

# Causes of job losses in labour-intensive industries

**W**hen Finance Minister Trevor Manuel put a match to R8-million worth of counterfeit footwear in mid-February, he helped shed some light on the issue of smuggling in South Africa.

In its 1997 annual report, Manuel's department noted that 'smuggling is endemic in South Africa'. In the meantime COSATU-affiliated unions protested against both the removal of protective tariffs for local industry and the lack of progress in curbing the influx of illicit imports. The last decade saw an unprecedented loss of employment in labour-intensive industries. This article analyses the causes of growing job losses and the impact of illegal imports on labour-intensive industries in South Africa.

While the debate on the validity of available statistics rages on, there is no dispute that loss of employment in industrial council areas has been massive. Official figures are misleading because the dramatic growth in employment in 1996 is a result of including former 'independent' Bantustans' employment figures beginning in January 1996. It concealed the continuing decline in employment which is reflected in the industrial council figures.

## **Clothing industry**

Figures in the graph overleaf indicate the impact of smuggling on garment industry

*Nnzeni Netshitomboni  
examines why jobs are being  
lost in the clothing, textile and  
footwear industries.*

---

employment. Perhaps more disconcerting for the labour movement is the loss of jobs in industrial council areas where conditions of employment and wages are invariably better than in other areas. Employment in the South African garment industry fell from over 110 000 to below 68 000 in 1998.

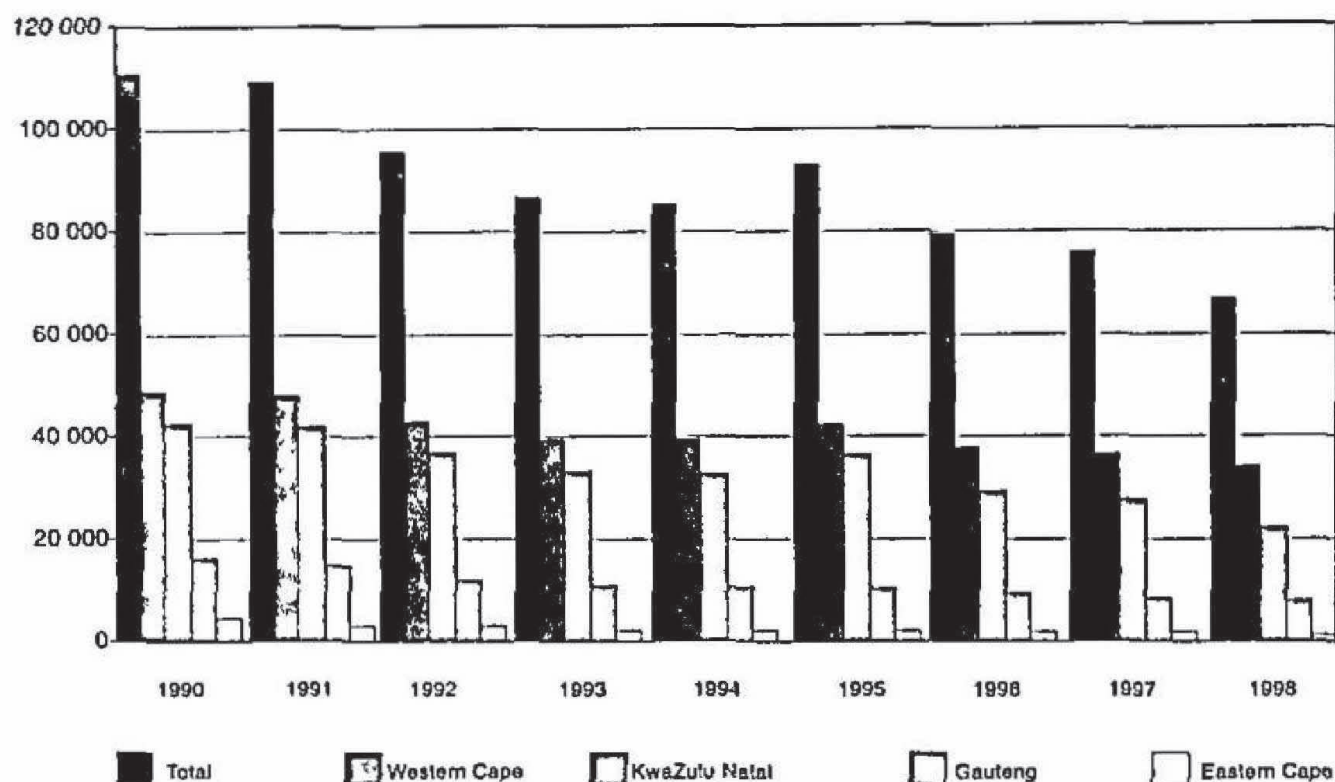
Despite what those who insist that labour market inflexibility is the source of growing unemployment would have us believe, the bulk of employment and output in the industry is still concentrated in industrial council areas.

The fluidity of employment and its dependence on incentives in wage determination areas and former Bantustans is well known. Official figures show that, since 1993 (except in 1998) clothing imports hardly exceeded exports by more than R300-million. (DTI, 1997) Moreover, recorded imports constitute far less than 10% of the local production.

The international competitiveness of the garment industry particularly the cut, make and trim (CMT) segment has been



## Clothing Industrial Council employment



noted elsewhere. (Netshitomboni, 1998)

The collective decimation of clothing, textile and footwear industries, is largely due to smuggling. While legal imports have also grown, partly as a result of piecemeal tariff reduction and the abolition of import quotas on World Trade Organisation member countries, employment loss would have been minimised without illicit imports.

The growth of exports has, in the main, not been able to impact positively on dwindling employment opportunities. A study by Altman disclosed that in the clothing industry, in real terms, the difference between imports and exports (trade balance, which was negative) was higher in the early 1980s but lower in the early 1990s. Yet, the clothing industry grew very rapidly in the early 1980s but declined markedly in the 1990s. This suggests that legal imports have so far not been the major cause of employment loss.

It is also interesting to note that

recorded imports remain at low levels as a percentage of total domestic garments produced. Trade statistics in the garment industry are to some extent unreliable as a result of both illegal imports and fictitious exports. Between 1990 and 1998, almost half the jobs in KwaZulu-Natal in the garment industry in areas under the jurisdiction of the Industrial Council disappeared.

### Footwear industry

In 1995, footwear imports accounted for over 50% of the market from a mere 13% in 1990. This clearly indicates that the loss of jobs is directly linked to legal imports. However, illicit imports remain a serious problem for the industry.

China (including Hong Kong) alone took 42% of the South African shoe market. The Department of Trade and Industry (DTI) imposed a quota on Chinese shoe imports, but importers then changed their sources. Indonesia and



Malaysia are among the new important sources of footwear imports into South Africa. Employment in the footwear industry fell from 26 332 in 1990 to 14 984 in 1998. This represents 43% loss in less than a decade. In 1996 employment levels had slumped to levels last seen in the early 1960s.

The rapid decline in employment levels in the footwear industry can be ascribed to both legal and illegal imports.

## Textile industry

The textile industry has also shed a large portion of its workforce. Nearly 15 000 workers lost their jobs in the industry between 1990 and 1997. The figure represents about 15% of the industry's total employment. Although the textile industry has been negatively affected by the influx of illegal imports, the industry has also raised its levels of investment. In the process, the labour-saving technology adopted has displaced workers from their jobs.

A combination of growing capital intensity and smuggling in the textile industry has resulted in the loss of employment. This is evidenced in the growing investment in the industry over the last decade.

## Informal traders

It appears that the bulk of the illegally imported goods find their way to the public through the informal sector. While some view the informal sector as a stepping stone to the creation of a capitalist class in previously disadvantaged groups, it is an important outlet for illicit goods. Authoritative comments on this should be postponed until more research into ownership patterns in the sector is concluded.

Casual observation in late afternoon suggests that many informal sector sellers

of footwear and garments are employees of entrepreneurs with global connections. In fact it can be argued that lack of finance and global connections no doubt prevent an average informal trader from accessing imported goods. Government success in curbing the inflow of illegal imports will definitely contribute positively to employment generation in the country.

## Conclusion

It is clear that the causes of employment losses in the textiles, clothing and footwear industries are varied. There is no single common cause of employment loss in these industries. It is also clear that tariff reduction appears to be the major cause behind rapid job losses in the footwear industry.

The textile industry appears to have shed employment as a result of growing capital intensity evidenced by growing investment in new machinery in the industry. In clothing, evidence appears to point to growing levels of smuggling. Smuggling appears to be the only common cause of the decline of employment in the three industries. ★

## References

- Altman, MA (1997). 'State Regulation and Accumulation Strategies Restructuring of the South African Clothing Industry', PhD Thesis, University of Manchester
- DTI (1997) Annual Report Government Printer, Pretoria
- Netsbittomboni, N (1998) 'The Rise, Restructuring and Decline of Labour Intensive Industries in Durban', the Case of Clothing Paper Delivered at a Conference, City of Durban, Research Project 9-11 July
- SAFLIA (1999) Annual Report South African Footwear and Leather Industries Association

---

Nnzeni Netsbittomboni is a Trade and Industry Advisor in the Export Promotion Directorate of DTI. He writes this in his personal capacity.