Job crisis in the clothing, textile, footwear and leather industry

The South African clothing, textile, footwear and leather manufacturing industries are in deep crisis – and it is getting deeper. Despite a growth in the market, more than 43 500 jobs have been lost in the industry since the start of 2003 alone.

Statistics South Africa figures show a net reduction in employment of more than 75 000 since 1996. The main cause of this is the fact that a large and rapidly growing percentage of the products sold in South Africa are imported, primarily from China.

Some of the conditions that have given rise to the high levels of imports are the strengthening of the Rand against other currencies, very low wages and sweatshop conditions in China, and rapid trade liberalisation.

The inevitable result of the surge in imports, especially over the last two years, has been increasingly serious market disruption and injury to the local industry, with closures of factories, liquidation of companies and large-scale retrenchment of workers.

This increase in unemployment leads directly to poverty and hardship for the families and communities of the retrenched workers. This affects not only their capacity to provide the necessities of life, such as food, shelter, health care and education, but also their dignity.

Overview of the South African industry

Most workers in the industry are weekly-paid or ‘blue collar’ workers. Wages are very low. The legally prescribed minimum wage for a machinist in ‘non-metropolitan’ areas is R222.92 a week. The rate for a qualified machinist in these areas is only R282.76. These wage rates are the lowest in the South African manufacturing sectors.

The industry is a very significant employer of women. Figures compiled by the CTFL Sector Education and Training Authority (the SETA) show that 66.1% of workers in the industry are women, much higher than the proportion for all workers and the manufacturing sector (43.7% and 33.2% respectively). This situation means that job losses in the industry have a disproportionate impact on women and women-headed households.

Most workers in the industry are black (i.e. African, Indian or ‘Coloured’).

The industry is concentrated in specific geographic areas, where it is a very significant employer. In towns like Worcester, Isithebe, King Williams Town, Newcastle, Ladysmith, Paarl, Phuthaditjhaba, Botshabelo, Babelegi, Mogwase, Durban, Cape Town and Atlantis it is the major, or a very substantial employer of labour. The closure of factories in these areas has a massive social impact.

Sales are up - but so are imports

Figures on retail sales published by Statistics South Africa indicate that the market for garments, textile products and shoes has expanded significantly in recent years. Over the last five years for which the Southern African Labour Research Institute (SALRI) has full-year retail trade data (1999 to 2003), the real value of sales of men’s clothing increased by 55% in constant 1995 prices, sales of women’s clothing by 40% and sales of footwear by 38%.

One would expect these increases in retail sales to be accompanied by significant expansion in the local clothing, textile, footwear and leather manufacturing industry and a simultaneous increase in employment. However, this has not been the case.

The last two years have seen a sudden, steep and sustained surge in imports of clothing, textile, footwear and leather products, especially from China. From 2001 to 2002, clothing imports increased by 4% in $US. In 2003, the increase on the previous year accelerated to 73%. This trend continued in 2004, with an increase in clothing imports of 84% compared to 2003. The total value of clothing imports in 2004 was R3.6 billion.

Footwear imports increased by 9% from 2001 to 2002, by 42% from 2002 to 2003 and by 49% from 2003 to 2004 in $US value. The total value of footwear imports in 2004 was R2.6 billion.

The importation of products from China in these categories has seen even greater increases. From 2001 to 2002, Chinese clothing imports increased by 12% in $US value. From 2002 to 2003, clothing imports increased by a massive 111% in $US value – more than doubling in one year. The surge continued in 2004, with Chinese clothing imports increasing by a further 106% on the already high base of 2003. The increase over the period 2002-2004 was 335%. The value of clothing imports from China was R2.7 billion in 2004.

The proportion of Chinese clothing imports as a percentage of total clothing imports by value has grown from 49% in 2000 to 74% in 2004. China has therefore managed to increase its share of the total clothing import market by 50% in only three years.

From 2001 to 2002, Chinese footwear imports increased by 5% and from 2002 to 2003 by 57% in $US value. In 2004, this trend continued with a 55% increase on the previous year. The increase over the period 2002-2004 was 143% and the value of imports in 2004 was R1.9 billion.

As with clothing, Chinese imports dominate the footwear sector. From 2000 to 2004, the proportion of Chinese footwear imports make up of all footwear imports (by value) increased from 41% to 73%.

Impact on production and output

Statistics South Africa compiles production volume indices for the industry. These figures show that production has declined, in some categories significantly, between 1999 and 2003.

The volume of output has decreased despite increases in retail sales, leading to the conclusion that imports must be displacing local production.

Impact on employment

Statistics South Africa data shows a net reduction in employment in the industry of approximately 75 000 jobs.

SALRI maintains a database that tracks job losses through retrenchments, closures and liquidations in unionised workplaces in the industry. Data is collected from companies and trade union officials and recorded by name of company, number of workers retrenched, sector and date of retrenchment.

The CTFL industry experienced the following job losses in 2003, 2004 and the first four months of 2005. (The second column is the table below is job losses recorded on SALRI's database, the third column a conservative estimate of uncaptured job losses and the fourth column the estimated total job losses for the industry.)

Year	Actual job losses on database	Estimated uncaptured job losses	Estimated total job losses
2003	15 840	4 807	20 647
2004	12 599	3 974	16 573
Jan-Apr 2005	5 192	1 176	6 368

Source: SALRI job loss database, May 2005

During 2003, 20 647 CTFL jobs were lost, a 66% increase on 2002. This translated to more than 1 700 job losses per month. The situation did not improve in 2004, with the industry losing a further 16 573 jobs. In the first four months of 2005, a further 6 368 jobs were lost.

The 43 588 jobs lost in 2003, 2004 and the first four months of 2005:

- constitute about 20% of the entire CTFL industry – the lowest paid, but one of the most labour intensive sectors in manufacturing and a sector identified by the President and the Growth and Development Summit as an engine for job creation;
- affected 217 940 people, taking into account that an estimated five people are dependent on each breadwinner in the industry.

It is striking that increases in retail sales have been accompanied by reduced production and employment loss in the associated manufacturing industry. Given the dramatic trade figures presented above, it is not unreasonable to assume that the decline in output and employment in the industry (despite increases in retail sales) is the result largely of the surge in imports from China.

This seems to be confirmed by the fact that the five large clothing retailers have shown spectacular improvements in their financial performance over the last number of years.

The five retailers or retail holding companies are

- Edgars Consolidated Stores (Edcon), the holding company of Edgars, Sales House, Jet, Smiley's, Supermart, Boardmans and others;
- Mr Price Group, the holding company of Mr Price Weekend Materials, Mr Price Home, Milady's, the Hub, Mr Price Heroes and Sheet Street;
- Foschini Group, the holding company of among others Foschini, Markham, Totalsports, @Home, Donna Claire, Exact Stores;
- Truworths, the holding company of Truworths, Truworths Man, Young Designers' Emporium, In-wear, LTD and Identity; and
- Woolworths.

The table below shows the profit before tax of these five major retailers for the 2002 to 2005 financial years. It stands to reason that these increases in profits are the result, at least partly, of higher margins achieved on the sale of cheaper imported products.

Profits before tax

(R million)	2002	2003	2002-3	2004	2003-4	2005	2004-5
Edcon	263	565	115%	1027	82%	1851	80%
Mr Price	193	256	33%	296	16%	411	39%
Foschini	283	513	81%	753	47%	1141	52%
Truworths	452	549	21%	761	39%	N/a	N/a
Woolworths	599	778	30%	937	20%	N/a	N/a

Sources: Annual Reports 2002, 2003 and 2004 of Edcon, Mr Price Group, Foschini Group, Truworths and Woolworths and annual results 2005 of Edcon, Mr Price Group and Foschini Group

In the three-year period from 2002 to 2004, the five big retailers, Edcon, Mr Price, Foschini, Truworths and Woolworths made a combined profit of R8.3 billion. All the results for 2005 have not yet been released but it seems, from those results out already, that 2005 will be an even better year for these retailers.

Yet despite months of negotiation, these clothing retailers are still refusing to sign an agreement to support our industry by stocking at least 75% local goods. This would play a significant part in turning the tide of job losses. That is why these companies will be the target of many of the protest actions COSATU is organising over the next six months.

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