RESEARCH ARTICLE

RADICAL INNOVATION, UBER-HAILING TRANSPORT AND ITS IMPACT: A CASE STUDY OF UBER BUSINESS IN CAPE TOWN, SOUTH AFRICA.

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Abstract

The speed of technological innovation and digital technology has increased. Businesses with the right innovations at the right time are becoming millionaires and billionaires overnight. Digital technology has been created by human being. Some people fear it because it is not to their advantages as they lose jobs, and others see their businesses suffer. On the other side, others, especially businesses that adapt to technology, are embracing it. Technology has already improved the profit of other businesses, and it has also affected some workers across the world. The aim of this paper is, through the lens of radical innovation, examine what technological innovation has been able to do in the world of transportation with a special focus on Uber-hailing business in the City of Cape Town. This paper also explains what Uber-hailing transport is, and what type of employment is for Uber drivers. Uber transport is convenient and not time consuming. It has created a fair amount of jobs. The workers of Uber covers in this paper are mostly foreign national and immigrants. There is a link between Uber business and migrant labour. They work as car drivers transporting clients from one place to the next around the city of Cape Town. The data presented in this paper is from the survey conducted in Cape Town in 2017.

Introduction:-

Innovation is defined as an introduction of a new technology or significantly improved product (good or service), process, or method that offers worthwhile benefits. Innovation is viewed as a central economic performance and social welfare (OECD, 2010). The newly developed product or process has to be separated from current and existing activities within the market that the process of bringing the product to market may not closely parallel to that of any existing products within the market. However, the definition of innovation does not necessarily mean a complete departure from existing technology and practices (McDermott & O’Connor, 2002). There are many types of innovation; for example innovations of business models, products, services, processes, organisations, institutional arrangements, socio-cultural systems, and ecosystems (Norman & Verganti, 2012).

Radical innovation is another type of innovation and it is important for economic growth because it has the potential of merging some markets, as well as creating new ones, and disadvantages old ones (Gerard, Jaideep and Rajesh, 2009). Radical innovation is considered to be the domain of start-up entrepreneurial ventures, in which the processes
and infrastructures of the large established company has been rejected in favor of flexible, discovery based approaches to commercialising novel technologies (O’Connor and McDermott, 2004). Major innovations require new skills, levels of market understanding, leaps in new processing abilities, and systems throughout the organisation.

For instance, large established organisations have learned to perform well at an incremental or even generational improvement, operational discipline, and continuous refinement of known processes. However, they cannot save and refine their way to strategic renewal, nor can they hope to achieve it solely through acquisition. Therefore, radical innovation can propel small outsiders into a position of industry leadership and can bring down large incumbents that fail to innovate. Firms at a leading edge of radical innovation tend to dominate the world’s markets and promote an international competitiveness of their home economies (Gerard et al. 2009). Radical innovation also drives simultaneously market growth, firms’ success, and nations’ economy (Hoffman, 2005).

The importance of radical innovation is recognised by governments and firm’s managers throughout the world because technological knowledge required exploiting radical innovation (Deffains-Crapsky & Sudolska, 2014). Therefore, this paper focuses on radical innovation for products or services of Uber operations, because radical innovation is a change of frame by something that has not been done before. The motivation to focus on Uber is that Uber is revolutionising the meter taxi industry, and it is making a huge impact in the world of transport and it is competing with traditional meter taxi cars. Uber also contributes to employment opportunities, and opens the new market for people to be employers.

The paper is divided into four sections. The first section explains what radical innovation is, as well as outlining what Uber-hailing transport is and how it works. The second section gives an overview of migrant labour in South Africa. The third section explains the methodology used to gather the information. The forth sections gives a detailed findings of the paper, followed by a conclusion.

**Uber Taxi Apps Operation: An Outline:**

Uber Technologies is an America multinational online transportation network founded as “UberCab” by Travis Kalanick and Garrett Camp from the United State of America (USA) in 2009. “Uber” is a taxi service that uses smartphones to present a new type of mobile service whereby passengers use a Global Positioning System (GPS) enabled smartphone app to hail a tax (uber-cab) (National Academies of Sciences, 2005). The companies released the Uber mobile app in June 2010, the app allows consumers with smartphones to submit a trip request which is then submitted to Uber drivers’ smartphones. Then, the drivers drive their own, employer or hired cars to fetch a client and transport his or her to his or her destination (Dong, Filipovic, Leis, Peterson, Shrikhande, Sudarshan, 2014). Uber is a software company with a mobile phone application which connects people with a pool of private car drivers in an area and the car service application is available on smartphone devices. The Uber application is downloaded by passengers on their smartphone, and makes a request for a car (Adewuni, Odunjo, and Misra, 2015). As of May 2016, the number of Uber service coverage increased from 45 countries to 66 and 200 cities to 449 worldwide. Uber’s net is currently estimated to worth approximately $18.2 billion (Zamzami, Alasiri, Qassim, Alhuthali, Bawazir, 2016; Fullam & Brauer, 2014). However, Uber Company has been subjected to an ongoing protests and legal action from meter taxi and taxi industry around the world with a higher number of lawsuits (Rauch & Schleicher, 2015). With protests been staged, Uber has been banned in some of the countries such as Spain and India, and continues to be involved with local government in terms of regulation (Dong et al. 2014). The use of internet by Uber for their operations makes it difficult for government to stop Uber’s operation in their jurisdictions (Holloway, 2015). Uber industry argues that the opposition is based on global transportation which is set to be reinverted by technology based solution.

In South Africa, Uber was launched in Johannesburg in 2012, and it was then expanded to other big cities such as Cape Town, Pretoria and Durban. Uber is also available in several major cities across African countries such as Kenya, Nigeria, Tanzania, Uganda and Ghana (David-west & Evans, 2016). The Uber Company in Africa argues that its main focus is on improving the transport ecosystem, and also to support economic growth by empowering drivers, enables drivers to do business and also improve small business (GeSI, 2015).

Uber has met many challenges in African countries just like in other European countries. In South Africa, local meter Taxi drivers and owners have been protesting for the ban of Uber operation. The meter taxi industry is accusing the Uber business of stealing their business, and that the Uber cars operate illegally. There has been
incidents were Uber cars were torched and Uber drivers intimidated, assaulted and killed (Selisho, 2015). On the other hand, most Uber cars are operating illegally. For example, over thirty vehicles are operating as Uber cars service in Cape Town, South Africa, were impounded in January 2015 by local transport official who claimed that the service is operating without suitable permits (BusinessBrief, 2015).

Traditional meter taxi owners and drivers oppose Uber arguing that, as a software company, the rules and regulations surrounding the meter taxi industry do not apply to Uber. Uber drivers can be anyone with or without licences. The other thing that traditional meter taxi owners and drivers are unhappy about is that taxi licences costly, however Uber is operating freely without paying taxi licences. Another concerning factor is that the drivers of Uber do not have fare meters, which are subject to regulations. Despite the challenges and obstacles Uber is facing, the company addresses them as they come and it is moving from strength to strength. In the past few years, the company has set its expansion further across the African continent as it continues to transform the transportation systems.

**A Brief Overview Of Migrant Labour In South Africa:**
Migrant labourers or workers, especially migrants from other African countries into South Africa are part and parcel of the South African economy. The term migrant labour has different meaning in different part of the World, according to Coleman (2015) migrant labour is defined as workers working outside of their home country and those who migrate within a country in order to pursue work such as seasonal work or to find work in cities, urban areas and agriculture (Coleman, 2015).

South Africa is one of the industrialised and emerging economies in Africa, and it remains a center of attraction for migrant workers from Africa and other part of the World (Tati, 2008). As such, labour migration is a significant feature of the South Africa’s labour market. Labour migrants from neighbouring countries such as Zimbabwe, Mozambique, Lesotho and other African countries to South Africa started in the last century (Kanyenze, Kondo and Martens, 2006). At first, labour migrants started as a response to the labour needs of the mining companies after the discovery of Gold and Diamonds (Harington, Chelkowska and MacGlashan, 2004). Since South Africa’s transition to democracy, the number of documented and undocumented foreigners and immigrants seeking employment has increased.

Labour migrants have strongly expanded to manufacturing, agricultural, construction and other sectors of the economy (Kalitanyi and Visser, 2010, Kanyenze, Kondo and Martens, 2006). The growth of hospitality industry has also absorbed a fair share of foreign migrant workers (Segatti and Munakamwe, 2014). The reasons for migrants, particularly the ones from other African countries, leaving their home countries to South Africa are more economical, political and social. For example, the Zimbabweans and Congolese are leaving their countries because of the political instability and declining economy (Leslie, 2008, and Tati, 2008).

In South Africa, the information on migration is difficult to collect and understand. This is simply attributed to the following reasons, namely: borders are leaky, officials are corrupt, record-keeping is very poor and migrants come and go (Leslie, 2008 and Tati, 2008). As such, it is extremely difficult to come up with the correct and reliable figures on migration entering South Africa. Therefore, there are no real figures about immigrants coming to South Africa. However, different reports have reported that the number of immigrants in South Africa is increasing every year. For example, the 2008 report by the Centre for Development and Enterprise (CDE) reveals that estimations on the number of Zimbabweans range as high as 3 million (Leslie, 2008).

Labour migrants have already posed serious challenges for South Africa. For instance, South Africa’s unemployment rate is too high, and labour migrants have added to the already high number of unemployment people in the country (Kanyenze, Kondo and Martens, 2006). As a consequence, they have confronted with aggressive response from the locals saying that they are taking their jobs. The Centre for Development and Enterprise’s 2006 occasional paper called CDE-Focus reveals that there are consensus stereotypes that immigrants reduced job opportunities for locals by taking their jobs, immigrants displace locals as small traders, immigrants cause overcrowding in communities and commit crimes (Centre for Development Enterprises Focus, 2006).

As the number of both desperate documented and undocumented migrant workers increases, some industries take advantage of that and employ more immigrants at a very low wages, with less or no benefits and mostly the conditions are poor. Despite high unemployment rate in South Africa, foreign workers, especially unauthorised or undocumented workers are able to find jobs easily because they take any jobs that the locals refuse. Most of the immigrants from Zimbabwe, Mozambique, Lesotho and Democratic Republic of Congo (DRC) work on the farms,
constructions, mining and informal sectors such as car-guiding at the shopping centres and malls as well as street vendors. Mining, constructions and agriculture sectors employ foreign undocumented migrants because they are very cheap, and they are willing to accept very low wages and poor conditions than South African nationals (Crush, 2011).

The other reason is that foreign migrants, especially undocumented migrant workers, are not covered by labour laws, can work with little or no benefits, and that employers do not have to comply with the minimum wages (Crush, 2011 and Ginneken, 2013). Taran and Geronimi (2002) share the same sentiment by stating that in contemporary conditions of neoliberalism and globalisation, desperate migrant workers are used in many sectors to ensure low cost provision of agricultural produce, to ensure low cost construction, retail, hotel and security labour.

Most of the commercial farms across the country employ these immigrants on a part time, seasonal, casual and if lucky on a permanent basis (Rutherford, 2008). For instance, at the farm in the Western Cape provinces, there are many farm workers from Zimbabwe, Mozambique and Lesotho (Mathekga, 2015). The same sentiment is shared by (Rutherford, 2008) who highlighted that majority of the farm workers in Limpopo’s commercial farms are Zimbabweans. These people are being susceptible to the extreme form of labour exploitation and slavery. Most foreign migrant workers work in poor conditions, are exploited and do not have protection and representation (Sagetti and Munakamwe, 2014). The same observations were proven by the 2016 global slavery index which reveals that foreign and domestic modern slavery has been exploited in South Africa’s mining, agriculture, street work and construction industries (The global slavery index, 2016).

Methodology:-
An in-depth literature review on radical innovation, uber-hailing transportation and migrant workers was done. Furthermore, the study used a combination of both qualitative and quantitative research methodology with structured interview questionnaires for Uber drivers. Because the people we wanted to interview were limited to a very small group, and we did not have the contacts of all Uber drivers, the Snowball sampling method was used to help us get as many Uber drivers as possible. The snowball method works like a chain referral where after interviewing few subjects – the researchers ask for help from the subjects to assists in identifying and contacting his or her colleagues (Babbie and Mouton, 2001).

We have identified and interviewed two to three Uber drivers who were willing to participate in the study. Thereafter, they referred us to their friends who drive Uber cars. This process was carried until all 24 Uber drivers were reached and interviewed. The study covered key areas where Uber business is extremely busy. These areas are City of Cape Town, Rondebosch, Claremont, Wynberg, and other southern suburbs. A total of 24 interviews were conducted covering 24 Uber drivers and the sample includes only males. In short, the information about Uber, how it operates, and about employment status of Uber drivers was collected through face to face interviews with Uber drivers during the month of April/May 2017 around the City of Cape Town (Cape Town metro), in the Western Cape Province. Furthermore, information about Uber was supplemented by existing primary sources on Uber. The structured questionnaires were analysed and the findings are discussed in the next session.

Results and Findings:-
It must be noted that, although Uber operates in the City of Cape Town in South Africa, there is a strong connection between Uber business and migrant labour. Our research reveals that the majority of the workers, Uber drivers, in the Western Cape are foreign nationals from other African countries, particularly from Zimbabwe (45%), followed by the Malawians and Ugandans with 10%, and other countries such as DRC, Pakistan, Angola, and Congo constitute only 5% as shown in Fig 1 below. The percentages of Uber drivers by nationality in total, indicates that 85% of Uber drivers are foreign nationals, with only 15% South Africans. The majority of the drivers interviewed said that they heard about Uber—hailing business from their fellow countryman and the media. In order for them to be recruited as drivers, they first accessed Uber through the internet, and then follow the application procedures. The study shows that the Uber company creates jobs. However, most of the workers are foreign nationals. As a consequence, the jobs created by Uber do not contribute much in terms of reducing unemployment in South Africa. As it stands, the rate of unemployment in South Africa is high, at 27.7 percent (Statistics South Africa, 2017).
Fig 1: Uber drivers by nationality

Source: Author’s own field research, April/May 2017

Fig 2 below shows the percentage of cars rented, cars owned by drivers, cars owned by other people then employed drivers. From the in-depth interviews conducted, most of the Uber drivers do not own the vehicles they drive. 30% of them are employed by people who put their cars in the Uber system, 45% of the drivers have indicated that they rent the cars for Uber business, and only 25% of the Uber drivers are the sole owners of the cars.

Source: Author’s own field research, April/May 2017

Fig 2: vehicles use by Uber Drivers, renting, driver’s cars and cars belonging to other employee
Fig 3 below shows the percentage of drivers and the numbers of years the Uber drivers have worked for. From the data collected, 11 out of 24 Uber drivers who participated in the interviews have been working for two to three years. Only 20% have worked for one to two years, and the other 4 have worked for four to five years. 30% of the drivers have said that they have been working for a year and half, and the other 25% of the drivers have responded that they have been working for a year to two years and a half. 25% of the drivers have responded that they have been working for three to four years. And 25% of the drivers have been working for three years.

Source: Author’s own field research, April/May 2017.

Fig 3: The number of years Uber drivers worked

As for the nature of their employment, there are drivers who work part-time and those who work full-time. Others have employment contract and some do not have employment contract. For instead, 14 out of 24 are working full-time, 6 are working part-time. Only 15 drivers are working without employment contract, and only 2 have employment contract with the owners of the cars they drive. 3 drivers did not respond to the question of employment contract.

The drivers who do not own cars, and who do not rent cars – but employed by someone else have indicated that they do not have employment contract with their respective employers. As such, they do not have any benefits and they are not covered by any labour legislation. The only benefit for them is the salary which is determined by the amount of money they make. For Uber drivers to not have an employment contract gives employers a much more sense of power over labour, and they are able to bypass the locals who are seen by many companies as expensive and over protected by the labour legislations. Radical innovation can propel small outsiders into a position of industry leadership and can bring down large incumbents that fail to innovate. The Uber drivers are actually foreign nationals’ marginalised, voiceless and vulnerable group of working class.

South Africa has high unemployment rate. Therefore, the participants, Uber drivers, feel that the Uber business is a good thing because it creates employment. They strongly argue that Uber has to operate because it is a convenient, fast and reliable means of transportation. They further voiced their opinion that employment created by Uber business is very much helpful to them because they are able to earn some money to support themselves and their families in South Africa and back in their home country.
In the words of foreign nationals, “Uber business gives them access to employment, transport and an opportunity to make some money to support their families in South Africa and back home”. In the same vein, Uber job (driving) is more flexible, employment flexibility. Employment flexibility refers to the ease with which Uber drivers can determine working time in line with the daily demands. However, most drivers prefer to stay on duty so that they can make as much money as possible. There is a general consensus from the drivers that the longer one stays on duty; he stands a chance of having many clients and make money.

Conclusion and Recommendation:-
The Uber-hailing transportation service such as Uber has emerged quite strongly. It has the potential of revolutionizing the transportation industry. Uber is a radical innovation in the local transportation industry and it operates in big cities such as Cape Town, Pretoria, Durban, Johannesburg and Port Elizabeth. In Cape Town, majority of the workers, Uber drivers are foreign nationals from other African countries. Most drivers viewed Uber business as a useful mode of transport, and a good industry for job creation. Uber drivers also revealed that the use of Uber application increased customers. Government officials are still struggling to come up with a law to regulate the Uber industry. On the other hand, the traditional metered-taxis drivers across the country are furious calling for the Uber industry not to operate at all. Majority of the metered taxis do not welcome Uber industry arguing that it is taking away their business. As a result, some meter taxi drivers have resorted to violence directed at Uber, their new competitor. The recent violence has pressured the South African government to look for new and better ways to regulate the metered taxis and the new Uber industry. In conclusion, radical innovation is important for the country’s economy in terms of job creation as it has been observed that Uber have the potential to create job. However, government has to find a way to regulate Uber, because it has the potential to contribute to job creation in the country.

References: