary or robbery. In one third of cases the respondent had experienced an incident of armed robbery characterized by some level of violence, including deaths in some cases. Eighty percent of respondents had experienced several incidents of crime over a period of time before taking the decision to close their business. Most respondents felt that their area of operation had become prone to high levels of crime, and that they had lost passing trade as a result. Only seven percent of those who had closed their businesses characterized the area in which they had operated as a low crime area.

Two thirds of the respondents had not insured their businesses against crime. Sixty percent of these cited unaffordably high costs, and the remainder stated that the company was too small or was not formally registered. Of the few who were covered, most had successfully claimed against their insurance.

#### **A CASE STUDY OF THE OPPORTUNITY COSTS OF CRIME**

Two years ago, Arnold N, a salaried employee with an entrepreneurial flair, invested his savings in a small hairdressing salon, to be run by Busi, his wife and an experienced hairdresser. The couple lived in Berea, Johannesburg, and decided to establish the business close to home in order to minimise travelling costs. A local home-owner was letting a garage in her yard. While acknowledging Berea as a high crime area, Arnold and Busi were not too perturbed because the garage was in someone's yard and on a busy strip, which would hopefully attract clients. Two additional hairdressers were employed, and the business opened its doors. It achieved a turnover of around R20 000 in its first year and enjoyed a steady stream of customers. However, six months into the second year of operations, the business was burgled. The building was damaged and all the hairdressing equipment was stolen. Arnold had not insured the premises or stock. He reported the incident to the police, but did not receive any follow-up and soon became disillusioned about the possibility of anything coming of the case. Faced with starting from scratch, with no resources and no safety net, Arnold closed the business, after eighteen months in operation. He had exhausted his savings, and was unwilling to attempt to raise more capital only to be victimised again. He was also aware that were he to embark on any such venture again, he would have to incur considerable additional costs in the form of private security and insurance, payable on a monthly basis. That, he was convinced, would cancel any potential profits.

Since closing their businesses, 43 percent of respondents had opened new small businesses, seventeen percent had taken jobs with other businesses, and thirty percent were unemployed. Two thirds of the sample said that they would consider opening another small business in the future – although half of these would be doing so owing to a lack of other options. Most said that they would relocate to a different area, and about half would spend more on security for their businesses. Among the third that would not open their own business again, the large majority cited fear of crime as the primary disincentive.

#### **CRIME AS A DETERRENT TO ENTREPRENEURSHIP**

A study conducted by DPRU and TIPS in 2005 demonstrated that crime was perceived to be the dominant deterrent keeping the unemployed from entering self-employment in Khayelitsha. Research was undertaken during 2000 with a follow-up survey in 2005. While other hindrances to entrepreneurial activity, such as the risk of business failure, lack of access to start-up capital, transport costs, and jealousy within the community were shown to be important deterrents to self-employment, crime was rated as the only “critical” hindrance according to the ranking of results.

The researchers noted that relatively low levels of employment in small scale entrepreneurial work contributes to South Africa’s very high unemployment, and suggested that exclusion from small scale entrepreneurial activities may also prevent individuals from accumulating skills and/or capital to improve their livelihoods in the future. They recommended the need for further analysis to determine where the crime is taking place, and what forms of crime are affecting different types of people and business operations.<sup>32</sup>

## 8 INSURANCE

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### 8.1 Proportion of insurance coverage across the sample

Respondents were asked whether they had insured their businesses against incidents of crime. The sample was almost evenly split between businesses that did have insurance (51 percent) and businesses that did not (49 percent). Businesses located in areas characterised as low crime were somewhat more likely to be insured (59 percent) compared to businesses in high crime areas (51 percent). It is possible that businesses in high crime areas may have experienced somewhat more difficulty in accessing insurance, but it is probably more likely, given the small size of the variation, that the difference reflects variation in the types of businesses operating in different areas, and their willingness to incur costs on insurance or not. Businesses showed wide variation in insurance coverage at sub-sector level. Very few of the smallest businesses were insured. These variations can be seen in Table 14:

Sub-sector	% Insured against incidents of crime
High level/fixed premises retail	60%
Manufacturing	56%
Professional service providers	52%
Construction	47%
Personal service providers	42%
Low level and informal sector vendors	17%
Turnover	
R1m-R3m	100%
R400K-R1m	80%
R100K-R400K	61%
R25K-R100K	41%
R15K-R25K	12%
<R15K	6%

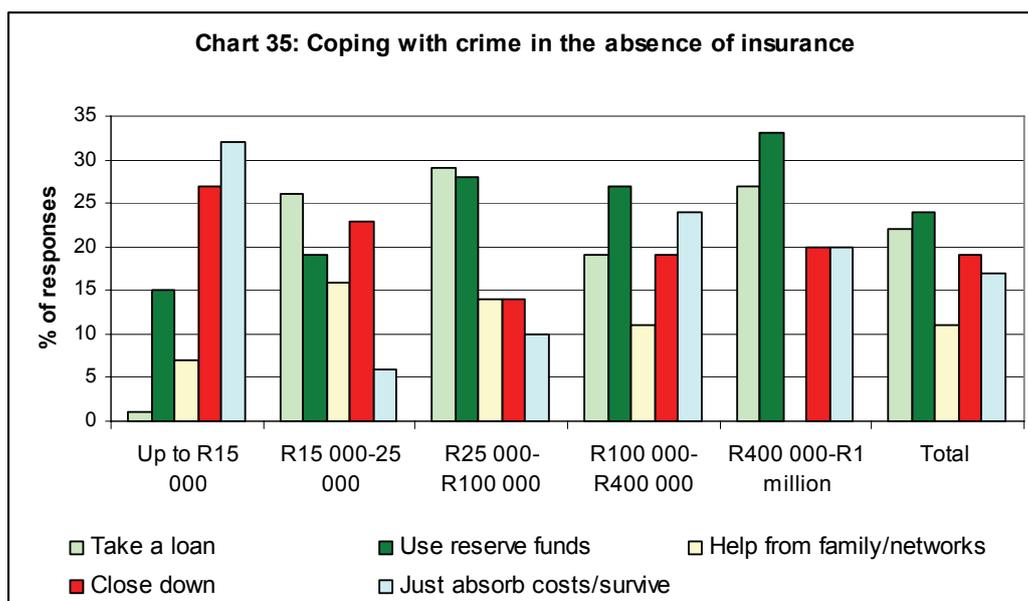
The pattern of insurance coverage varied significantly by location type. Among businesses in townships and informal settlements, only a quarter of businesses had insurance. In contrast, among businesses in densely developed suburban areas two thirds had insurance (the split among inner city businesses was fairly even).

Just over a third of respondents had successfully claimed against insurance following incidents of crime. The figures for claims were somewhat higher among businesses in high crime areas - half had successfully claimed. This may be a reflection

of the higher incidents of serious crimes such as burglary and robbery, and destruction of property, in these areas. Over a third of businesses who did not have insurance against crime claimed that the costs of insurance were too high and/or that they could not afford insurance. This figure was highest among firms in the inner city, firms located in areas characterised by high crime, and informal and low level retail vendors and construction businesses. Fifteen percent of responses stated that the business was too new or too small to be insured (sample size: 225).

## **8.2 Coping mechanisms in the absence of insurance**

Respondents who had reported that they were not insured were asked what support systems they might have access to in the event of a major crime event. The most common response across the sample was that firms would resort to reserve funds. Among businesses with turnover above R100 000 per annum it accounted for the significant majority of responses. Over twenty percent of businesses would rely on loans or credit to see them through. This response accounted for over 25 percent of responses for businesses with turnover between R15 000 and R100 000, and businesses with turnover between R400 000 and R1 million. Just over ten percent would borrow money from family and networks. This response was most prominent among businesses in the R15 000 to R25 000 turnover band. Just over 15 percent of responses suggested that firms would find ways to absorb costs and survive. The smallest businesses (with turnover below R15 000) were most likely to respond along these lines. Almost 20 percent of respondents indicated that they might have to close down in the event of a serious crime. This response was higher than average among businesses in the lower turnover bands. A small number of businesses, all with turnover below R100 000 per annum, indicated that they would probably relocate following a serious criminal incident.



Sample size: 210 businesses, without insurance coverage (excludes firms in turnover bands above R1 million, all of whom have insurance)

Business with potential access to loans (whether formal or informal) were mainly in the retail sectors (low level vendors and fixed premises), and professional services, where loans accounted for a quarter of all responses. Just over a quarter of manufacturing enterprises stated that they would probably rely on help from family and friends. The proportion of businesses who stated that they would have to close down in the event of a serious incident of crime varied across sub-sectors. Manufacturing and construction businesses appeared most vulnerable – over one third indicated closure as a likely consequence of an incident of serious crime. Among retailers across the formal and informal sectors the figure was 20 percent.

## 9 PSYCHOLOGICAL IMPACT

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In a crime-ridden society, the impact of crime on individuals is cumulative. Business owners are vulnerable to crime both at work and in their personal capacity. The negative psychological impacts of exposure to crime, at work or at home, were evident among a significant proportion of the sample, particularly those who had experienced more serious incidents such as robbery and burglary.

The impacts of crime are cumulative both in a financial sense, but also, less tangibly, in terms of the fear and trauma that individuals carry in their heads as the result of being exposed to crime, as victims themselves, and as managers, colleagues or family members of victims. Studies suggest that the psychological impacts of crime – leading for example to high employee turnover and decreased productivity as a result of high levels of anxiety and stress-related illness - may undermine the continued viability of a small business.<sup>33</sup>

A 1999 Australia Institute of Criminology study found that 19 percent of business owners/managers who had experienced a robbery reported personal difficulty in attending the premises after the incident. Twenty-nine percent suffered flashbacks, 33 percent reported nightmares and sleeping problems and 53 percent experienced fear of crime after the event. Reports of employee difficulties following a robbery were significant – 14 percent of business owners/managers reported frequent employee absences following the crime incident and 11 percent reported that their employees had developed difficulties in interacting with their customers.<sup>34</sup>

In South Africa, a 2007 Grant Thornton study found that among South African medium to large businesses affected by crime, 65 percent reported decreased productivity and motivation of staff, 41 percent reported a decrease in creativity, ingenuity and resourcefulness of staff, and 32 percent said crime had resulted in loss of staff.<sup>35</sup>

### 9.1 Impact on the business owner

Our survey asked all respondents a series of questions to assess the extent to which an experience of serious crime had impacted on their psychological well-being in relation to their ability to run their business effectively. About half of these reported that crime had made no impact on their ability to work effectively. This corresponds roughly with the proportion of businesses in the sample that had not experienced an incident of crime in the past year.

Table 15 shows different levels of psychological impact reported by respondents, in relation to their ability to:

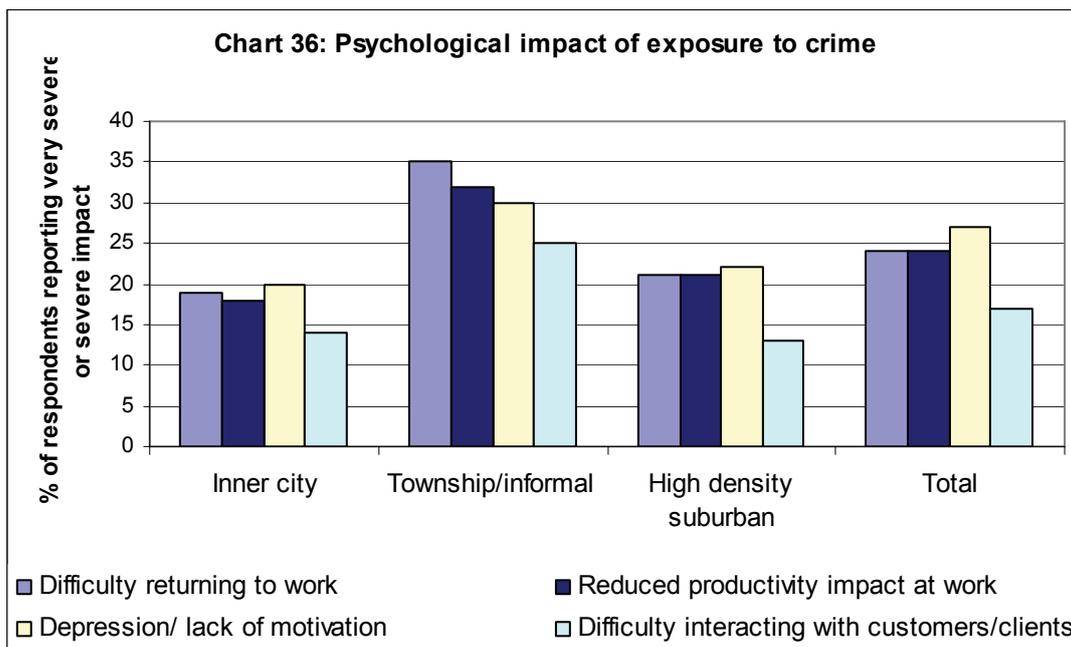
- return to work
- work productively and effectively
- motivate themselves and maintain a positive outlook, and
- interact effectively with staff and customers

	Very severe impact	Severe impact	Some impact	No impact	Don't know
Difficulty returning to work	17%	7%	14%	51%	11%
Reduced productivity	14%	10%	14%	52%	11%
Depression/ lack of motivation	16%	11%	14%	49%	10%
Difficulty interacting with customers/clients	11%	6%	11%	62%	11%

The most commonly cited psychological impact across the sample was depression and lack of motivation. Among victims of robbery, the negative psychological impact was understandably much greater. More than half these respondents reported depression and difficulty returning to work, 45 percent felt that they were less productive or effect at work as a result of the trauma of the incident, and over a third felt that their ability to interact effectively with customers had been impaired.

The psychological effects of serious crime incidents appeared to be considerably higher for businesses operating in areas perceived as being characterised as high crime. As noted above, businesses in these areas were more likely to have experienced multiple incidents of crime. Forty percent of respondents operating in these areas reported severe or very severe difficulty returning to work following a serious crime incident. Similarly 35 percent of businesses in high crime areas reported reduced productivity or effectiveness at work, and 41 percent reported depression and lack of motivation.

As evident in the graph below, individuals operating in townships and informal settlements reported significantly higher than average negative impacts as a result of their experience of crime. This is in line with the earlier findings of both higher overall levels of crime in townships and informal settlements, higher levels of more serious crimes such as robbery and burglary, and higher levels of violence and other aggravating circumstances associated with crimes in these areas.



Sample size 446

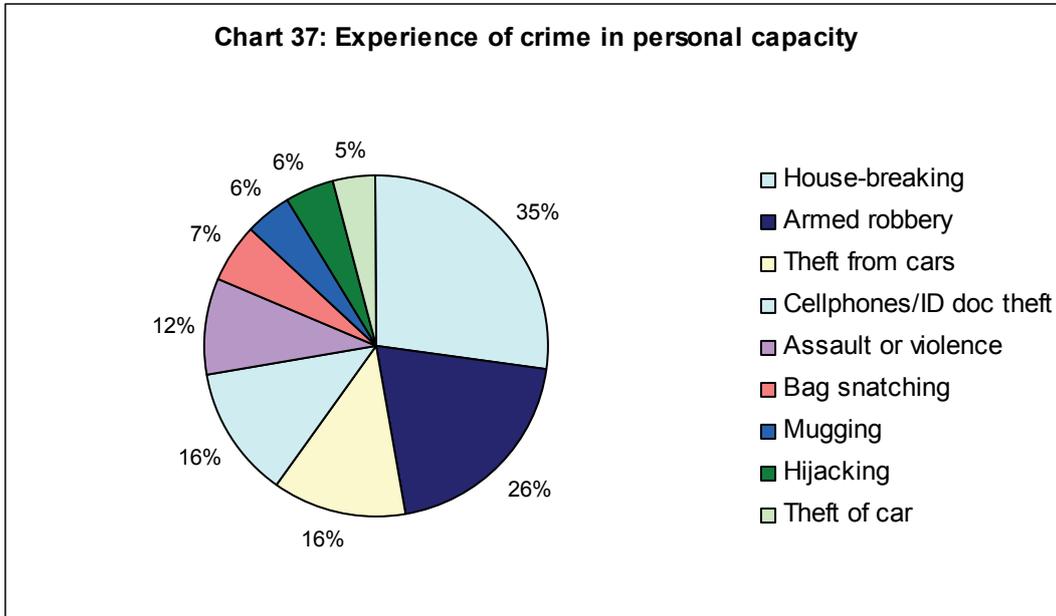
At sub-sector level, lower level retailers reported significantly higher than average negative psychological impacts across all questions. This group, which includes individuals operating in the informal sector, is probably less likely to have protection against crime while at work, and is thus probably more prone to fear and anxiety in the aftermath of crime. Interestingly, respondents providing professional services also reported higher than average negative psychological impacts. This can be explained in terms of the results of section 4.1 (Chart 21), which show that professional service providers in the sample had experienced a significantly higher than average rate of robbery, including armed robbery, compared to other sub-sectors.

## 9.2 Crime against the SME owner in personal capacity

Clearly, the psychological impacts of crime go beyond what is experienced by the business owner at work, and include exposure to crime in one’s personal capacity. Respondents were thus asked whether they had been a victim of a serious crime in their *personal* capacity during the past 12 months, when not at work. Twenty one percent of all respondents (95 individuals) had been victims of crime in their personal capacity.

Several respondents had experienced multiple incidents – making a total of 130 incidents. Of those who had experienced crime in their personal capacity, thirty five percent had had their houses burgled during the course of the year. Twenty six percent had experienced an armed robbery at their home. Others had experienced

theft from cars, theft of cell-phones and/or ID documents, assault or violence, pick-pocketing or bag snatching, hijacking, damage to property, mugging and car theft. Chart 37 shows the percentage of respondents experiencing various types of crime.



Sample size: 95. Totals exceed 100 percent owing to multiple experiences of crime

Respondents who had experienced crime in their personal capacity were then asked whether the psychological impacts of this experience had in any way impacted on their ability or motivation to run their businesses. Just over half the respondents stated that their ability or motivation had been impaired as a result of their experience of crime. This figure was highest for businesses operating in densely developed suburban areas (60 percent) – suggesting that while business owners operating in these areas appear to be less subject to the negative impacts of crime while at work, their exposure to crime in their *personal* capacity has a significant negative psychological impact, which carries over into their professional work.

### 9.3 Impact on employees

The psychological impact of crime on employees was recently explored in the 2007 Grant Thornton report, which found that among South African medium to large businesses affected by crime, 65 percent reported decreased productivity and motivation of staff. Thirty-two percent of medium to large firms affected by crime reported a direct loss of staff. Our survey asked respondents whose businesses employed staff other than themselves to comment on the apparent psychological impact of crime on their employees. Across the sample, difficulty returning to work was the most commonly cited psychological impact for employees, slightly ahead of reduced productivity or effectiveness. Difficulty in interacting with customers, higher staff

turnover, and damage to the employer/employee relationship were reported in a smaller percentage of cases.

<b>Table 16: Psychological impact on staff</b>				
	Very severe or severe impact	Some impact	No impact	Don't know
Difficulty returning to work	22%	12%	54%	12%
Reduced productivity	21%	14%	54%	12%
Difficulty interacting with customers/clients	16%	12%	59%	13%
Damage to employer/employee relationship	12%	9%	67%	13%
Higher staff turnover	9%	8%	68%	16%

Sample size: 379

Businesses located in townships and informal settlements, and business operating in inner cities, reported similar levels of employee difficulties as a result of trauma experienced during incidents of crime. The impact on employees in densely developed suburban areas was slightly lower than average in all cases.

Again, results differed significantly according to whether the respondent operated from an area perceived as being high crime or relatively safe. In areas characterised as high crime, 22 percent of respondents reported very severe impact on staff in terms of difficulty returning to work - compared to eight percent in low crime areas. Twenty nine percent of respondents in high crime areas felt that staff members were showing considerable levels of reduced productivity as a result of exposure to crime. Twenty four percent of respondents in high crime areas reported a severe or very severe impact in terms of staff difficulties in interacting with customers and clients - compared to nine percent in low crime areas.

Understandably, robberies appeared to create the greatest negative effect. Among respondents whose businesses had been robbed, half said that their employees had experienced difficulties returning to work, and 40 percent reported reduced productivity. Over a third reported damage both to employees' ability to interact with customers, and to the employer-employee relationship. Fifteen percent reported higher staff turnover.

## 10 REPORTING CRIME INCIDENTS

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INTERNATIONAL STUDIES have found that small businesses tend to under-report their experience of crime to the police. This is particularly the case where there is a sense that money or goods are unlikely to be recovered as a result of reporting, and/or that offenders are unlikely to be caught or prosecuted.<sup>36</sup> The research suggests that many small firms perceive reporting crimes to the police to be largely futile, and that the police do not take crimes against small businesses seriously. A study in the UK, for example, found that 40 percent of small businesses that had experienced crime had not reported those crimes to the police.

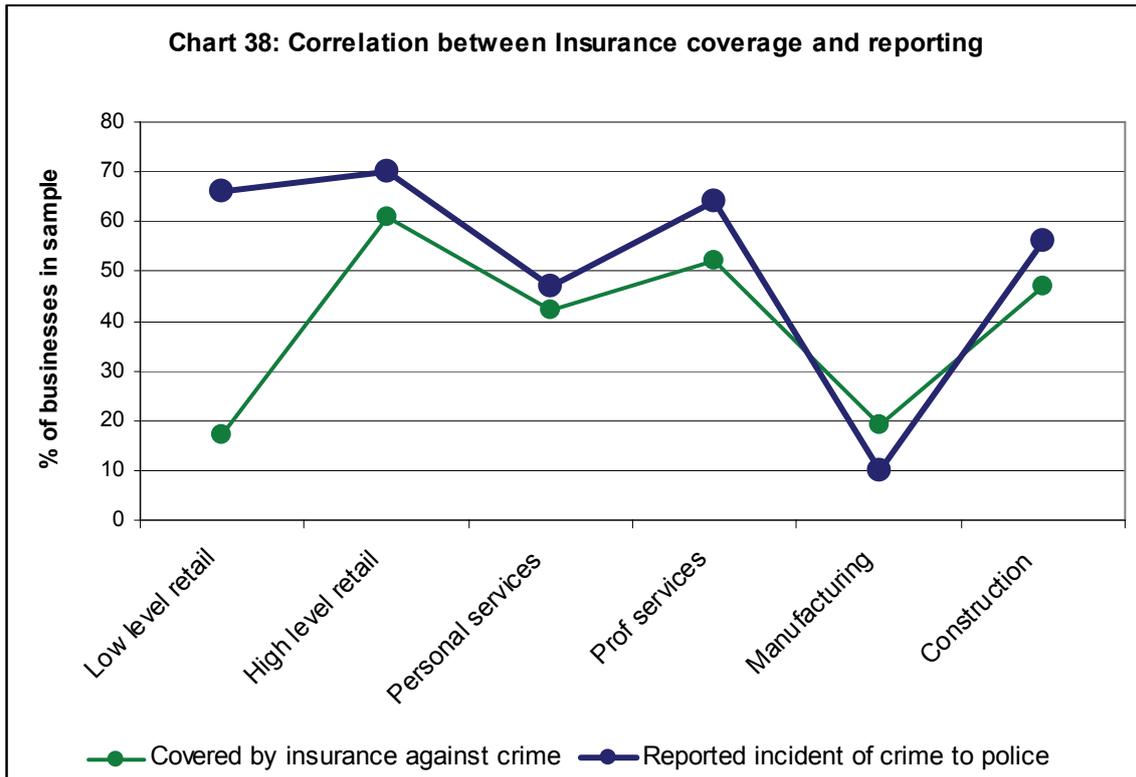
In instances where firms wish to claim insurance, or there have been injuries or fatalities, businesses are more likely to make a formal report. As a result, it is likely that patterns of crime reflected in police data do not accurately reflect actual incidents, with burglary and robbery over-represented compared with theft and fraud. Studies of small businesses in the US and Australia have found that, while the large majority of burglaries and robberies are reported to the police, very few incidents of shoplifting, employee theft and credit fraud are reported. Small business owners in these studies expressed pessimism about the police's ability to respond to reports of crime, and thus tended not to report incidents if there appeared to be little prospect of offenders being prosecuted or goods/money being retrieved.<sup>37</sup>

Patterns in South Africa appear to be similar. The World Bank Investment Climate Report found that just over half of businesses (of all sizes) reported all incidents of crime to the police, but that 28 percent reported none. The 2003 Victims of Crime Survey, undertaken by the Institute for Security Studies, found that while almost all victims of car theft and hijacking reported the crime to the police, reporting rates for other serious crimes like housebreaking, assault and robbery were low. The main reason cited by respondents for not reporting was that the crime was not important enough – even in the case of violent offences such as assault.<sup>38</sup>

### 10.1 Reporting to police

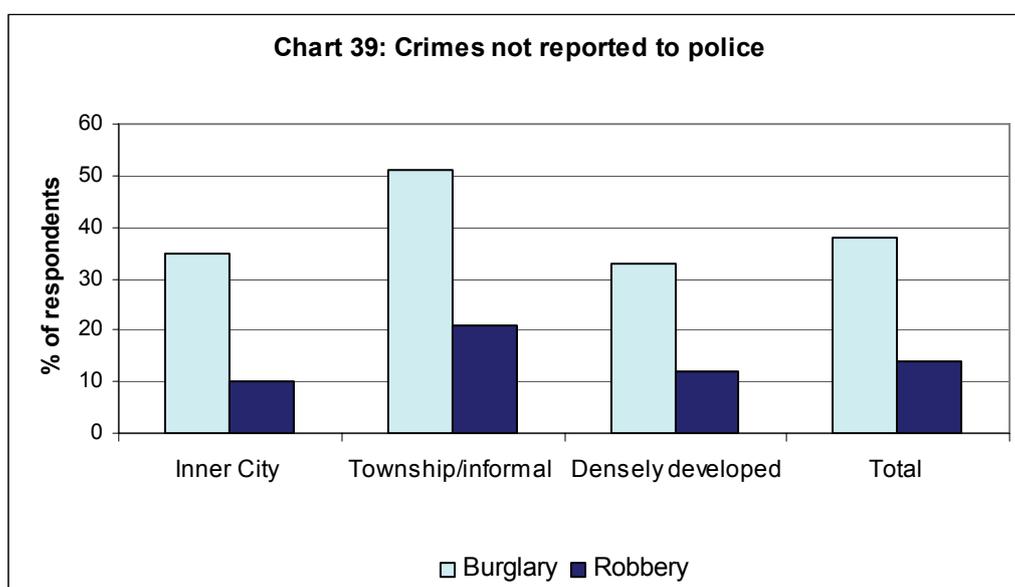
Survey respondents who had indicated that their business had experienced one or more incidents of crime during the past year were asked whether they had reported any of these incidents to the police. Sixty four percent of respondents said they had reported crimes to the police. Interestingly, the figure was highest among business owners operating in townships and informal settlements (75 percent). The proportion of respondents who had reported crimes was lowest in areas characterised by low crime (40 percent had reported). There was no clear pattern of reporting/not

reporting across turnover bands. There was however a very clear correlation between insurance coverage and reporting, as seen in Chart 38. The exception is the low level retail sector, where reporting rates were high, despite an extremely low level of insurance coverage. This may be a reflection of higher than average levels of robbery among businesses in this sector, together with fairly high levels of burglary – crimes that are more likely to be reported to the police than shoplifting and fraud, as discussed below.



Respondents were asked to describe the sorts of crimes that occurred against their businesses that they had *not* reported to the police. Forty percent of respondents stated that they did not report incidents of shoplifting to the police. Petty theft, staff theft, fraud and use of counterfeit money were also mentioned by a small proportion of respondents as crimes unlikely to be reported (sample size 177).

In contrast to the international experience, the survey found relatively high rates of non-reporting for burglary and robbery. This is consistent with the findings of the 2003 Victims of Crime Survey, cited above. In SBP’s survey, thirty eight percent of respondents stated that they did not report incidents of burglary, and fourteen percent said that they had not reported robberies experienced by their businesses. Despite the high proportion of businesses operating in townships and informal settlements that had indicated that they do report crimes to the police, this question found that burglaries and robberies in townships and informal settlements were more likely to go unreported than those occurring in inner city and suburban areas.

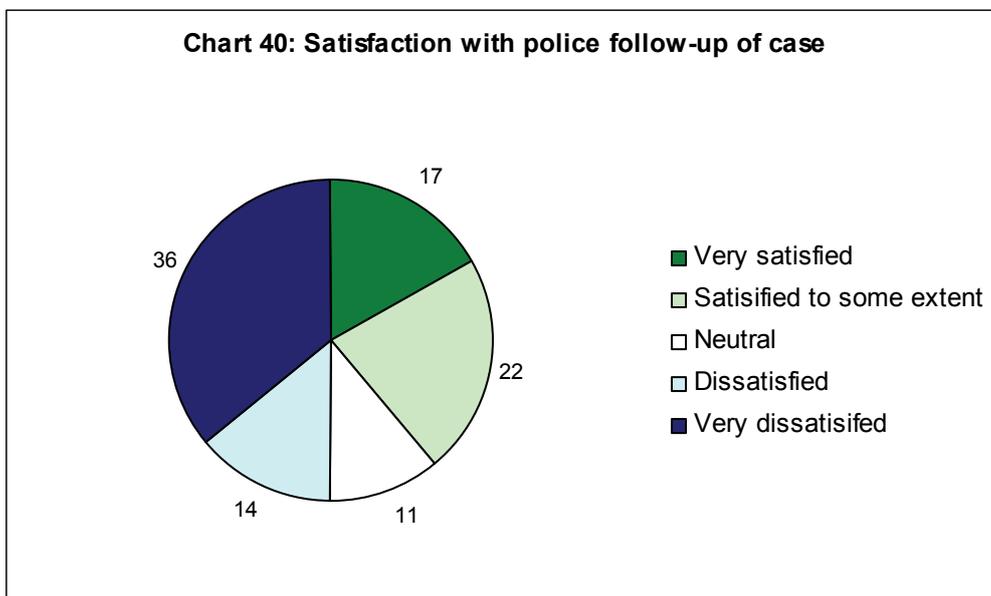


Respondents were asked to give some of the reasons why they do not report crimes to the police. Thirty eight percent of responses stated that the incident was too minor to report. This response was highest among businesses in low crime areas, and may reflect a prevalence of petty crimes such as shop-lifting and staff pilfering affecting these businesses. Twenty-two percent of respondents said that the police would not be interested or there would be a poor service from the police. Respondents in areas of high crime and moderately high crime were considerably more likely to criticise the service received from the police. Nine percent said they did not report because the chances of any arrest are too small to make it worthwhile. This response was highest among businesses in high crime areas (15 percent). Fifteen percent of respondents stated that an internal solution to the problem was found – this ranged from reporting the matter to mall security, to staff disciplinaries, and small businesses ‘dealing with the criminals’ themselves (sample size 182).

## 10.2 Satisfaction and results

Among respondents who had reported crimes to the police, 46 percent stated that they were satisfied with the service received from the police at the time of reporting. However, the figure in high crime areas was significantly lower at 33 percent. There were also considerable differences across location types. Fifty six percent of inner city businesses reported satisfaction with the police at the time of reporting. The figure for township and informal settlement businesses was 46 percent, but in densely developed suburban areas it was just 39 percent. Reasons given for lack of satisfaction with the police response included incompetence or inefficiency (19 percent), lack of evidence to follow up the case (14 percent), lack of results (11 percent) and police corruption (7 percent) (sample size 156).

Respondents were also asked to comment on whether they had been satisfied with the response of the police in the period following the reporting of an incident, in terms of the extent to which the police provided feedback to the respondent and kept them informed of the progress of the case. Over half the respondents were dissatisfied with police follow up of their case, as demonstrated in Chart 39. Seventeen percent stated that they were very satisfied with police follow-up, and 22 percent were satisfied to some extent.



Sample size: 154

Dissatisfaction was highest in inner city locations (42 percent) and areas characterised by high crime (30 percent), and lowest among township and informal settlement businesses (28 percent) and in low crime areas (18 percent). Reasons for dissatisfaction included lack of results (42 percent), police incompetence or inefficiency (19 percent), lack of evidence to follow up the case (14 percent), lack of results (11 percent) and police corruption (7 percent) (sample size 156).

ciency (38 percent), lack of feedback (31 percent) and delays in police response (27 percent). Police attitude was also mentioned in 11 percent of responses.

A quarter of respondents stated that there had been arrests resulting from criminal cases they had reported to the police. Business owners in townships and informal settlements were most likely to report successful arrests (39 percent), compared to 16 percent in inner city locations and 20 percent in densely developed areas (sample size 156).

According to respondents, however, few arrests had resulted in convictions. Only 12 percent of respondents reported convictions taking place. Seventy percent stated that there had been no convictions in the cases they had brought to the police. This finding bears out the results of the Investment Climate Report: South Africa, which found that 72 percent of firms of all sizes that had reported criminal incidents to the police reported that none of the incidents were solved. Similarly, the SAPS 2006/07 annual report notes that only 14 percent of burglary at non-residential premises cases were referred to court, as were ten percent of business robberies.

### **10.3 Reporting to community structures**

In recognition that small businesses may under-report incidents of crime to the police, the study aimed to establish whether small businesses had access to or expressed a preference for community based structures for reporting purposes. Businesses in the sample were thus asked whether they belonged to a community structure that included action against crime within its mandate, and/or whether they had reported experiences of crime to such structures. Interestingly, the proportion of businesses that belonged to community forums was very low. Furthermore, most businesses were more likely to report crimes to the police than to community based organisations.

Thirteen percent of businesses in the sample reported being members of a community structure aimed at addressing crime. The figure was lowest for businesses in the inner city (6 percent) and highest for businesses operating in densely developed suburban areas (18 percent). The latter figure is however somewhat inflated, since businesses included access to shopping centre security and subscriptions to private armed response companies in their responses. Only six percent of respondents in the sample were actually members of community forums.

Fifteen percent of respondents who had experienced incidents of crime against their businesses had reported one or more incidents to community structures (as defined by respondents i.e. including private security). The figure was highest for businesses in densely developed suburban areas (18 percent), and included a significant

proportion of businesses that had referred incidents to shopping centre/mall security or management. Only five percent of respondents had reported to community forums or safety and security forums. Of those who had reported crimes to community structures, two thirds were satisfied with the outcome.

Two thirds of all respondents believed that business owners preferred to report crimes to the police. Twenty-nine percent felt that they would report crimes to both community structures and police. Only six percent believed that business people preferred to report crime to community structures rather than police. Businesses in townships and informal settlements showed a slight variation on results, with 12 percent of respondents indicating that community structures would be preferred to the police.

## **11 CONCLUSION AND RECOMMENDATIONS**

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THIS SECTION summarises various recommendations that emerged from respondent's comments elicited by the survey, as well as more focused discussion in three regional workshops at which the survey findings were presented to a range of stakeholders.

Workshop participants included provincial and local government officials, senior police officers, representatives of business associations, and individuals with active roles in multi-agency crime prevention initiatives.<sup>39</sup> The workshops provided an opportunity to validate the survey results against participants' experience and identify areas for further exploration. They also, very importantly, provided an excellent forum to discuss policy issues, and the participants' insights and constructive recommendations were very helpful in the production of this report.

The recommendations are specifically concerned with the situation of small businesses – and in particular, with the circumstances of black-owned and emerging small businesses.

### **11.1 Reporting incidents of crime, and improving data collection and public relations**

Stakeholder recommendations point to the need for continuing improvement in the professionalism of the police service. Survey respondents were vocal in their calls for more effective policing, including better police visibility and area coverage, faster response times, and, crucially, better communication between the police and victims of crime together with concentrated efforts to build public trust in the police service.

It was suggested that SAPS needs to raise its standards for recruitment and concentrate on attracting professional, interested and committed individuals who can present a competent face to the public. The need to run the police service like a business, with a strong emphasis on customer service, was stressed by a number of stakeholders.

Effective policing requires, as a first step, that crimes are reported. The survey results suggest that there is a positive foundation on which to build, with relatively high rates of reporting, at least among businesses with insurance. On the other hand, reporting appears to depend very much on the perceived seriousness of the crime, and respondents were very unlikely to report 'minor' crimes such as shoplifting, staff theft and vandalism. Business owners must be persuaded that it is im-

portant to report *all* crimes, regardless of whether they are viewed by the businesses as serious or not, and irrespective of whether the business intends to make an insurance claim. Businesses also need to understand the connection between local crime statistics and the ways in which police are deployed.

International research indicates that levels of reporting are strongly correlated to expectations of police reaction and effectiveness. Efforts to improve reporting therefore require that victims of crime experience a positive reception at the police station – coming away from the reporting process confident that their case has been taken seriously and the relevant information has been efficiently recorded.

This should be coupled with broader efforts to strengthen official crime data collection, possibly complemented with specialised victimisation surveys, in order to establish regular and reliable crime data, and to identify and remedy gaps between official statistics and other survey data. Robust data collection of this sort is central to trend detection and identification of groups most at risk.

A real-time information management service should be developed, to facilitate the identification of priorities and accurate targeting of scarce resources. The feasibility of introducing electronic reporting of crime incidents for businesses should be investigated. This could potentially draw lessons from the SARS reporting model.

Given the high rates of repeat victimisation seen in the survey results, improvements are needed to information systems to enable the timing and circumstances of repeat crimes to be better recorded.

The survey results pointed very clearly to the need for better communication and follow-up from the police following reporting. Individuals' concerns about crime and feelings of being at risk of crime are likely to be exacerbated by the perception that police are not particularly interested in their experience or do not have the resources to investigate the case. These feelings of helplessness tend to be compounded by low expectations of receiving justice from the wider criminal justice system, from prosecutors to magistrates and judges, and correctional services.

The importance of adequate feedback cannot be over-emphasised – people who receive follow-up information from the police in the days, weeks and months following a crime incident, are more likely to report an incident in the future, and to urge their colleagues and peers to do the same. They will also very likely develop more positive perceptions of the police service, which will tend to impact positively on their perceptions about crime levels generally and their own fear of crime.

Efforts to educate the public about the importance of reporting crimes of all types and sizes are needed. These should be underpinned with a clear message about what sort of reception and follow-up victims of crime may expect from the police

service, and what to do if they feel that these standards are not being met. It must however be made clear that the onus is also at least partly on the business owners, who should be encouraged to take the initiative in seeking follow up information about their cases.

## **11.2 A working relationship between the police and the community**

Business people consulted during the study spoke of the need for businesses themselves – as members of their communities – to take a proactive role in working with the police to address crime and community safety issues.

Community Policing Forums (CPFs) appear to be a promising mechanism to achieve this. The SAPS 2007 annual report notes that, to date, over 1 000 CPFs have been established at police stations, including 169 high-contact crime stations. The CPFs enable the police to provide communities with regular feedback about crime trends, and enable communities to participate in assessing police performance against priorities and targets. Discussions are under way to modify the profile of CPFs to allow them to act on behalf of communities, interact with the police about policing priorities and draw up jointly-owned policing programmes. Expansion into integrated community safety forums, incorporating a broader range of partners in the criminal justice system, including correctional services and municipalities, is also under consideration.

However, while there is strong support for businesses to get involved in such initiatives, actually achieving wide participation is an uphill battle, particularly among small businesses. It is always going to be difficult for small business owners to find time to participate. Individuals tend to participate in forums of this sort only when they have a problem, and then stop once the problem has been resolved or receded. Businesses need to be persuaded to move beyond an immediate problem-centred approach, toward building relationships of trust based on ongoing involvement, and recognising that there are specific steps that they themselves can take to help reduce crime in their areas of operation. CPFs need to be actively marketed to business as a mechanism to build personal relationships with the police and exchange information relevant to combating crime.

CPFs require a minimum level of resources to function effectively. It may be possible to explore mechanisms to share resources and expertise between well-established CPFs and those in less well resourced areas such as townships and informal settlements.

Another option might be to use an incentive-based approach through the introduction of a government/insurance industry/private security sponsored scheme, which

provides businesses who participate in local initiatives such as CPF or Business Watch with discounted rates for insurance and/or private security.

#### THE CAPE TOWN PARTNERSHIP

Discussions with stakeholders highlighted the positive progress that has been achieved through the Cape Town Partnership. One of the Partnership's initiatives is the establishment of City Improvement Districts (CIDs), a key mechanism for urban management in Cape Town. The CIDs provide a number of services that complement those provided by the Cape Metro.

A CID is a geographical area in which property owners agree to contribute above and beyond the rates levied by the Council towards extra services within the area. The funds are mainly channelled toward extra cleansing and security, as well as maintenance of infrastructure and upgrading the environment.

A City of Cape Town by-law allows for the creation of CIDs and the collection of the top-up levy on rates. With the agreement of at least 51 percent of all property owners in a particular area, a CID may request the local authority to levy all property owners within the area to pay for the additional services. The contribution is then mandatory – ensuring that free-rider problems are avoided. Under a service level agreement between the City and the CID, both the municipality and CID provide guaranteed services with penalties for non-performance.

The Cape Town Central City Improvement District (CCID), for example, dedicates half its funding to security - providing 2 dedicated security managers, 10 mounted horseback patrols and 6 mobile patrol vehicles. The CCID private security collaborates with SAPS, the Traffic Department and City Police, who provide 2 uniformed officers with powers of arrest.

### 11.3 Environmental design and urban infrastructure

Town planning and environmental design emerged as a key factor in making urban areas easier to police. This includes issues such as the provision of adequate and reliable street lighting, ensuring that taxi ranks are designed to accommodate large numbers of taxis, thus eliminating the need for triple parking on public roads, and the demarcation of secure trading areas for informal traders, where their own risk of exposure to crime is reduced, and where they are less likely to contribute – directly or indirectly – to robberies and petty theft.

Police representatives told us of the difficulties of undertaking foot patrols in inner city areas, where pavements crowded with hawkers make it easy for criminals to rob street-front shops, or grab bags and cell phones from pedestrians, and then melt away into the crowd, where they cannot be tracked by CCTV. Hawkers may also be coerced by criminals into hiding stolen goods and weapons, as well as providing a cover for the perpetrators themselves.

SAPS has developed guidelines for crime prevention through improved environmental design, which aim to promote cooperation between, local government, key role players and other community structures and SAPS when new spatial developments are being planned or existing ones upgraded.

As another way of fostering a more ‘law-abiding’ environment, Cape Town has tackled relatively minor infringements like public nuisance crimes through the use of community courts and community service sentences, resulting in a considerable reduction in public nuisance problems. Cape Town officials emphasised the importance of channelling small crimes to community courts to free up the police to deal with bigger issues.

#### **11.4 Sharing responsibility for the neighbourhood**

Incentives can be used to induce businesses to take greater responsibility for the immediate vicinity in which they operate.

For example, businesses can be encouraged to examine the factors that contribute to crime in their area of operation (such as the operation of illegal shebeens, proximity to derelict buildings), or circumstances that could impact on the safety of their employees when travelling to and from work. Recognising that these are likely to impact on their operations, they can then consider ways to mitigate this risk. Clearly that is likely to be a hard sell. However, options to make such action more attractive might include the introduction of a municipal rates rebate for businesses that commit to cleaning up the surrounding area. Businesses might also be offered rebates or incentives to open in decaying areas, as part of a renewal strategy. ‘Adopt a spot’ campaigns could also be accompanied by rates rebates. Simple, no-cost actions like sharing contact details and getting to know neighbouring businesses should also be encouraged.

Given the importance of local environmental factors in fostering crime, businesses should receive quick support from the relevant authorities when problems arise. It is recommended that a single contact point, such as a call centre, be developed to enable businesses to easily report matters such as overgrown vegetation, street lights not working, dumping, vagrants or emerging shack settlements. Information received via the call centre should be passed on to the relevant city authority or the police for quick response.

More effective communication between service providers such as Eskom and the police, and private security providers, would also enable law enforcement bodies to mobilise resources more effectively. Police representatives noted that they do not

receive notification of planned load-shedding from Eskom, yet police statistics show a clear spike in burglaries coinciding with black-outs.

### **11.5 Security arrangements**

Large numbers of small businesses have very little if any security, and are reluctant to invest in even basic burglar proofing because of the expense involved. Many small businesses introduce relatively inexpensive – and very ineffective – security measures, such as a single unarmed night-guard with no radio communication, which does nothing to protect the business and puts the guard himself in considerable danger.

More profitable businesses that are able to afford armed response, often find that security companies refuse to work in townships and informal settlements, while others charge a large premium for doing so.

With these issues in mind, the DTI might consider the development of mechanisms to assist emerging businesses to access security. Options could include subsidisation of once-off security costs such as burglar proofing, and/or a requirement that business plans include mandatory crime risk analysis and relevant security measures.

### **11.6 Insurance**

Half the businesses in the sample confirmed that they did not have insurance against incidents of crime, and as many as 20 percent of these indicated that they might have to close the business in the event of a serious incident of crime. Respondent feedback confirms that for the smallest businesses, insurance is considered an unaffordable luxury. The likelihood of businesses being insured increases markedly for larger businesses.

It may be advisable to consider introducing a minimum level of mandatory insurance for small businesses above a certain threshold. Government could look at working with insurance companies to develop an appropriate insurance product tailored for small businesses. The arrangement would also probably require some subsidisation of initial security costs, as mentioned above.

### **11.7 Minimising cash transactions**

The banking sector and small business representatives should work together to explore innovations that will enable even very small businesses to reduce the levels of cash they hold on the premises. Efforts may include wider use of credit card facili-

ties (charges may have to be waived for small businesses), drop safes, and more frequent banking. The Consumer Goods Council is currently working with a number of banks to reduce the need for businesses to hold cash on the premises.

### **11.8 Collaborative multi-agency approaches**

Stakeholders across the board stressed the importance of a partnership-based approach to tackle crime at the community level. Crime prevention is most likely to succeed when it is tackled by a range of role players, including government departments such as the Education and Social Development, local government, community based agencies, organised business and the general public.

There was strong emphasis on the importance of involving the departments of Justice and Correctional Services in formulating solutions, particularly around shared responsibilities such as conviction rates. Currently a large number of cases are stuck in the system, which undermines public confidence in both the police and the broader criminal justice system.

Respondents to the survey also saw a need for support for public education campaigns aimed at improving citizens' moral attitudes and ethics, as well as interventions targeted at young people to stop them from falling into crime, including joint initiatives by the police and schools.

### **11.9 The need for a specific focus on businesses in townships and informal settlements**

The mere fact of a business being located in a township or informal settlement did not appear to significantly increase its likelihood of being a victim of crime. However, the survey did clearly demonstrate that victims of crime in townships and informal settlements were *more likely* to be exposed to violence and guns compared to the sample as a whole. The most common crimes experienced by businesses in townships were burglaries and robberies. About a third of township/informal settlement burglaries were characterised by serious damage to or destruction of property. This would suggest the importance of effective and accessible victim support, accompanied by concerted efforts to encourage business owners to improve their security arrangements, and to get involved in community policing initiatives such as CPFs and Neighbourhood Watch.

Among business owners, those operating in townships and informal settlements are the most disheartened and discouraged by crime. This set of respondents reported that they were most likely *not* to invest in or grow their businesses owing to the threat of crime. They were also considerably more likely than the sample average

to feel that fear of crime among clients or customers had resulted in a negative impact on their businesses, and were also *much* more likely to say that concerns about crime among their suppliers had impacted negatively on their businesses. Fear of crime across the value chain clearly has a disproportionately negative impact on township businesses, and underlines the importance of addressing environmental factors - such as clean, well-signposted streets, well maintained public spaces and secure parking, together with a visible policing presence - to try to encourage patrons and suppliers back to the area.

Despite expressing considerably higher levels of concern about crime than businesses in other locations, respondents operating in townships and informal settlements were considerably less likely than the sample average to have insurance coverage. Only a quarter of these businesses had insurance – compared to half in the sample as a whole. The proportion of businesses who had been turned down for insurance was considerably higher than average in townships and informal settlements. For these businesses, the probability of closure following one or more incidents of serious crime appears considerable. Indeed, among the 42 individuals identified through the survey who had closed their businesses owing to crime, over half had formerly operated in townships or informal settlements. It is of crucial importance to develop affordable insurance solutions for businesses in these areas, and to persuade and incentivise them to take up insurance as a non-negotiable investment in the long-term viability of their businesses.

## 12 APPENDICES

### 12.1 Comparative data regarding prevalence of crime

Studies in developed countries show a fairly high prevalence of crimes affecting business, with around half of all businesses reporting at least one incident of crime over a one year period. Table 17 provides a rough comparison across three developed countries, together with Jamaica, a developing economy whose business environment in 2003 was described by the World Bank as increasingly hostile and difficult. It should however be recognised that the sample sizes and survey methodologies are vastly different in each case.

	USA <sup>40</sup>	UK <sup>41</sup>	Australia <sup>42</sup>	Jamaica <sup>43</sup>
Sample	176 small businesses in 2 urban areas	Members of the Federation of Small Businesses - manufacture and retail	4 000 small retail businesses in 6 sub-sectors	400 firms
Size of business	Small business < 50 employees	Small business	Micro (<5 fte) and small (5-19fte) business	All sizes
Reporting period	6 months	One year (2006)	One year (1998/99)	One year (2001)
% of respondents were victims of crime	56 percent	57 percent	49 percent	65 percent
Main types of crime	Crimes to property, esp. burglary and vandalism - 84% [Violent crime 5%]	Vehicle damage 19%, Theft 16%, Threatening behaviour/intimidation 15%, Vandalism 14%	Burglary 27%, Shoplifting 21%, vandalism 18%, cheque/credit fraud 10%	Theft 52%, Fraud 50%, Violence (robbery, extortion, protection) 33%

### 12.2 Comparative data regarding cost of crime

In the UK, the FSB's 2006 report estimated that crime against business (not limited to small business) cost the UK economy £19 billion a year. FSB reported that 45 percent of businesses of all sizes said that crime had cost them up to £5 000 (£70 000) in a twelve month period.<sup>44</sup>

A 2006 World Bank study estimated that violent crime in some countries in Latin America was eroding up to 8 percent from national economic growth. A 1999 In-

ter-American Development Bank report suggested that the economic cost of crime in Latin America was equivalent to 14.2 percent of the region's GDP.<sup>45</sup>

A 1999 Australian Institute of Criminology survey estimated that the total national direct and indirect costs of all crimes covered by a 1999 small business survey in the six retail sectors studied amounted to approximately Aus\$170 million. The study found that the most expensive crimes for businesses overall were burglary (accounting for 35 percent of total costs of crime), shoplifting (20 percent of total costs) and employee theft (18 percent of costs). Table 18 shows the direct and indirect costs of crime against small and micro businesses that had been victimised by crime. Figures are shown in equivalent South African Rand (using current exchange rates).<sup>46</sup>

	Losses	Micro-businesses Mean	Small businesses Mean	All businesses Mean
All businesses	Direct	R14 700	R29 100	R21 900
	Indirect	R5 100	R7 800	R6 300

### 12.3 Reference group and technical experts

The project was overseen by a reference group, comprising senior staff in relevant government departments, who were closely engaged throughout the project.

Name	Position	Organisation
Mr Alan Hirsch	Deputy Director-General: Policy Co-ordination & Advisory Services (PCAS)	The Presidency
Mr Sibusiso Masuku	Director: Policy Co-ordination & Advisory Services (PCAS)	The Presidency
Ms Busisiwe Kubeka	Deputy Director: Policy Co-ordination & Advisory Services (PCAS)	The Presidency
Mr Ashraf Kariem	Director: Economic Sector – Policy Co-ordination & Advisory Services (PCAS)	The Presidency
Ms Daphney Dlamini-Mokhele	Policy Analyst: Economic Sector – Policy Co-ordination & Advisory Services (PCAS)	The Presidency
Mr Matthew Stern	Chief of Party	SEGA II
Ms Rebecca Rishty	Deputy Chief of Party	SEGA II
Mr Mlungisi Menziwa	Director: Policy Research	National Secretariat for Safety and Security (NSSS)
Senior Superintendent Johann Schnetler	Strategic Research	SAPS: Research – Crime Information Analysis Centre (CIAC)

A technical advisory group consisting of issue experts was convened to provide input on questionnaire design and sample selection, and feedback on survey data analysis and reporting.

Name	Position	Organisation
Patrick Burton	Research Director	Centre for Justice and Crime Prevention
Barbara Holtman	Safety and Security Unit	CSIR
Gareth Newham	Safety and Security Unit	Gauteng Dept for Community Safety
Johnny Steinberg	Author and Consultant	Author and Consultant
Jenny Irish-Qhobosheane	Project Manager, Aggravated Robberies - Retail	Business Against Crime
Ian McCun	Executive Director	CASE

## 12.4 Regional Workshop Participants

<b>Johannesburg Workshop</b> <b>5 October 2007: 9.00 – 11.00</b> <b>SBP, 79 Oxford Road, Saxonwold</b>		
<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Ms Desiree Daniels	Head of Commercial Crime	Business Against Crime (BAC)
Mr David Lekota	Project Manager: Organised Crime Project	Business Against Crime (BAC)
Ms Angie Makwetla	Chief Executive Officer	Businesswomen's Association of South Africa
Ms Yuri Ramkissoo	Project Officer	Community Agency for Social Enquiry (CASE)
Ms Barbara Holtmann	Safety and Security Unit, DPSS	Council for Scientific & Industrial Research (CSIR)
Ms Judi Hudson	Market Researcher	FinMark Trust
Mr Tello May	Business Development Support Manager	Gauteng Enterprise Propeller (GEP)
Mr Gareth Newham	Adviser to MEC	Gauteng Safety & Security Dept
Ms Nazira Cachalia	Programme Manager	Jhb City Safety Programme
Senior Superintendent JLL van Rhyn		Hillbrow SAPS
Mr Simon Modiba		Hillbrow CPF
Mr Keith Brebnor	Chief Executive Officer	NafcocJcci
Senior Superintendent RPG Makaringe	Section Head: Partnership Policing	SAPS Gauteng Provincial Head Office
Ms Alta Mulder	Chief Executive Officer	Southern Ekurhuleni Chamber of Business
Mr Neil Fraser	Chief Executive Officer	Urban Inc

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<b>Cape Town Workshop</b> <b>8 October 2007: 14.00 – 16.00</b> <b>Cape Chamber House, 19 Louis Gradner Street</b>		
<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Mr Barrie Terblanche		B2B Insight
Mr Muneeb (Mo) Hendricks	Head of Security	Cape Town Partnership
Captain Nestus Keller		Cape Town Police Station
Ms Arifa Parkar	Head of Marketing	Cape Town Regional CCI
Mr Albert Schuitmaker	Chief Executive Officer	Cape Town Regional CCI
Ms Karen Kuhlcke	Business Information Officer	Cape Town Regional CCI
Mr Thembinkosi Siganda	Acting Director: Economic Development	City of Cape Town Metropolitan Municipality
Mr Carlo Vizzi	Section Head: Business Support	City of Cape Town Metropolitan Municipality
Superintendent Jerome Hardenberg	Commercial Crime Unit	SA Police Service (SAPS)
Ms Denise Dookoo	Marketing Manager	Small Enterprise Development Agency (SEDA)
Mr Lavendra Naidoo	General Manager, eKapa	The Business Place

<b>Durban Workshop</b> <b>10 October 2007: 10.00-12.00</b> <b>Durban Chamber House, 190 Stanger Street</b>		
<b>Name</b>	<b>Position</b>	<b>Organisation</b>
Mr Kelvin Glen	Managing Director	Business Against Crime, KZN
Ms Tamasyn Palmer	Project Manager, Support Programme for Police Stations	Business Against Crime, KZN
Mr Gerry van Biljon	Executive Director : Durban Branch	Business Partners
Director AR Harry		Durban Central Police Station
Mr Russell Curtis	Chief Executive Officer	Durban Investment Promotion Agency
Superintendent Phillip Lionnet		Durban Metropolitan Police Services
Superintendent Ari Dibben		Durban Metropolitan Police Services
Mr Sibusiso Ncube	Executive Chairman	Enforce Security Services/ South African Security Association
Mr Mgcini Mbhele	Business Information Manager	SEDA - Ethekewini
Mr Lindani Dhlomo	Provincial Manager, KwaZulu Natal	SEDA
Mr Jonathan Naidoo	Chief Operations Officer	Trade & Investment KZN

## 12.5 SAPS Crime Statistics - April 2006 to March 2007

This appendix presents official police statistics in respect of robbery at business premises, burglary at business premises, and shoplifting, for the period April 2006 – March 2007, for each of the policing districts in which interviews were conducted. While the police statistics are not directly comparable with the SBP survey results, since they cover businesses of all sizes and are less likely to include businesses operating in the informal sector and entrepreneurs working from home in the ‘at business premises’ categories, they are included here as contextual background.

### JOHANNESBURG

#### Johannesburg Area Total

Robbery at business premises	1 634
Burglary at business premises	3 711
Shoplifting	4 607

#### Inner City - Johannesburg Central

Robbery at business premises	406
Burglary at business premises	1 012
Shoplifting	1 408

#### Townships and Informal Settlements

##### *Soweto Area Total*

Robbery at business premises	119
Burglary at business premises	445
Shoplifting	1 780

##### *Alexandra*

Robbery at business premises	22
Burglary at business premises	54
Shoplifting	107

##### *Daveyton*

Robbery at business premises	5
Burglary at business premises	23
Shoplifting	101

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*Katlehong*

Robbery at business premises	11
Burglary at business premises	30
Shoplifting	116

*Tembisa*

Robbery at business premises	67
Burglary at business premises	82
Shoplifting	169

**Densely developed suburban areas**

*Bedfordview*

Robbery at business premises	67
Burglary at business premises	197
Shoplifting	564

*Edenvale*

Robbery at business premises	42
Burglary at business premises	84
Shoplifting	51

*Krugersdorp*

Robbery at business premises	42
Burglary at business premises	245
Shoplifting	163

*Mondeor*

Robbery at business premises	33
Burglary at business premises	43
Shoplifting	406

*Randburg*

Robbery at business premises	114
Burglary at business premises	329
Shoplifting	155

*Sandton*

Robbery at business premises	150
Burglary at business premises	349
Shoplifting	584

**CAPE TOWN**

<b>East Metropole Area Total</b>	<b>West Metropole Area</b>	<b>Total</b>
Robbery at business premises	128	52
Burglary at business premises	3 312	3 567
Shoplifting	3 762	6 158

**Cape Town Central - Inner City**

Robbery at business premises	0
Burglary at business premises	480
Shoplifting	1 012

**Townships and Informal Settlements**

*Bishop Lavis*

Robbery at business premises	1
Burglary at business premises	262
Shoplifting	225

*Delft*

Robbery at business premises	0
Burglary at business premises	14
Shoplifting	18

*Guguletu*

Robbery at business premises	0
Burglary at business premises	51
Shoplifting	11

*Harare*

Robbery at business premises	17
Burglary at business premises	42
Shoplifting	28

*Khayelitsha*

Robbery at business premises	50
Burglary at business premises	104
Shoplifting	21

*Mitchells Plain*

Robbery at business premises	14
Burglary at business premises	412
Shoplifting	1 901

**Densely developed suburban areas**

*Athlone*

Robbery at business premises	0
Burglary at business premises	175
Shoplifting	443

*Dieprivier*

Robbery at business premises	0
Burglary at business premises	143
Shoplifting	73

*Goodwood*

Robbery at business premises	0
Burglary at business premises	111
Shoplifting	210

*Kuilsrivier*

Robbery at business premises	2
Burglary at business premises	109
Shoplifting	98

*Mowbray*

Robbery at business premises	0
Burglary at business premises	55
Shoplifting	50

*Nyanga*

Robbery at business premises	2
Burglary at business premises	52
Shoplifting	8

*Parow*

Robbery at business premises	1
Burglary at business premises	276
Shoplifting	479

*Phillippi*

Robbery at business premises	1
Burglary at business premises	27
Shoplifting	65

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*Pinelands*

Robbery at business premises	2
Burglary at business premises	117
Shoplifting	51

*Strand*

Robbery at business premises	0
Burglary at business premises	155
Shoplifting	48

*Woodstock*

Robbery at business premises	0
Burglary at business premises	441
Shoplifting	31

**DURBAN**

<b>Durban North Area Total</b>	<b>Durban South Area</b>	<b>Total</b>
Robbery at business premises	385	302
Burglary at business premises	2 617	2 102
Shoplifting	3 298	1 779

**Inner city - Durban Central**

Robbery at business premises	42
Burglary at business premises	884
Shoplifting	1 517

**Townships and Informal Settlements**

*Inanda*

Robbery at business premises	4
Burglary at business premises	65
Shoplifting	215

*Lamontville*

Robbery at business premises	0
Burglary at business premises	2
Shoplifting	0

*Kwa Mashu*

Robbery at business premises	11
Burglary at business premises	42
Shoplifting	87

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*Kwamakhutha*

Robbery at business premises	0
Burglary at business premises	46
Shoplifting	0

*Phoenix*

Robbery at business premises	79
Burglary at business premises	172
Shoplifting	259

*Umlazi*

Robbery at business premises	38
Burglary at business premises	114
Shoplifting	27

**Densely developed suburban areas**

*Amanzimtoti*

Robbery at business premises	9
Burglary at business premises	91
Shoplifting	114

*Berea*

Robbery at business premises	3
Burglary at business premises	120
Shoplifting	102

*Brighton Beach*

Robbery at business premises	6
Burglary at business premises	200
Shoplifting	90

*Chatsworth*

Robbery at business premises	14
Burglary at business premises	116
Shoplifting	348

*Malvern*

Robbery at business premises	10
Burglary at business premises	70
Shoplifting	36

*Mayville*

Robbery at business premises	6
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Burglary at business premises	45
Shoplifting	8
<i>Umbilo</i>	
Robbery at business premises	93
Burglary at business premises	334
Shoplifting	152

## ENDNOTES

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- <sup>1</sup> South Africa: An Assessment of the Investment Climate, World Bank, December 2005  
<http://www1.worldbank.org/rped/documents/ICA008.pdf>
- <sup>2</sup> <http://www.gt.co.za>
- <sup>3</sup> National Victims of Crime Survey South Africa, 2003
- <sup>4</sup> Christopher Stone (2006) *Crime, Justice, and Growth in South Africa: Toward a Plausible Contribution from Criminal Justice to Economic Growth*, CID Working Paper no. 131, Center for International Development, Harvard University, p2.
- <sup>5</sup> Libor Krkoska and Katrin Robeck, EBRD working paper: The impact of crime on the enterprise sector: Transition versus non-transition countries, July 2006,  
[www.ebrd.org/pubs/econo/wp0097.pdf](http://www.ebrd.org/pubs/econo/wp0097.pdf)
- <sup>6</sup> Business Report, 21 March 2007
- <sup>7</sup> The final sample allowed for five percent white owned businesses. 'Black-owned businesses' included businesses operated by coloured people, particularly in Cape Town.
- <sup>8</sup> FinScope Small Business Survey Report, Gauteng 2006, Prepared for FinMark Trust and Gauteng Enterprise Propeller, December 2006. The study assessed the degree of sophistication of small businesses operating in Gauteng, ranging from the informal street vendors to more sophisticated and sustainable businesses. Eighty seven percent of small businesses covered by the Finscope study were owned and run by black owners. The majority of black owned businesses were in the informal sector.
- <sup>9</sup> "Enhancing Urban Safety and Security: Global Report on Human Settlements, UN-HABITAT, 2007
- <sup>10</sup> Generation Next Survey Results, published in the Sunday Times, 27 May 2007
- <sup>11</sup> Household and Business Satisfaction Surveys, 2006, study commissioned by the Corporate Planning Unit, City of Johannesburg, compiled by AA Lightelm and DH Tustin, Bureau of Market Research UNISA, June 2006
- <sup>12</sup> Sample size 441 - 5 respondents declined to categorise the area in which they operated.
- <sup>13</sup> These figures are in line with the findings of the 2003 National Victims of Crime Survey, which found that 53% of South Africans believed that crime in their area of residence had increased in the past three years, 25% believed that crime levels had stayed the same, and 21% said that crime in their area had decreased ([www.iss.co.za/Monographs/No101/Chap4.htm](http://www.iss.co.za/Monographs/No101/Chap4.htm))
- <sup>14</sup> See Annex 1 for detailed comparative data
- <sup>15</sup> This finding corresponds with the findings of the World Bank Investment Climate study, which found that, after controlling for size, ownership, and costs and losses associated with crime, firms in Cape Town were most likely to suffer losses from crime.
- <sup>16</sup> Ken Pease, Repeat Victimization: Taking Stock, Crime Detection and Prevention Series Paper 90, UK Home Office, 1998

- <sup>17</sup> Police Research Series Paper 95 - Business as Usual: An Evaluation of the Small Business and Crime Initiative, *Nick Tilley, Matt Hopkins, Editor: Barry Webb, Home Office Policing and Reducing Crime Unit, Research, Development and Statistics Directorate, United Kingdom, 1998* – reporting on a study of small businesses in Leicester
- <sup>18</sup> Perceptions are presented as the percentage of businesses reporting that a particular crime is prevalent in an area. Actual experience is presented as the number of times a particular type of crime was experienced divided by the number of businesses in the sample.
- <sup>19</sup> Business Environment and Enterprise Performance Survey (BEEPS), cited by Krkoska and Robeck, 2003; Jamaica: The Road to Sustained Growth, Country Economic Memorandum, Report no. 26088-JM, World Bank, December 2003
- <sup>20</sup> Turnover is assumed to be the mid point of the turnover band in column 1
- <sup>21</sup> The mean cost of crime for firms across the sample is very similar to that found by the AIC in the 1999 study of small retailers in Australia – see Appendix 2 for details.
- <sup>22</sup> Jamaica: The Road to Sustained Growth, Country Economic Memorandum, Report no. 26088-JM, World Bank, December 2003
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- <sup>28</sup> The impact of crime in terms of loss of customers appears to considerably higher for small businesses compared to medium and large firms. The 2007 Grant Thornton survey found that 18% of medium to large businesses reported loss of customers as a result of crime – compared to almost half of our small business sample.
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