



**DEPARTMENT OF
TRADE AND INDUSTRY**



**Department of Trade and Industry
Policy Support Programme**

**International Competitiveness and Value Chains in Selected
Manufacturing Sectors Study (Year 2)
Code: A.1.004.02**

**INFORMALISATION IN KWAZULU-NATAL'S
CLOTHING SECTOR**

JUNE 2000

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ACKNOWLEDGEMENTS

The **European Union** through its **Department of Trade and Industry Policy Support Programme** provided the principal funding for the writing of this draft research report. The financial support of the European Union is sincerely appreciated and hereby acknowledged.

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1 1. INTRODUCTION

Among the consequences of South Africa's re-entry into global markets after years of isolation and protectionism has been the rapid exposure of domestic industries to intense global competition, which has had negative impacts on some sectors. The result has been firm closures and massive retrenchments as firms restructure to meet the new challenges. One of the sectors where such impacts have been glaringly conspicuous and which has suffered massive job losses in the past decade, is the country's clothing manufacturing sector: official statistics of the industry's Bargaining Council state, for instance, that in KwaZulu-Natal province alone, employment has dwindled from 45 000 to 19 000 since 1990.

Parallel to these negative impacts has been the growing phenomenon of informalisation and job casualisation which has been pointed out by research conducted in the 1990s in the sector (see Manning (1993b); Wentzel (1993); Manning & Mashigo (1994); Nunes (1994); etc.). This has naturally led to questions being raised as to whether the observed phenomenon of massive job losses is a reflection of a haemorrhaging industry on its death bed, or a reflection of a major restructuring involving extensive usage of informal workers, similar to the restructuring which occurred in the 1960s when the 'cut-make-and-trim' (CMT) operators first appeared in the industry.

The Department of Trade and Industry (DTI), through the European Union funded Policy Support Programme, has subsequently asked the Industrial Restructuring Project (IRP) at the School of Development Studies (University of Natal) to undertake a pilot study that will investigate the various facets of informalisation in the clothing sector.

2 1.1 The Nature of the Study

The specific focus of the study is to assess the extent to which this phenomenon of informalisation has become a major trend in KwaZulu-Natal's clothing sector. Due to the fact that this is a pilot study, the report is thus based largely on secondary sources which were complemented by several interviews conducted with key informants in the industry. The objective of the interviews was to sound out opinions of selected representative actors in the industry concerning informalisation trends. The interviews were thus of necessity, qualitative in nature.

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The secondary sources upon which this report is based, include studies that have been conducted on the informal sector countrywide, as well as specific studies on informalisation in the clothing sector. The sources also include current studies on the informal sector, some of which are presently being undertaken in the School of Development Studies at the University of Natal. Preliminary findings from these studies will be used in the report, as at the time of writing, these studies were still ongoing.

Although no firm conclusions can be drawn from the study (owing to its pilot nature), its findings confirm the growing trend of informalisation in the clothing sector. As a pilot study, one of its key objectives is to identify key issues that should be taken up in further research: through delineating the main value chains where informalisation occurs in this sector, this study sought to facilitate attainment of that objective. This study therefore signifies the need for further rigorous investigations into what the extensive growth of informalisation imply for the South African economy, particularly for its labour market and the wider productive relations in society.

3 2. METHODOLOGY

As already mentioned above, this study was based largely on secondary sources that were complemented by one-to-one interviews with selected key informants in KwaZulu-Natal's clothing sector: a representative of the Natal Clothing Manufacturers' Association (NCMA); a representative of the Durban Manufacturing Advisory Centre (DUMAC); a representative of the Confederation of Employers of Southern Africa (COFESA); and two managers of two large clothing manufacturing firms. In investigating contemporary research and current studies on informalisation in the clothing sector, the value-chain approach was used to delineate the main networks through which these processes occur. This approach essentially traces the process through which goods are produced, following their progress up to the retailing stage. Actors and key stakeholders at each stage of the process are identified, and relationships that are formed and their impacts on the distribution of income generated, are studied.

Research reports and studies covered in this pilot study, differentiate between the various value-chains involved in the informalisation of the clothing sector (see Manning(1993b); Wentzel(1993); Goldman (2000); Dunne (1998); etc.). To complement these as a mechanism for updating the data we have on informalisation in the clothing sector, we also used an exploratory fieldwork report on informalisation in the Western Cape conducted in December 1997 (Goldman:2000). Its usefulness lies in the fact that it enabled us to compare the value chains it studied with the value chains researched under the informal sector studies being carried out in the School of Development Studies. This allowed us to generate an understanding of the regional variations in informalisation taking place in the Western Cape and KwaZulu-Natal - the subject of our study.

The geographic location of the study is the Durban metropolitan area, which comprises one of the main clothing manufacturing centres in the country¹ (alongside Cape Town and to lesser degree Johannesburg). This does not, however, mean that the study is narrowly focused on the city of Durban and its environs only as it needs to be recognised that significant production in clothing has been decentralised to smaller centres such as Port Shepstone, Isithebe, Ladysmith and Newcastle in KwaZulu-Natal province, and Qwa Qwa in the Free State. This

¹ Of a total of approximately 525 clothing firms in KwaZulu-Natal, 416 are based in Durban [and surrounding areas] of Pinetown, Inanda and Chatsworth (Morris et al 1998:17).

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decentralisation of clothing production is primarily a function of the differentials in production costs, chiefly wage costs, between these outlying areas and the metropolitan area, whilst also involving subcontracting relations to some extent.

4 3. THE STRUCTURE OF THE REPORT

Following this introductory section, Section 2 attempts to define the point of departure of this report by examining the concept of informalisation. It does this by putting forth a conceptual framework, which explores how ‘informalisation’ as a concept is understood in the literature and defines how it will be used throughout the report. The report goes on to define the concept in the context of South Africa’s clothing sector, and highlights the distinction of geographical difference that needs to be considered in how informalisation occurs in the major clothing producing centres in the country, i.e. Cape Town and Durban. Section 3 discusses the character and process of informalisation as it occurs in KwaZulu-Natal’s clothing sector. This section briefly considers informalisation in trade or retail in the industry, then goes on to discuss more fully its occurrence in production which forms the main focus of the study. In the production sector of the clothing industry in KZN, four categories of value-chains where informalisation occurs were identified, and these will be described in this section. Section 4 will consider the implications of the findings presented in Section 3 for further investigation into the future of the province’s clothing industry. A brief conclusion will thereafter summarise the report.

4. WHAT IS INFORMALISATION ?

Although attempts to define and measure the informal economy have been many and varied in the literature, there seems to be widespread consensus over the definition of the informal economy as the “unrecorded sector”, or economic activities that are pursued without the sanction of authorities (Rogerson,1996). According to Rogerson (1996), several independent researchers use this definition, and it is also used in surveys conducted by the Central Statistical Service (CSS). However, the two main perspectives in understanding the informal sector - the neo-liberal and Marxist approaches, have been criticised for their marginalist view of the informal sector which rested on assumptions that the sector is transitory and is primarily a feature of peripheral economies (see Portes et al, 1989).

According to Meagher (1995:261), ‘the marginalist perspectives of both neo-liberal and Marxist positions have been challenged since the 1970’s by two interrelated developments: the failure of the model of state-led development in most Third World countries to generate an expanding and efficient modern sector on the one hand; and the persistence and actual increase in informal activities not only in the Third World but in many industrialized countries, where informal economic activities appear to suggest a potential for economic dynamism in an environment of formal sector recession and disintegration, on the other’. Although the neo-liberal perspective has since evolved to a position where it recognises the potential for dynamism in the informal sector (World Bank,1989), its insights are being criticised for the ‘dualistic tendency to portray the informal sector as economically independent of the formal sector, rather than locating its capacity for growth and income generation within the historical context of formal sector dominance’ (Meagher, 1995:262).

Apart from these traditional approaches to the informal sector, an alternative perspective which has developed since the early 1980s, has shifted focus from understanding the informal sector as a marginalized sector to it being conceived as a wider economic response to crisis. This informalisation approach which was popularised in the work of Portes et al (1989), analysed informality as a social and historical process, rather than as a sector. Informality is analysed in the context of current global restructuring of productive relations in response to recession, mounting indebtedness and increased competition as more economies are liberalising their trade regimes. In this approach, particular attention is drawn to the fact that ‘informal activity involves the evasion and loosening of the institutional framework of

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labour regulations laid down in developed and developing societies during the post-War [Two] period' (Meagher, 1995:264).

This study concurs with this alternative approach: its interpretation of informalisation as a wider economic response to crisis, corresponds closely to the phenomenon that has been observed in South Africa's clothing sector, which forms the subject of this study. It is important, however, to also note what Manning (1993a) cautions against: that when people talk of the informal sector, they usually lump together into one category a wide range of activities covering, from one end of the spectrum, emerging potentially viable businesses in a range of economic sectors, to subsistence activities initiated simply for the survival of impoverished individuals. A useful approach is the one proposed by Farbman and Lessik (1989) which highlights three categories within which the informal sector can be understood:

- Survival activities - driven purely by the poverty of individuals;
- Microenterprises - characterised by viable activities which have some growth potential; and
- Small-scale enterprises - small entrepreneurial firms engaged in non-traditional economic activities (often manufacturing), which tend to be economically more efficient than the second type, and who demonstrate a greater capacity to grow (Manning,1993a).

In South Africa's clothing sector, the three categories are clearly represented. However, the main feature which characterises the informal sector in this industry especially in the more liberalised, open economy since 1990, is its extreme dependence on the formal sector. The conceptual framework adopted for this report therefore, takes cognisance of these dimensions of informality and will integrate them in the analysis of this phenomenon in KZN's clothing sector. These perspectives therefore inform this report.

4.1 Informalisation in South Africa's clothing sector

South Africa's clothing sector is one of the leading sectors where the trend of informalisation has been on the increase in the decade of the 1990s. This has been confirmed by several studies carried out in the sector. These include: Manning (1993b); Wentzel, 1993; Manning & Mashigo (1994); Nunes (1994); Goldman (1997); Kesper (1999). Even the national government's Trade and Industry minister, Alec Erwin, is reported to have recently singled

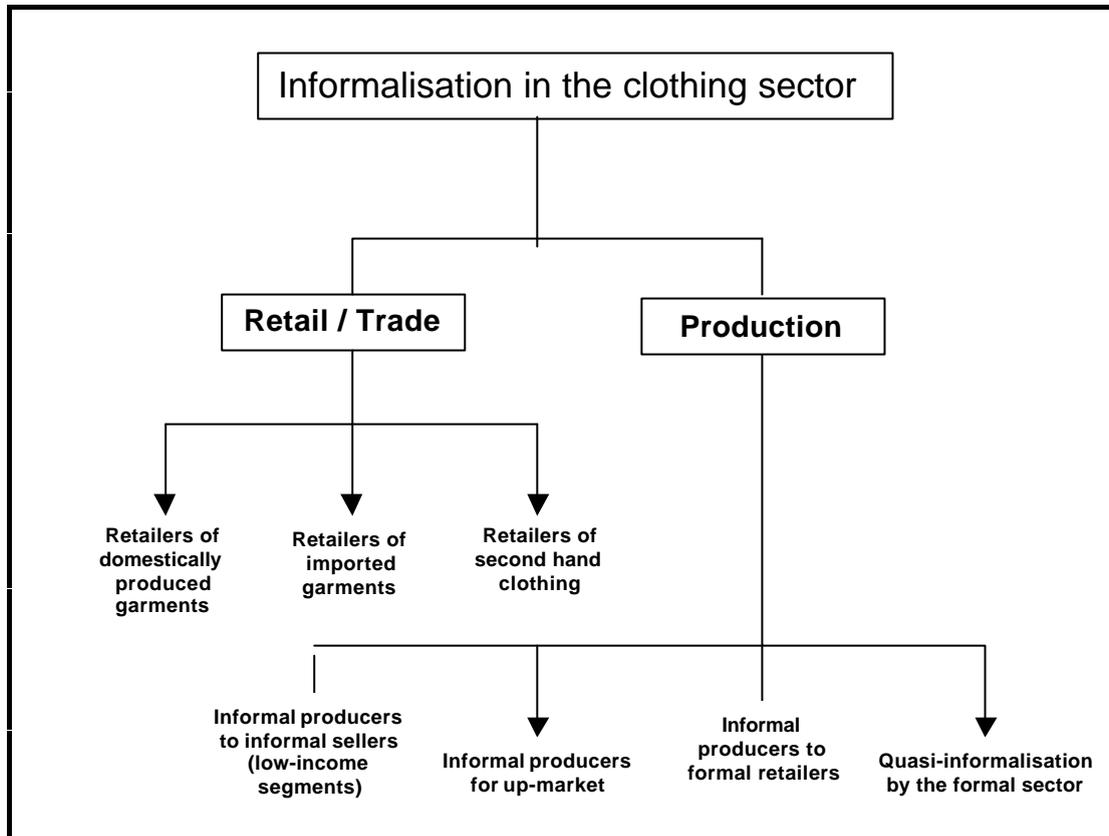
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out the clothing and textile industry as guilty of increased fragmentation and casualisation over the past four years (Business Report, Wednesday, 17 May 2000).

It is important to note the regional variations to informalisation in this sector as it occurs in the main centres of the clothing industry, viz. Cape Town and Durban (and Johannesburg to a lesser degree). The main variation derives from the critically important fact that these centres have traditionally manufactured for different markets. The Western Cape has tended to be more chains and export oriented because it does not have a large proximate market, unlike clothing production in Durban and Johannesburg which has been mainly geared for the inland and eastern areas of the country where large populations reside. The focus in production in these centres has subsequently varied with production in Durban and Johannesburg mainly focused on the lower ends of the market, whereas production in Cape Town is mainly for the higher market segments.

Due to the fact (mentioned earlier) that a distinguishing feature of the informal sector in the clothing industry in South Africa is that of its extreme dependence on the formal sector, this varied clothing manufacturing between Cape Town on the one hand, and Durban and Johannesburg on the other, consequently gives content to varied forms that the value chains take in these regions. According to the studies used in this report for instance, the phenomenon of homeworkers who are linked to the formal sector through an agent, is more common in the Western Cape than in Durban and Johannesburg where similar links are found mainly in the Indian community. In Durban, informal chains of clothing manufacturing mainly geared for the lower end of the market and serving the large rural populations of the neighbouring areas, have proliferated in the sector. It is important to caution, however, that this is a general picture which emerged from the pilot study, and as no comprehensive survey was carried out, it has not been validated and therefore cannot be conclusive. More comprehensive studies will have to be done for a more accurate picture to emerge.

Figure 1: A schematic overview of informalisation as it occurs in the clothing sector



The above diagram illustrates a schematic overview of the main networks through which informalisation is taking place in the clothing industry, as found by this study. Informalisation takes place in both retail and production activities in the clothing sector. It should be mentioned that though the networks may appear to delineated in the diagram, in actual fact they are closely linked and sometimes are overlapping, e.g. informal producers manufacture garments which they do not sell themselves, but are sold on their behalf by informal retailers.

5. THE CHARACTER AND PROCESS OF INFORMALISATION IN KWAZULU-NATAL'S CLOTHING SECTOR

5.1. A brief background

The context in which this phenomenon of informalisation in KwaZulu-Natal's clothing sector has occurred cannot be understood properly if treated autonomously from the conditions in the formal sector that gave birth to it. The South African clothing sector had traditionally been one of the most highly protected sectors under the previous import-substitution regime. As the winds of trade liberalisation started to reach our shores at the beginning of the decade of the 1990s, imports started flooding in and the previously protected sectors like clothing started to feel the pinch of competing with cheap imports. The sector was further squeezed when in the post-1994 era tariff barriers which protected the industry, began to be disassembled as per the requirements of the World Trade Organisation (WTO).

One of the landmark features of the changed South Africa of the 1990s, is the mushrooming of informal activities in the cities and towns all over the country, which have come out into the open largely as a result of the loosening of the economy's regulatory framework. This phenomenal increase in informal economic activities is a direct function of the failure or inability of the formal sector to create sufficient jobs capable of absorbing new entrants into the labour force. As a matter of fact formal sector employment has been declining in the 1990s. As a result, informal activities have become the main lifeline for the increasing number of the unemployed. With trade liberalisation and the loosening up of the economy's regulatory framework, more and more informal traders in cheap imported clothing began to appear on the scene, competing directly with the formal sector.

Two factors have in the main led to the clothing industry in KwaZulu-Natal being particularly vulnerable to this changed situation. First, the province's geographical position, i.e. its proximity to the wide porous national borders together with its busy ports, has made the province easily accessible to cheap and illegal imports. Second, as alluded to above, the clothing industry in KwaZulu-Natal has mainly been focused on the lower end of the market, i.e. the mass markets which are a special target of cheap imports from South-East Asia. The combination of these factors together with others that derive from the changed socio-economic situation, has led to the tightening of the squeeze on the sector.

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The responses of the formal sector to this changed situation have been highly varied. Whilst some firms decided to shut down, others diversified into other more promising sub-sectors of the clothing industry. Yet others decided to relocate some of their production to outlying areas where labour costs are lower than in the metropolitan areas. Some of the small and medium retailers responded by informalising some of their retail activities and participating directly in the informal retail of imported and domestically produced clothing either by supplying the informal traders or by directly employing them to sell on their behalf. On the other hand, the response of the manufacturers has in the main been geared to minimising production costs (especially labour costs). As a result the share of production work sub-contracted to CMTs increased.

It is important to note that the formal clothing industry in Durban, which has largely been geared to producing for the mass markets especially targeting the lower segments of those markets, has in the main responded to the increased squeeze caused by the new competition in the only way they know how, and that is by attempting to lower their wage bill through strategies such as staff retrenchments, job casualisation, and sub-contracting an increasing share of their production work to CMTs or even individual homeworkers. In recent years, a new and disturbing feature has emerged in this array of strategies to lower wage costs, and that is the new form of informalisation by firms whereby workers lose their status of being employees overnight as they are given a so-called choice of becoming “independent or voluntary contractors” to the owner of the firm or be retrenched. This is done largely to evade the provisions of the new labour legislation which has been enacted in the post-1994 democratic dispensation and whose aim is to protect the rights of workers. This new and disturbing phenomenon is becoming popular especially amongst the medium and small producers in Durban’s clothing industry.

It is therefore against this background that the increasing trend towards informalisation in KwaZulu-Natal’s clothing industry should be understood. In the next sub-section we look at how this process occurs in the various informal value chains that are found in this industry. First, we shall briefly discuss the informal retailing activity. We shall then go on to discuss informalisation in the four value chains that were identified in manufacturing (see the Schematic Overview: Figure 1).

5.2. Informal retail in Durban's clothing industry

In the research studies currently being undertaken on the informal sector in Durban by the School of Development Studies, three types of traders in clothing have been identified: those who trade in locally produced garments; those trading in imported goods; and those trading in second hand clothing. It is important to note that this trade activity may not take a clearly delineated form as classified here: for instance, people who trade in second hand clothing sometimes trade in a variety of other products simultaneously such as curtains, linen and other items (see case study in Appendix A). These traders or hawkers (as they are commonly called) are either self-employed or working on behalf of owners who are either manufacturers of locally produced garments such as pinafores or suppliers of imported goods. Most of the suppliers are in the formal sector, which reinforces our earlier contention of the interdependence that exists between the formal and informal sectors.

Clothing manufactured in Durban and/or imported through her port reaches some of the remotest parts of the country as well as neighbouring countries through the dense networks of informal trading that have been formed over time (Manning 1993b:81). Researchers in the School of Development Studies on the informal sector in Durban confirmed that long haul buses arrive daily from the Eastern Cape bringing in traders (mainly women) who are served by the informal manufacturers². Manning (1993b:81) observed that these hawkers play a critical role in distributing cheap goods to the poor and rural populations since few formal retailers find it efficient to penetrate into small or rural markets.

Manning (1993b:82) went further to suggest that, by providing a direct link between the clothing manufacturing industry in Durban and large numbers of consumers in other parts of the country, 'informal trade in clothing plays a crucial role in supporting the clothing industry in this region, without which role the crisis in the clothing industry would be much more severe'. In 1996, the Durban Metro Council estimated the value of this informal value-chain to be worth R140 million to the city in 1992 figures. It was with these considerations in mind that the Durban Metro decided in 1996 on an interventionist approach to local economic development by purchasing a building in Clairwood and converting it into a hive for informal manufacturers making and selling German print dresses and aprons known as pinafores. The Council also reported that 45% of all buses visiting the City, visit Clairwood first.

² Mhlongo P, (May 2000) An Assessment of the Clairwood Hive Undertaken by the Durban North and South Central Local Councils: Research Report on Sub-sectoral Study of the Informal Economy. (Report forthcoming).

One must caution however, that this should not be construed to suggest that pinafore production in Durban is a lucrative industry. On the contrary, the research referred to above confirmed earlier findings by Manning (1993b) that the incomes earned by the manufacturers and wages paid to their employees 'are so low as to be considered exploitative'. The following case study in Box 1 illustrates this point:

Box 1 :Trading in Pinafores

Constance is a street trader in the Durban CBD and trades in locally manufactured pinafores. The pinafores are specifically manufactured for the black consumer market and are in demand for ritual as well as for daily wear. She started trading in 1998. A friend who sewed her own pinafores and sold them from this site, allocated this spot to her. The friend had found it difficult to sew pinafores and to sell and the arrangement made between them was that Constance would sell pinafores on her behalf, while she sews. This mutually beneficial relationship means that neither of the women has to pay for the services offered by the other.

Shortly thereafter, Constance was approached by a group of women who offered to pay a her a commission for selling their pinafores for them irrespective of the amount of sales made. These seamstresses that Constance sells for operate from an office in the CBD for which they pay rent.

Prior to this, Constance had been employed by an Indian person to sell on the streets and was earning R105 per week. From that experience she saw the potential of running her own business. There are a number of formal outlets in the CBD where you can buy cotton cloth to manufacture pinafores. She buys from one particular shop in the CBD because they have a wide range of patterns. She gets all her other material from that shop as well. As far as she knew all the other women whom she sells for also buy their material from this particular shop.

As all her transactions are cash based, she is limited in the amount of stock she can buy at any one time. The amount of cloth she purchases depends on sales of pinafores during that period. From R100 of cloth she can sew 10 pinafores. An important market for her goods are the "Abakhozi" (traders who travel from various parts of KwaZulu-Natal and the Eastern Cape to purchase in bulk for resale purposes). Each pinafore sells for between R20 and R30 depending on the design.

She sells between R100 and R150 worth of stock on a normal day and at the end of the month about R300. However, during low economic times such as at present, she only sell 2 or 3 garments. At intervals she has customers from Qwa Qwa who also buy stock in bulk form her valued at R1 000 to R1 500 a day. She also referred to them as "Abakhozi" (a term which means friends).

The three women for whom she sells pinafores work from a flat in the CBD. This is close by to where she is based and she uses the flat as her base, for storage facilities and for access to ablution facilities. She is not expected by the other women to make any contribution for this facility. She does not have a permit to trade on this site and has not been harassed by officials regarding this.

Box 1: Trading in Pinafores, continued...

She has not met any officials of the Council who are specifically there to deal with traders like herself and was unaware of any services being offered by the Council for traders such as her. She had not heard of the Thekwini Business Development Centre.

She is aware that there is a street traders forum. She has never attended their meetings, however. The benefits of the Forum are the role they play in crime prevention. She says the Forum is responsible for the system developed whereby traders are alerted about a criminal activity and support each other by helping to catch a criminal.

Source: Motala Shirin, (May 2000), Sub-sectoral study of the informal economy: An investigation of the links between formal and informal businesses in the clothing industry in the Durban CBD: Research Report for the Process of Developing an Effective and Inclusive Policy for the Informal Economy for Durban's North and South Central Local Councils. (Report forthcoming).

Manning (1993b) observed that informal activities such as this pinafore production and retailing should not be evaluated on whether they have the capacity to grow or become significantly larger - which they clearly do not have, as this activity is survival oriented. Rather, what is significant is that firstly, 'these producers and retailers have identified a market not served by large producers, and they are therefore able to serve that market without any competition from the chain stores which traditionally dominate the low-income market' (Manning, 1993b:82).

Secondly, even though these people earn very low incomes, they are playing a socially useful role of 'providing the poor with an essential product - cheap, comfortable and durable clothing for working women - which is not provided by any other producer' (Manning, 1993b:82).

5.3 Informalisation in clothing manufacturing

Four value chains were found in the study to be the arenas where production takes place informally or where the formal industry is reconstituting itself through informalisation. These value chains are: i) the informal producers to informal sellers (for the low-income segments of the market); ii) informal producers for the up-market segments; iii) informal producers for the formal retailers; and iv) the quasi-informalisation by the formal sector.

i) *Informal producers to informal retailers*

In the Durban Metro area, pinafore manufacturing is the prevalent activity and pinafores are specifically manufactured for the black consumer market. The following example in Box 2 typically represents this value chain as found in Durban:

Box 2: Women Manufacturing Pinafores

Eithne, Jabu and Thandi aged between 20 and 30 are seamstresses working from an office in a block of flats in Victoria Street. They sew pinafores which are sold for them by a street trader. Their “factory” is a room located in an office and residential block in the CBD formerly occupied by Indian families during the 70s. Presently the building houses a range of businesses (judging from the signboards in front and from a quick visit through some floors in the building). These include a sewing school, typists, hairdressers, dressmakers and many offices where at least 5 seamstresses are busy sewing pinafores. The owner of the building and his family continue to reside in the penthouse flat in the building.

In the room the researcher saw five machines and a small table in the centre used for cutting. One woman spent all her time cutting the garments and distributing them among the dressmakers.

Three of the women started this “factory” in 1990 and the three others joined later. Eithne had been a security guard before this and learnt sewing from her mother who used to work in a garment factory, while Jabu had worked as a domestic worker. Thandi had not worked before outside her home. Eithne’s mother was making and selling pinafores as a means of earning a living and she had taught her daughter to sew. As she was suffering from arthritis, she offered to lend her daughter her machine so that she could refer all her previous customers to the daughter and friends.

A reason for choosing pinafores was that they were easy to sew and the operation did not require an enormous amount of funds to get started. Previously the women sewed and sold garments on their own, but they found this exhausting. They now pay someone to sell pinafores on their behalf. (The researcher was originally referred to these women by this trader).

Each of the women aims to sew between 15 and 20 garments daily. Prices are determined on the basis of costs of materials bought at the time. They don’t own an over-locker machine and hence have to use somebody else’s for which they pay a small fee. Their sources of materials vary as they source materials individually and from different shops in the city. Price is a critical factor, but also some shops only sell a particular pattern or they may be looking for a particular colour. They do not have sufficient funds or storage space to buy material in bulk. KwaMtapuna is one of the shops they buy from. They like the incentive system operated by the shop of giving gifts to people who buy a lot from them.

tes and Indians) who supply design-intensive clothing found in the eight craft or flea markets that operate especially on Saturdays and Sundays in the city; and a vast number of small manufacturers (mainly blacks) of niche market-designer garments for African middle-class women and men, and for special occasions such as weddings, who operate either from home or from small rented offices in the CBD.

Individuals running enterprises in this informal manufacturing for up-market segments can be classified into two groups: those who had willingly left their previous jobs, as a result of the crisis of confidence in personal and career development in the formal sector, in order to pursue their interests in business; and those who had started these enterprises after they were retrenched from former jobs. Most of the individuals in this sector have some formal clothing sector experience. Enterprises in this value chain reveal a much more apparent growth dynamic as they attempt to meet the increasing demand for greater product variety and quality instead of competing in the same markets as manufacturers of mass produced garments. Dunne (1998) observed that they are particularly relevant for South Africa where competition from low cost producers in Asia is forcing local clothing enterprises to concentrate production on high quality, high fashion garments for upper market segments in order to retain a share of the domestic market.

While the opportunities created by the shifting nature of demand, and the failure of formal sector firms to fill gaps in the market, are clearly very important in the emergence of this sector in informal activity, cost-cutting strategies and socio-political motivations also appear to have played a role.

iii) *Informal producers for the formal sector*

This sector of informal clothing production is closely associated with CMTs and orders from the full manufacturers, retail chains and some design houses. Most retail chains and design houses prefer to have subcontracting relationships with large formal CMTs owing to their financial stability, but others argue that small firms are more flexible, and also less powerful. The larger full manufacturers are responding to the changing market conditions by decentralising production functions and subcontracting production increasingly to CMTs. Informal clothing producers linked to the CMTs are usually an extension of this value chain which involves homeworkers.

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Although not common as in the Western Cape for instance, the use of homeworkers who produce for the formal sector is found mainly in the Indian communities in Durban and it largely involves former employees of the formal sector. The value chain is usually organised through agents (usually former employees of the purchasing departments of the retail chains and design houses, who retire to become middlemen between both formal and informal CMTs and large retailers). According to one of the key informants interviewed for this study, Indian informal producers who get orders from the retail chains and design houses, jealously guard their turf. This partly explains why there are few (if any) Africans in this value chain. According to this informant, the reason usually given by the design houses and retail chains to why they don't give orders to Africans, are that Africans can't sew (which can't be true since most workers who have been retrenched from the formal sector, are Africans). Prior track record of reliability is usually an important factor emphasised by those with power over the selection of a subcontractor.

Although this value chain has a potential growth dynamic (depending on the demand faced by the formal sector), it is important to note the enormous power exercised by the design houses and retail chains over the producers in this pipeline - both the formal CMTs and the informal homeworkers. According to the key informant referred to above, the design houses always undercut prices of CMTs and homeworkers (through giving orders to those offering the lowest quotes), thus undermining the growth potential this sector might have had. Notwithstanding these negative practices associated with the economic crisis that the clothing sector is currently going through, this value chain certainly exhibits what Rogerson (1991) identifies as the 'informal economies of growth' through its close linkages to the formal sector.

iv) *The quasi-informalisation by the formal sector*

As briefly alluded to in the above sections of the report, the trend to quasi-informalisation involving increased casualisation and the re-negotiation of employment contracts which includes significant reduction of protection and benefits normally entailed in those contracts, is rapidly increasing in the clothing industry in Durban. This is especially so amongst medium and small enterprises because it is these firms who carry the main burden of the crisis that the clothing sector is going through. This rapid increase of quasi-informalisation is evidenced by the fact that, for instance, 80% of the 120 clients of the Durban Manufacturing Advisory Centre (DUMAC), made up of small and medium sized clothing firms in the Durban area, are involved in this practice which turns formal employees into the so-called "voluntary contractors" (*personal interview with an industrial advisor of DUMAC*). The following case

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study in Box 3 is typical of firms that are increasingly resorting to this strategy of ‘disguised employment relationships’:

5 Box 3: A Clothing Manufacturer

Mr Ismail has been a garment manufacturer for the past 40 years and is a member of COFESA (see ppendix B). He started working for his father’s clothing manufacturing business as a young man of 16 at the factory in Derby Street, Durban. He and his brother inherited this business on their father’s death and since then have split up, with him retaining the manufacturing component of the business while his brother carried on with the retail component of the business.

Mr Ismail produces garments for the local market, especially targeting two to three networks. According to Mr Ismail, the clothing he manufactures is for the “black consumer market”. His business has been downsized twice, from where he employed a staff of 150 in the 1980s to the present where he says he does not employ anybody except his two sons and a daughter, but instead has 22 “contract workers” on his records.

The researcher sought clarity on what was meant by “contract workers” as it was very clear on visiting the factory that there were 22 people on the premises (aside from Mr Ismail’s children) who were occupied with various production related activities who all appeared to be in full time employment. According to his daughter, Shireen, “contract workers are people who voluntarily chose to take a contract with the firm to provide services and for which they would receive a fee per unit of work done.” A unit is based on the number of pieces of work done or a number of activities applied to one garment.

As contract workers they chose their rate of pay; did not have to contribute to compulsory benefits such as medical aid, or pension funds and did not pay union fees, etc. Hence, what they earned went into their pockets directly. Theoretically it means that the contract workers could work for any number of hours they chose and at any time of the day or week. They have no claim on sick leave benefits and the principle of no work done means no pay for that day.

Box 3: A Clothing Manufacturer, continued...

Mr Ismail advised that he had been introduced to this system by COFESA as a system which allowed firms like his to reduce their labour [costs] burden and the difficulties of complying with South Africa’s labour legislation which was placing a heavy burden on manufacturing firms such as his to remain viable and profitable.

Attention was drawn by the researcher to issues of contract work and flexible working hours, etc. Shireen admitted that they were not flexible and that “contract workers” were expected to arrive at work daily at a particular time and leave when the factory closed. In addition, she noted that the workers were not free to take the garments to sew elsewhere. Her rationale for their firm providing a venue for the work was that the firm was providing contract workers with free access to sewing machines, free workspace and that it did not place on them the burden of having to collect and transport work to be done from their premises daily to their homes and back, which could reduce their earnings. According to her, this system was therefore a bonus for the contract worker.

Mr Ismail made reference to several Indian owned firms which had gone into liquidation and the general decline of the garment manufacturing sector as evidence of the burden carried by this ailing industry and the need for COFESA type interventions.

Source: Motala Shirin (May 2000) Sub-sectoral study of the informal economy: An investigation of the links between formal and informal businesses in the clothing industry in

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the Durban CBD: Research Report for the Process of Developing an Effective and Inclusive Policy for the Informal Economy for Durban's North and South Central Local Councils. (Report forthcoming).

Although this practice is mainly found among small and medium formal clothing enterprises, there is an interesting example of one big company employing 1 500 workers which recently went into voluntary liquidation, that is signifying a profound restructuring of employment as a response to economic crisis by an industry in decline. The large firm in question is currently finalising plans of reconstituting itself principally as a retailer mainly concerned with marketing aspects. It is envisaged in their plans to sell production machinery to small producers (retrenched employees) who will manufacture primarily for their former firm which will be dealing with marketing aspects only (*personal interview with one of the firm's managers*).

The initiative of this firm, if it does succeed, will present an important turning point for the clothing industry as it offers prospects for sufficient flexibility through an innovative strategy of restructuring manufacturing which is less exploitative than the strategy quoted in the above case study. As the majority of the former employees are women, the firm prefers to call this a "gender empowerment" strategy.

6. STUDY FINDINGS AND IMPLICATIONS FOR FURTHER RESEARCH

This study set out to investigate the various facets of informalisation in KwaZulu-Natal's clothing sector. From interviews with several key informants in the sector, and from current research studies on the informal sector in Durban, the study has confirmed that informalisation is an extensive growing phenomenon in the clothing sector, particularly among small and medium clothing producers. Survivalist enterprises in informal retail and manufacturing of clothing have proliferated in the 1990s. This has been a direct result of the severe downturn in the formal economy and the corresponding erosion of its labour-absorptive capacity. This wave of informalisation in the clothing sector has been given further stimulus by the competitive pressures of the influx of cheap imports mainly from South-East Asia.

A key hypothesis which this study set out to explore is whether jobs have been lost or whether the industry is rather undergoing a major restructuring which involves extensive usage of informal workers. With the sector continuing to shrink as a result of firm closures, jobs have certainly been lost in the industry in recent years. The study found out during the interviews, however, that a number of firms have de-registered from the industry's bargaining council in the past three or four years³. Altman (1996:396) predicted similar responses when she wrote in her article that "the combination of greater trade and labour market integration may encourage firms to adopt strategies which place more emphasis on foreign processing and informalization in future". Thus, two parallel processes have been taking place with regards to the structure of employment in the sector: whilst there has been significant job losses due to firm closures and retrenchments, employment in the sector (especially with small and medium sized firms) has undergone significant informalisation as a number of firms have de-registered with the industry's Bargaining Council.

³ (NCMA), Len Smart, drew attention to the fact that whilst employment in KwaZulu-Natal's clothing sector is officially reported to have dwindled from 45 000 in 1990 to 19 000 in 2000, the number of One of the key informants who is the leader of the Natal Clothing Manufacturers Association employers registered with the Bargaining Council has dropped from 425 to 186. But the NCMA has counted 236 employers who are not registered or who have withdrawn from the Bargaining Council. And those employers have close to sixteen thousand employees working for them. The present count of employees in the sector should therefore include the 16 000 employees not registered in the books of the Bargaining Council.

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What this informalisation of employment in the sector signifies is the heightening of exploitation of employees and the creation of poverty level working conditions. Though COFESA⁴ (see Appendix B) claims this restructuring of employment in the sector has stabilised a declining industry and kept in business enterprises who would otherwise have closed down under the combined squeeze of increased competitive pressures and the country's new labour legislation, this informalisation strategy still represents the "low road" to competitiveness, as in a way it is in tune with labour displacement strategies. It is still a reactive strategy of responding to a crisis and it cannot be relied upon in the long term to provide potential for a significant improvement or strengthening of a declining industry. Empirical investigations into the costs and benefits of the strategy need to be undertaken.

The wave of informalisation that has been unleashed by the squeeze of the downturn of the formal economy and the competitive pressures on the clothing sector, has however, created opportunities for the expansion of the micro-enterprise sector. These can be realised through adoption of flexible and innovative strategies to fill the gaps in the markets where, for instance, there is demand for high quality design clothing. Other opportunities for the micro-enterprise sector are apparent in the potential linkages that can be fostered with the formal sector (particularly the retail chains and design houses). The study, however, confirmed Manning & Mashigo's (1994) earlier finding that the 'obstacle to the growth of many micro-enterprises arises from the relationship between the retailers and informal manufacturers in which the excessive power of the retailers renders manufacturers vulnerable to exploitation'. Research into these relationships can help facilitate the growth and expansion of the micro-enterprise sector.

The intervention by the Durban Metro Council in support of the survivalist informal sector, e.g the Clairwood Hive, presents an example of how local authorities can integrate support for the informal sector with poverty alleviation programmes. Through provision of markets, this programmatic intervention assists not only retailers, but also many manufacturing micro-enterprises who operate in crowded markets. Further investigations into models that are applicable for this type of support may need to be undertaken to reinforce these initiatives.

⁴ The Confederation of Employers of South Africa (COFESA) is an employers' organisation that is facilitating the restructuring of employment contracts. It does so mainly through legal advises it offers its members and sometimes direct legal representation in courts in labour-related cases involving its members (interview communication with a representative of COFESA: May 2000).

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The extensive growth of informalisation in the clothing sector and the accompanying fragmentation of the industry, brings to the fore the existence of a deepening crisis in the industry. The fact that some firms have opted to informalise employment through the 'COFESA route' indicates that there is a need for a review of the industry's bargaining structures. Small and medium sized firms who have followed this route perceive the present bargaining structures to be protecting the interests of big firms at their expense. In the light of such developments, perhaps a review of these structures is long overdue.

7. CONCLUSION

This report of a pilot study which aimed at exploring the existence of informalisation in KwaZulu-Natal's clothing sector, has attempted to convey the message that this trend is growing extensively in this sector, particularly among small and medium sized enterprises. A wave of informalisation in the sector has been particularly noticeable since the beginning of the 1990s as survivalist enterprises proliferated in the recessionary economy with the erosion of its labour-absorptive capacity. At the same time many enterprises in the clothing sector, especially small and medium sized ones, have opted to informalise most of their operations in the face of increased competitive pressures that have resulted from the influx of imports and the greater labour market integration of the new legislative framework.

The value chain approach used in this study helped delineate the main networks through which the informal activities in this sector occur. Key actors and relationships that exist were identified and mapped out. Empirical investigations will have to be undertaken to bring into the open what the implications of this increasing trend of informalisation in the clothing industry are, especially for the country's labour markets and the wider economy.

APPENDIX A

Case Study: Trading in ready made imported garments

Buhle is employed by Mr Patel to manage his street stall for him in the Durban CBD. The stall sells shorts and T-shirts which are imported from India. Buhle has no role to play in the choice of products sold or the price at which they are sold. She is employed for a wage, earning R120 per week. One of her biggest problems is lack of access to ablution facilities close by the site of the stall. Buhle previously ran a stall, but protracted illness resulted in her losing the stall and having to take on wage employment. She feels that lack of start up finance is her biggest impediment.

Mr Patel himself is a retrenched factory worker who has been exploring a range of entrepreneurial activities to earn a living. He supplemented his income by selling at flea markets previously and at present supplies goods to traders selling at various flea markets in Durban.

Mr Patel reported that he had been retrenched from work some years ago and friends advised him to try earning a living by selling at flea markets. He had done this but needed to add to his income and hence he started with street trading. He has been running this stall for the past one and a half year. Mr Patel appears to have built up a support network among the formal traders in the vicinity of his stall who provide him with access to storage and ablution facilities. He gets his products from wholesale importers of clothing. The researcher was given very little information about the suppliers.

Mr Patel is aware of the Street Traders Forum. He gave them credit for having ensured that this particular street was almost crime free and for building co-operation between black and Indian street traders. According to him everybody helped out when a criminal was being sought irrespective of who the victim was.

The relationship with store holders was excellent, according to Mr Patel. He believed that this was because he was not in competition with the particular stores in front of whom he was trading, as their merchandise was different. He bought from wholesalers in Durban. They

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often came to him at his site on the streets on a regular basis to show him their goods so that he could restock. He was not prepared to share more details than this about these wholesalers.

He had no problem with storing his equipment (table, umbrella, etc.) as one of the shops in the arcade was willing to assist him. He was not asked to pay for this service. He also had no difficulties with ablution facilities at all. According to him Buhle would also not have any difficulties as there were many public facilities in the area.

Race appears to play a deciding factor in whether a trader will receive support from formal outlets or not. This is evident from the differential treatment which Mr Patel and Buhle have regarding access to ablution facilities, which are on the properties of formal retail outlets.

Source: Motala Shirin (May 2000) Sub-sectoral study of the informal economy: An investigation of the links between formal and informal businesses in the clothing industry in the Durban CBD: *Research Report for the Process of Developing an Effective and Inclusive Policy for the Informal Economy for Durban's North and South Central Local Councils.*(Report forthcoming)

APPENDIX B

Understanding COFESA⁵

COFESA (Confederation of Employers of Southern Africa) is an organised structure operating nationally with offices in four areas of South Africa including Durban. The regional office of COFESA in Durban is run by a manager and a staff of four whose key role is to recruit new members to COFESA and deal with local level problems and issues. The national office based in Gauteng is very specialised in the services offered. They have a legal team available on line all day who provide advice and information on labour related matters.

COFESA says its focus over the last seven years has been to restructure firms into “networks of contractors”. This is described as “an empowerment exercise” which creates networks of micro-entrepreneurs, and which links payment to production. The national office has produced a manual on how to contract workers. It also provides firms with ready to use proforma contracts which could be applied to any contract situation and produces simple pamphlets to explain current legislation such as the Labour Relations Act. A newsletter is also produced and distributed at regular intervals.

A key service which the national office provides is the direct legal support and interventions in labour related matters. An example given was that a company had a dispute with one of the contract workers and was taken to court. COFESA provided the legal team and managed the entire case on behalf of the firm.

One firm owner said he paid R900 per year to be a member of COFESA. He was unsure if this was a sliding scale based on the size of a firm or a uniform fee for all companies. COFESA was not only focused on the garment industry (though the majority of its members are employers and contractors from the clothing sector) and in fact, according to the firm owner’s daughter, had many members from the agricultural sector. It was open to any manufacturer and even had members from other parts of Southern Africa.

⁵ This section is taken largely from a forthcoming report by Motala Shirin (May 2000) Sub-sectoral study of the informal economy: An investigation of the links between formal and informal businesses in the clothing industry in the Durban CBD: *Research Report for the Process of Developing an Effective and Inclusive Policy for the Informal Economy for Durban’s North and South Central Local Councils*.

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COFESA says its mission is job creation. To that extent, they are registered with the Department of Labour and they assist their members with labour legislation. Chapter 15 of their CODE FOR FAIRNESS AND PRODUCTIVITY provides for the procedures to restructure companies and close factories. COFESA complains that some major manufacturers manipulate the markets through the Bargaining Council and undemocratically extend (the Bargaining Council's) agreement to non-members who are then forced to contribute to provident funds and other levies which make their labour costs expensive. COFESA claims to provide death benefits, funeral cover for the whole family, temporary and permanent disability benefits, unit trusts and medical cover for injury on duty, for its member firms.

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