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**The socio-economic impact of trade liberalisation and employment loss on women in the South African clothing industry: A Cape Town case study**

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**SUMMARY** (with some updating) of original research report published in 2004 by the Economic Justice Network of the Fellowship of Christian Councils in South Africa (FOCCISA)

The **FULL REPORT** is being circulated separately

The information on women workers is based on interviews with 50 women in the Cape Town area in July 2003

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## SUMMARY OF RESEARCH

### **Introduction**

Over the past ten years the South African government has pursued various strategies to achieve higher economic growth to improve the socio-economic conditions of South Africans. One of its key strategies has been the liberalisation of trade. Trade liberalisation began in 1985 under the apartheid government, and was further entrenched by its structural adjustment programme of 1989. This trend continued with the signing and implementation in 1994 of the General Agreement on Tariffs and Trade (GATT) by the ANC-led Government of National Unity. The ANC government subsequently took South Africa into the World Trade Organization (WTO) and adopted a neo-liberal macroeconomic strategy known as the Growth, Employment and Redistribution policy (GEAR), which focuses on trade liberalisation, fiscal austerity and monetary discipline as important means to economic and human development in South Africa.

The South African government and many other WTO members proclaim increased competition through trade liberalisation as the key to socio-economic progress. But various studies in South Africa have found that the poor, and especially women, suffer when they lose their jobs when companies close down or scale down because they cannot compete with cheap imports. A 2003 study established a clear link between trade liberalisation and widespread job losses in the clothing and textile industry (Esset 2003). In the study, firms indicated that lower-priced imports were exerting downward pressure on margins, which increased pressure to raise worker productivity and lower labour costs, partly through shedding jobs. In addition, the depreciation of the Rand in the mid-1990s, made imported inputs into the industry more expensive. At the same time, trade liberalization made, shoes for example, much cheaper to import, even though these may have been manufactured under precarious and exploitative conditions .

These factors coupled with an insignificant increase in domestic demand, created a downward pressure on retail prices. An obvious consequence was a threat to profit margins for domestic/local manufacturers. Since textile, clothing and shoe manufacturing by and large are still labour intensive, a knee jerk reaction by manufacturers to this vulnerability was to cut costs, and with labour being one of the major expenses it was the first area to be targeted. The second strategy was to make workers become more versatile, and flexible and to increase productivity through mechanisms which led to work intensification. Flexibility also took on a new meaning, and extended to the nature of work, the number of hours and times worked, and wages. Of greater gendered consequence, was the flexibility that emerged for women who were now able

to occupy positions which previously were reserved for men. (This being South Africa, however, despite the workforce being dominated by women, the sector still epitomized the patriarchal relations mirrored at home and in society as a whole).

### **Job losses**

Official statistics obtained from sources like WESGRO (2002) and the Department of Trade and Industry (DTI), create the impression that employment in the clothing industry has fluctuated rather than declined. This could perhaps be understood to be so, due to the substantial shift of workers from the formal to the informal sector. This is not out of choice, however, but as a response to manufacturers adopting strategies like outsourcing and subcontracting to maintain profit margins. This phenomenon does not account for all the workers and many remain unemployed. Under the rationale proposed by the DTI, they are the *'losers'*. Those who remain within the sector, or who find alternative employment, even if it is insecure and unregulated, with vacillating wages and no social benefits, are considered as *'winners'*.

The reality, however, paints a bleak picture of jobs losses. In the Western Cape, which forms the heart of the clothing industry, the period 1989-1998 saw a decrease in formal sector employment from 55 288 to 39 512 thousand. The ramifications of this cannot be overestimated, especially when 80% of the clothing workers were women who earned a mere 37 per cent of the average manufacturing wage. (ESSET, 2003: 21). While men in the sector were also affected, they were fewer in number, and thus the impact on women due to this drop in employment was more severe, particularly since it bore negatively on their socio-economic status.

This devastating drop in employment had implications not simply on women's employment in the labour market, but also had ripple effects at the household and community level. Since many of the women were either supporters of single headed households, or were the sole breadwinner, the loss of employment had a spiraling effect on the family and the household. In addition to their societal obligations, i.e. the unpaid social reproduction of labour as care givers, food providers, educators and budget keepers in both their family and their community, many women were also burdened with the sole financial well being and sustainability of the family unit. Young women entered the labour market at ages as early as 17 or 18 years and then remained in the sector, in some cases up to 40 years or more. While their social reproductive labour went by unpaid, a meagre wage was paid for their manual labour which brought with it certain levels of independence and recognition, despite the exploitation. The loss of income had a personal as well as a financial impact.

**Table 1 Job losses in the clothing, textiles and footwear industries in the Cape**

	Recorded job losses	Estimated job losses	Total job losses
2003	15 386	5 934	21 320
2004	11 798	4 440	16 238
2005	18 554	3 397	21 951
<b>Total</b>	45.738	13.771	59.509

The above table gives a more accurate reflection of recent job losses in the clothing, textile and footwear industries in the Cape between 2003 and 2005. The table covers the losses recorded in the database for retrenchments and closures by the SA Labour Research Institute (SALRI), which is the research wing of the Southern African Clothing and Textile Workers Union (SACTWU). The database does not capture job losses in all non-unionised factories and among all white collar workers, therefore an estimate is added to capture the unrecorded data. The table shows that a total of 59,509 thousand jobs were shed between January 2003 and December 2005. <sup>1</sup>

### **Workplace restructuring and the response of women**

*(this section gives an idea of the interview material used in the main report)*

Faced with cheap imports, dumping, illegal goods and second-hand clothing, manufacturers in the Western Cape have opted for various strategies to avoid closures. Some converted their enterprises into Cut Make and Trim (CMT) operations, usually informal and home based. Others reorganised by downsizing, outsourcing non-core functions to informal operations, and shifting from permanent to casual contracts.

The women interviewed for this study have all experienced changes in the workplace in the past 13 years. One recalled that,

*In the 1990s we began to work differently. Pressure was applied on the supervisor to ensure production and she in turn pressurised us. The workers had to finish the units very quickly.*

Some drew a direct link between the intensification of production processes and pressures on the domestic market. Many cited the influx of cheap imports as a major reason for losing their jobs. The women connected the production peaks and the introduction of 'short time'<sup>2</sup> work to the demands and import practices of major domestic retailers.

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<sup>1</sup> SALRI used Jan 2003 as the start date, since it marked a major surge of clothing, textile and footwear imports into South Africa.

<sup>2</sup> The average working week is forty hours. When employers reduce the working hours resulting in unpaid time off, it is referred to as short time.

Women were aware of employer strategies such as decentralising production through outsourcing. The owners of one factory also own a CMT for which the cutters at the factory had to prepare fabric. Workers speculated that the owners would 'fall back' on the CMT after the company was liquidated. Former workers at the factory described how fabric was cut for a retail order, after which they were put on short time and the job was completed elsewhere. In one case, a company outsourced work to up to 50 CMTs. This factory was not only producing for the local market, but also for export for the past year. But, as one of the workers remarked,

*The export people are full of nonsense. They send their own quality controllers in. A thing is never right, even if it looks perfect to you.*

Another worker complained that overseas companies were 'too strict about the quality of work'. She also linked difficulties at work to the increase in the Rand's value that led to 'the bosses not making as much money'.

Thami's story shows the harsh consequences of the strategy whereby owners liquidate a business and then re-open it under another name.

*Thami (41) from Brown's Farm is one of the few African women working as a machinist in the Cape Town clothing industry. In 1997, she moved to Cape Town, 'looking for green pastures but we don't find them'. Since 1984 Thami had worked as a machinist in the Eastern Cape but left because of poor pay. Sadly, her experience in Cape Town has been worse. In six years she has lost five jobs, and continued to be abused by the same group of bosses who close and re-open factories to duck financial commitments. After each closure, she and the other workers were offered jobs by the same bosses. At their last unregistered cut, make and trim (CMT) operation she left without being paid for several weeks. She then joined a new factory, but that was liquidated in November 2002. 'I don't feel right to go to another factory. All the time they are closing down and I have nothing for the children,' says Thami, who has been medically treated for stress since her last job loss. 'I must get a job but I don't feel up to going.' Although her husband earns a 'good' salary (R4000 a month), since her loss of employment they always run out of food towards the end of the month. She and her husband can now only afford to send R150 to each of their mothers back in the Eastern Cape.*

Another worker, Portia, was also forced to work in CMTs after her retrenchment. She describes the work as 'tiring' and payment as unsure:

*I would like a secure work where I can work for a couple of years. Everywhere you go, you sign a (temporary) contract. It's a new thing. When the contract is finished, you have to go.*

Most of the women were already working 'short time' before their retrenchment. Despite describing the relations between workers and management as generally good, many expressed their disappointment at how the retrenchment or liquidation was handled. For example, workers at one factory returned to work one day to find the gates locked and private security officers protecting the premises. Months later, they were still waiting for their Provident Fund to be paid out, and some cannot even afford the many phone calls necessary to query this delay. The women interviewed were also facing delays in processing applications at the Unemployment Insurance Fund (UIF). Many women could not afford the transport costs to go to 'sign' on each month, and two months after signing on, they still had not received any money.

## **Trade liberalisation and employment loss in the clothing industry**

The South African clothing industry first grew in an attempt to address the supply restrictions during World War I. The industry as a result was then able to supply 87% of the local demand by the 1950s and 93% by the 1980's. However, the industry was not immune to setbacks during this period and saw changes after the international oil shock of 1973. In South Africa, this saw a breakdown in the government of the day's economic development strategy, which promoted exports of primary products, inward looking import - substitution, industrialisation, and 'violently regimented labour supply' (Marais 1998). By 1982, a shift to trade liberalisation was advocated by the ruling National Party (NP) in compliance with the conditionalities of a loan from the International Monetary Fund (IMF) which supported neoliberal orientations.. By 1985 the NP introduced duty-free import provisions for the clothing industry and import volumes of clothing started to grow (Sellars 2000). In 1989 the NP government's structural adjustment programme increased exposure to international competition and boosted import penetration to over 40 per cent of the local market between 1989 and 1991. Worn clothes constituted a substantial part of these imports, increasing by more than 64 per cent between 1989 and 1990.

In 1993 the transitional government signed an IMF Letter of Intent for a loan. It stipulated that the government had to liberalise trade as a condition for the loan. In 1994 the ANC-led Government signed The Clothing and Textiles Agreement, which formed part of the GATT, and which required that all quotas on clothing imports be scrapped by 2005. Subsequent to the adoption of GEAR in 1996, tariffs were reduced more rapidly – over eight years – and to lower levels than required by GATT. In respect of clothing, *ad valorem* tariffs were reduced to an end-rate of 40 per cent by 2000, instead of the prescribed 45 per cent..

The lack of protection from countries with cheaper labour has resulted in a growing inflow of clothes since the 1980s. But GEAR, which emphasised the competitive effects of lower tariffs, has given the clothing industry the hardest knock. From 1998 onwards the value of clothing imports has surpassed that of clothing exports (see Table 2 below). The bulk of clothing imports in 2000 came from Asia (R680m out of the total value of imported clothes of R873m), particularly China and India, with a significant inflow from Africa (R103m) [see Table 3 below] The weakened Rand (1996-2002) combined with the shift of manufacturing activities to exploit cheap labour in neighbouring countries, explain the increase in imports from Africa. Clothing is also brought into the country illegally through criminal means

**Table 2. South Africa's clothing imports and exports**

Year		1991	1993	1995	1997	1998	1999	2000
Imports	(R'000)	187 710	251 306	225 030	428 063	578 750	671 392	873 126
Exports	(R'000)	219 206	473 485	393 707	465 309	505 696	591 754	722 395

Source: ABSA 2001:14–15

**Table 3. The breakdown in 2000 for imports of clothing and worn clothing from SADC countries with which South Africa has bilateral agreements**

Imports	Clothing	Worn Clothing
Malawi	R64,2m	R20,7m
Mozambique	R19,3m	R0.282,000
Zimbabwe	R15,6m	R3,6m
Zambia	R0.228,000	R0.065,000

Source: ABSA, 2001:51

### **Current status of the sector**

The South African clothing, textile, footwear and leather manufacturing industries are in deep crisis. The industries are and continue to be in a downward spiral. Despite a growth in the market, more than 43 500 jobs have been lost in the industry since the start of 2003 alone. Figures from Statistics South Africa show a net reduction in employment of more than 75 000 since 1996 due to a drastic increase in the number of (legal and illegal) goods imported, primarily from China and sold in South Africa. This situation has been worsened by the current strengthening of the Rand against other currencies, very low wages and sweatshop conditions in China, and rapid trade liberalisation. This surge in imports, especially over the last two years, has created serious market disruption and has had devastating impacts on the local industry. The consequence, closures of factories, liquidation of companies and large-scale retrenchment of workers. This increase in unemployment has been a leading cause of the increase in poverty and hardship for the families and communities of the retrenched workers, who are largely women. This severe knock has not only incapacitated retrenched workers from providing the necessities of life, such as food, shelter, health care and education, but has adversely affected their dignity.

While most workers in the industry were and continue to be weekly-wage earners or 'blue collar' workers, the wages are very low. The legally prescribed minimum wage for a machinist in 'non-metropolitan' areas is R222.92 a week while the rate for a qualified machinist in the metropole is only R282.76. It is significant to note that these wage rates are the lowest in the South African manufacturing sectors. Of even greater significance is the fact that this industry is a significant employer of women with a machinist being one of the "relatively better paying positions".

### **Gender ratio of employment in the sector**

Figures compiled by the CTFL Sector Education and Training Authority (SETA) show that 66.1% of all workers in the industry are women. This figure is much higher than the proportion for all workers in the manufacturing sector (43.7% and 33.2% respectively). Job losses in the industry therefore would have a disproportionate impact on women and women-headed households compared to men. Furthermore, most workers in the industry are black (i.e. African, Indian or 'Coloured'). This is no off chance, but rather implicit architecture on the part of the then apartheid state. So specific geographic areas, of significant employment for clothing workers are in towns like Worcester, Isithebe, King Williams Town, Newcastle, Ladysmith, Paarl, Phuthaditjhaba, Botshabelo, Babelegi, Mogwase, Durban, Cape Town and Atlantis. In many of these areas, the town hub was centred on these factories and the closures thereof have left a massive hole which impacts on the workers at household, community and social level.

### **Conclusions**

The premise on which trade liberalization is articulated argues that there are winners and losers under liberalization. A point alluded to earlier in the paper. The South African experience in sectors where women are located, and to a larger extent where they are predominant, provides sufficient evidence not only to challenge but refute this claim. Furthermore, the research findings despite its small sample size, challenges the view put forward by Kabeer in her study (2004) on young women workers in Bangladesh. She argues that trade liberalization holds benefits for women in the South. The findings in this case study illustrate explicitly that this is not the case.

Furthermore, the South African government's efforts to slot into the global economy by lifting protective taxes on clothing imports has wreaked havoc in the lives of female workers in the clothing industry. These efforts are part of the GEAR strategy which, as already stated, led the government to lift import taxes on clothing imports at an even higher rate than than was necessary. It did so without assessing the impact this would have on poverty levels, especially

given that women form the bulk of the workers in this industry. This industry is labour-intensive and vulnerable to competition from cheap clothing products exported by businesses operating in countries where workers are not protected and earn very low wages.

In addition, the government has not used mechanisms available to it in trade agreements such as antidumping rules and rules of origin to protect this vulnerable industry. Since 1990 it has become trapped in a job-shedding crisis. In a context of very little public support, apart from incentives to become more capital intensive, manufacturers have used various strategies to cope with the growing influx of clothes from especially China and India, but also Malawi and Mozambique. These strategies include restructuring and downsizing factories as well as using contract workers, temporary workers and outsourcing work to home-based workers.

While we cannot over-generalise from the results of this study, the picture that emerges shows clearly that retrenchment and liquidations have pushed women workers into deeper levels of poverty. It is also clear that labour markets exploit the weak position from which women enter the economy and reinforce gender inequality. As the profile of workers *before* loss of employment shows, female clothing workers are an especially insecure group. Many of these women were already battling to survive on their low wages, and many of them were the breadwinners in the household. They were already pooling resources and sharing basic living requirements with extended families. In many cases, their low wages also helped to support other dependants, in addition to their own children.

As the clothing worker's income supports a number of people, the impact of job loss has reached out to households, and especially to children. This increases the burden on those women who also fulfill domestic and reproductive functions in the home. Tensions rise over food, money and space. Women who were once active players in the labour market often lose their independence along with their income. Job loss pushes them into new forms of dependence with ex-partners, partners or husbands, parents, and other members of their family. These women are not only financially disempowered, but can experience a diminished sense of worth and identity.

The ripple effect extends beyond the family and into the broader community as the clothing worker and her family become more dependent on others to provide their basic needs – for everything from food, money for transport fares, electricity, water and rent. Some women coped by moving in with family members to pool resources; others sent their children away to live with relations. This has a direct effect on the social fabric of families and communities as parents are separated from their children. It is impossible to maintain healthy nutrition under these conditions as income losses curtail spending on food. This again builds reliance on family and community networks to get food. But these sources can be exhausted. Workers who had only been

unemployed for two months were forced to ask neighbours for food, and at times found their request denied. With broad unemployment in South Africa at 40 per cent, more and more people are edging below the breadline, with nothing to share. Losing a job means losing access to a sick fund, and unemployed workers join the ranks of those who depend on overburdened and under-resourced state facilities.

Most of the women interviewed had not completed secondary education, irrespective of their age. This shows that the attainment of secondary school qualifications is as difficult for a younger post-apartheid generation as for their older counterparts. After job loss, even paying school fees for pre-school, primary and secondary school children becomes a problem, and children will eventually have to leave school to help earn an income. In this way the cycle of low education and all its consequences is perpetuated for another generation. Conflict and violence in communities are mostly the result of crime. With high unemployment crime becomes rife. This provides the context for the endemic proportions of sexual violence against women and children. Ironically, coping strategies that lead to overpopulated dwellings can also breed conditions for sexual assault.

The women in the study were forced to manage their lives after retrenchment with little financial or emotional support. There were no community outreach programmes or services to address their needs or anxieties. The vast majority were not aware of any state institutions that they could even approach for help. While some women were receiving state grants – mostly old age pensions – most women experienced great difficulty in accessing their unemployment payouts, despite the fact that they have contributed to the Unemployment Insurance Fund while employed. All the women cited unaffordable transport costs as a barrier to finding new employment and accessing food aid, health care services or state benefits. Bureaucratic hold-ups in the payment of Provident Fund money made it even more difficult for women to maintain their livelihoods. It is particularly telling that although most women had lost their jobs only two months prior to the interviews, they were already battling, with no 'safety-net' to fall back on.

Like thousands of other women in South Africa who have lost their jobs over the past decade, the women in this study are in an emergency situation. The government, trade unions, and groups representing the interests of women need to learn from this experience for their future involvement in trade policy-making, and take immediate steps to prevent these women, their families and communities from slipping into a poverty trap.

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