

SURVEY ON THE TEXTILE, CLOTHING AND FOOTWEAR SECTOR

WITH A FOCUS ON SMALL ENTERPRISES



seda 

SMALL ENTERPRISE DEVELOPMENT AGENCY

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A Survey conducted on behalf of the Small Enterprise Development Agency by: Komane Plaatjie Malebana & Associates, March 2008

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LIST OF ACRONYMS

AGOA	African Growth and Opportunities Act
ATC	Agreement on Textiles and Clothing
ATMI	American Textile Manufacturers Institute
CTFL SETA	Clothing, Textiles, Footwear and Leather Sector Education and Training Authority
DCC	Duty Credit Certificate
DCCS	Duty Credit Certificate Scheme
EU	European Union
FTA	Free Trade Agreement
GATT	General Agreement of Tariffs and Trading
GDP	Gross Domestic Product
GNP	Gross National Product
GSP	Generalised System of Preferences
ITMF	International Textiles Manufacturers Federation
KZN	KwaZulu-Natal
LDC	Less Developed Country
Mercosur	South American trading block, consisting of Argentina, Brazil, Paraguay and Uruguay
MFA	Multi-fibre Agreement
NAFTA	North American Free Trade Area
SA	South Africa
SACU	Southern African Customs Union consisting of SA, Botswana, Lesotho, Swaziland and Namibia
SSA	Sub-Saharan Africa
TDCA	Trade, Development and Co-operation Agreement
TRALAC	Trade Law Centre for Southern Africa
US	United States
WTO	World Trade Organisation
YTD	Year-to-Date

EXECUTIVE SUMMARY

This report provides results from the Textile, Clothing and Footwear (TCF) survey of the Small Enterprise Development Agency (Seda).

Seda commissioned this study to examine challenges faced by the Small, Medium and Micro Enterprises (SMMEs) within this sector, to increase the quality, quantity and accessibility of information to actively support and develop SMMEs within this sector, and to identify possible FIFA 2010 opportunities for small enterprises currently operating within this sector.

Twenty-one firms were selected in Gauteng, KwaZulu-Natal (KZN) and the Western Cape as a sample for this study. Most of the firms selected were either small (21 to 50 employees) or very small (6 to 20 employees) enterprises. Key findings from the economic analysis of the TCF sector show that when firms were asked about their performance, 28.6% indicated that they were “doing OK”, 23% said they were not doing well, while nearly a third (29%) said they were doing very badly. When firms were asked about their market conditions and firm competitiveness, more than six in ten of them (67%) said they were selling their products outside their regions but within the country. Thirty-eight percent of firms had exports in the market; 46% export clothing, a third textile, while 20% export footwear. Most firms expected unchanged conditions, while a few firms expected growth in demand of between 0% and 10%.

One of the key factors resulting in the meltdown and difficult challenges for SMMEs in the TCF sector is failure to upgrade machinery for the fast production of goods. Most SMMEs still use fairly old machines, with all industries showing a high number of firms with machines of an average age of more than 10 years. Another burning issue in the TCF sector leading to challenges is the question of education and skills. Although the sector can offer entry-level jobs for unskilled labour, low levels of education and skills pose a serious challenge for the innovation of this sector. Despite these educational and skills development challenges, less than half (50%)

of firms in this sector spent nothing on training in 2007. Furthermore, a fairly significant number of firms are unwilling to claim from the skills development levy, even in situations where they qualify. Combined with other factors such as lack of awareness of government support programmes like Khula Enterprises, and difficulty in accessing finance, which are fairly evident in the sector, skills and educational development challenges can act as a barrier to the development of the sector as a whole.

While it is clear that perceived opportunities within the TCF sector do not include the FIFA World Cup 2010 spectacle, most firms, on the contrary, much prefer the African and other export markets. As suggested by one footwear firm in George in the Western Cape, collaborations and interrelationships between SMMEs and larger corporations could serve as a panacea for the ailing sector. One other recommendation to resolve the problems of SMMEs in the TCF sector involved the role of Seda, where it was suggested that the agency should improve accessibility to SMEs through its website. In general, selected stakeholders were positive about the prospects for SMMEs in the sector and recognised the changing landscape in their industries. Companies like Clotex are among the support mechanisms which empower and promote development within the TCF sector. For example, in recent achievements, Clotex assisted six small businesses to successfully grow despite deteriorating trends within the sector.

In conclusion, this survey has highlighted many challenges faced by small firms in an industry characterised by extensive job losses, low productivity, lack of investment in machinery and intensive competition from low priced imports from the Far East. The survey has also highlighted some of the views by the interviewed firms on resolving the crisis of deterioration in the sector, and in this respect stakeholders interviewed confirmed that the contribution of this sector and the SMMEs to the broader national effort to grow the economy, can actually create jobs and alleviate poverty.

FOREWORD FROM THE CEO'S OFFICE

Having commissioned and published various research studies in the small enterprises arena, the small enterprises development agency (Seda) continues to identify challenges within the small enterprise sector and provides support through research so as to deal with difficulties experienced by small enterprises (SMMEs).



Acting CEO - Hlonela Lupuwana

Once again Seda has put together the sectoral study in the Textile, Clothing and Footwear (TCF) sector. The TCF survey, like many other studies in similar fields, aimed to identify opportunities and limitations of small enterprises and increase overall knowledge of the sector so as to assist in their support and development, as well as enable them to actively compete in, and contribute to, the South African economy.

The current economic atmosphere globally, and in South Africa in particular, has negatively impacted the growth and development of small enterprises. The effects of the global economic crisis, in particular the financial meltdown globally and escalating high costs locally, among other challenges, also pose challenges for small businesses in the TCF sector. Against this backdrop Seda, in line with its brief to nurture and support small enterprises, continues its mission to assist the TCF industry to realise its potential and overcome the perceived stigma of being underachievers.

Because small enterprises within the TCF sector have the capacity to contribute towards uplifting the economic status of South Africa by absorbing large numbers of workers and alleviating poverty, it is important that this sector's existence within the economic family does not remain static, or indeed

dormant. Despite the many challenges faced by small businesses within this sector, this report reflects that this sector is still relevant and that there are still opportunities for survival, especially in light of the opportunities arising from FIFA 2010 and African and other specialized export markets. Thus, key findings from this report highlight the importance and relevance of textile, clothing and footwear trading as key players in the economy.

In its capacity as a development and implementing agency of small enterprises, Seda has also completed other projects parallel to the textile study in the fields of

Tourism, ICT, and Retail; and is successfully completing studies in the fields of Arts and Craft and Agribusiness. Findings from these studies contribute to broader knowledge and inform policy development in respect of the support and development of small enterprises locally and in the rest of Africa.

The importance of research on textile, clothing and footwear is not limited to the economic upliftment of the country, but also contributes to the branding and marketing of South Africa as a product developer of note in the world.

We hope that different stakeholders across the country will utilise the information contained in this report with the goal of growing and developing small enterprises to contribute meaningfully to the national economy.

Hlonela Lupuwana, Acting CEO

1. INTRODUCTION AND PURPOSE



1.1 Background

The Small Enterprise Development Agency (Seda) appointed a service provider to undertake a survey of small and medium enterprises in the textile, clothing and footwear sector. Seda commissioned this research in order:

- To identify opportunities and constraints faced by SMMEs within the sector.
- To increase the quality, quantity and accessibility of information in active support and development of SMMEs within the sector.
- To identify possible FIFA 2010 opportunities for small enterprises currently operating within the sector
- To conduct an economic analysis of the Textile, Clothing and Footwear Sector in order to identify gaps, needs and opportunities for SMMEs per province.
- To increase the quantity, quality and accessibility of information on currently active SMMEs operating within the Textile, Clothing and Footwear Sector.
- To identify the constraints faced by SMMEs in the sector.
- To develop a profile of SMMEs operating within this sector.
- To identify future growth prospects in particular looking at the Fifa 2010 opportunities for SMMEs operating within the sector.

The project objectives were identified by Seda as being the following:

Small business development has featured prominently in the policies and strategies of the government, aimed at delivering a growing and inclusive economy since 1994. In response to challenges set out in the initial White Paper on Small Business (1995), as well as the National Small Business Development

Act (1996), the government established the Ntsika Enterprise Promotion Agency and Khula Enterprise Finance, amongst various other interventions, to foster entrepreneurship and develop the small business sector.

In the 1995 White Paper on National Strategy for Development and Promotion of Small Business in South Africa, SMMEs were seen as a vehicle to:

- address the problem of high unemployment levels in South Africa as they have a high labour-absorptive capacity,
- activate domestic competition by creating market niches in which they grow until they identify a new niche as a response to demand changes, and to be internationally competitive because of their flexibility
- redress the inequalities inherited from the Apartheid period - in terms of patterns of economic ownership and restricted career opportunities for black employees.
- contribute to black economic empowerment in that the majority of SMMEs are reported to be initiated, owned or controlled by those members of society who were discriminated against in South Africa's past; and,
- play a crucial role in peoples' efforts to meet basic needs in the absence of social support systems during restructuring processes - which refers in particular to South Africa's micro-enterprise segment and especially survivalist activities characterized by low entry barriers for inexperienced job seekers. ¹

More recently the adoption of an Integrated Small Enterprise Development Strategy has been accompanied by the consolidation of non-financial and technical support into the Small Enterprise Development Agency (Seda) and the launch of the South African Micro-Finance Apex Fund to serve small businesses.

Small business development is also amongst the proposed strategic programmes of the newly released National

Industrial Policy Framework (NIPF), and features heavily in *ASGISA*, or *the Accelerated and Shared Growth Initiative for South Africa*, a government programme that has as its broad aim the attainment of an annual economic growth rate of at least 6% between 2010 and 2014.

Policies to promote small enterprises are being implemented at a time when there has been a dramatic change in the economy and whose impact has been somewhat uneven across a range of sectors although the overall growth of the economy has impressed. Various analysts have acknowledged that the performance of the South African economy during the past decade has reflected mainly the effects of long-run structural shifts, technological change, and the opening up to global competition.²

The dominant structural shifts include the increased reliance on services as a source of economic activity, relative to the historical reliance on primary and, to a lesser extent, manufacturing production.³ By 2003, the broad category 'services' was not only the fastest-growing sector but accounted for at least 65% of economic activity.⁴

Table 1: Average Annual growth in value added (%), 1991-2003

Sector	1991-6	1997-2003
Primary Sector	-0.2	0.1
Manufacturing	1.7	2.3
Tertiary sector	2.5	3.3
Total	1.1	2.3

Source: Cassim (2006), calculated from TIPS database

Textiles, clothing and footwear and leather products account for 4.5% of total manufacturing and employ an estimated 153 640 workers (Productivity South Africa, 2007).⁵ However, the available evidence suggests that textiles, clothing and footwear are among the sectors that have fared particularly

1 see Kespers, A. (2000)
 2 see Borat (2006), Cassim (2006)
 3 Cassim(2006)
 4 ibid

1. INTRODUCTION AND PURPOSE

poorly over the past decade or more against a background of massive changes in the structure of the economy and due to a variety of reasons that include trade liberalization and import competition, a failure to upgrade machinery and other capabilities, and low labour productivity.

As table 2 indicates, manufacturing as a whole suffered employment losses between 1994 and 2004 despite an increase in the annual growth of value added. Clothing and textiles mirror this trend, experiencing numerous company closures and losing thousands of jobs in the process, but footwear is amongst the worst performers as it experienced large negative output and employment rates of -6.3% and -10% respectively during 1996-2005 (Productivity South Africa, 2007).

Seda’s interest in the textile, clothing and footwear sector is timely and well placed because, as the evidence from other countries also shows, this sector has a well recognized potential to contribute to both job creation and the alleviation of poverty due to a tendency to be labour-intensive and offer entry-level jobs for unskilled labour⁶.

Table 2: Sector performance 1994-2004

Sector	Average Annual Value Added growth % (1994-2004)	Average Annual employment growth % (1994-2004)	% semi and un-skilled labour	Nominal tariffs 1993 %	Nominal tariffs 2001 %
Textiles	0.1	-2.5	79	49.1	15.7
Wearing Apparel	0.5	-0.2	83	81	20.2
Footwear	-4.6	-7.0	91	28.9	27.5
Total Manufacturing	2.5	-1.2	59		

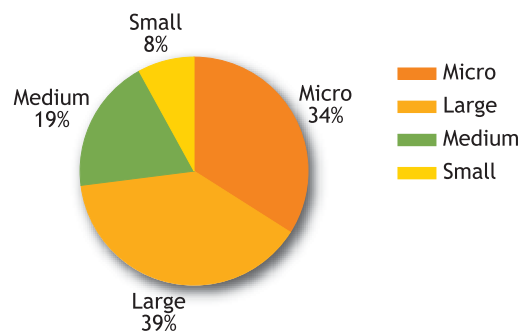
Source: adapted from Roberts, S. and Thoburn, J. (2004)

SMME’s have also been shown to thrive in the textile, clothing and footwear sector because for many market segments the

technology can be adopted at relatively low investment costs. These technological features of the industry have made it suitable as the first rung on the industrialization ladder in other poor countries, some of which have experienced a very high output growth rate in the sector (e.g. Bangladesh, Sri Lanka, Viet Nam and Mauritius).⁷

Figure 1 indicates that, according to Statistics South Africa’s 2005 Manufacturing Survey, at least 61% of formal employment in the textile, clothing, and footwear and leather sector is accounted for by small and medium-sized businesses. This obviously excludes informal employment which is growing according to most accounts. However, it is a clear indication of the labour intensive nature of the sector and relative absence of significant barriers to entry, which is illustrated by the strong employment share of micro enterprises (34%).

Figure 1: Employment by enterprise size 2005



Source: calculations based on Statistics South Africa’s Manufacturing Survey 2005

1.2 Definition of SMME

The definition of SMME followed in this literature review is the one informed by *the dti’s* Integrated Strategy on the Promotion of Entrepreneurship and Small enterprises which notes that:

⁵ For the purpose of this report, the textile, clothing and footwear sector falls under 311-317 in the Standard Industrial Classification (SIC) codes but excludes 316 which covers leather

⁶ see for example Barnes et al (2005)

⁷ ibid

“....reference in this strategy to “small enterprises”, “small businesses” or SMMEs (small, medium and micro-enterprises), unless specifically demarcated, covers the full spectrum of business enterprises other than “large enterprises” or corporations and publicly owned enterprises. This includes categories known as micro-enterprises, survivalist enterprises, informal sector enterprises, and formal small and medium-sized enterprises. It also covers businesses in all stages of evolution, from pre-establishment to start-up, emerging, stable or expanding, as well as enterprises in distress. Furthermore, it includes enterprises that can be characterized as family-owned, black-owned, women-owned or co-operatively owned”

The Schedule I to the National Small Business Act of 1996 provides a quantitative criterion for SMME’s which we also follow in this review (as outlined in Table 3). The schedule indicates SMMEs as those firms with 200 employees or less and a total annual turnover of less than R51m.

Table 3: Thresholds for the classification of businesses (Manufacturing)

Size or Class	Total full-time equivalent of paid employees Less than:	Total Annual turnover (Rm) Less than:	Total gross asset value-fixed property excluded (Rm) Less than:
Medium	200	51	19
Small	50	13	5
Very Small	20	5	2
Micro	5	0.2	0.1

1.3 Methodology

A three-pronged approach was adopted to provide the information for this survey:

- a literature review was undertaken to assist the researchers in understanding what is known about the sector and to design appropriate and relevant survey instruments for the firm-level interventions
- We interviewed selected stakeholders in an effort to assess their own perceptions of the state of the sector and suggested strategies for supporting the growth of SMMEs. Not all stakeholders could be interviewed due to time constraints and the views of the selected stakeholders, though authoritative, should not be seen as representative of a particular sector
- 21 firm-level interviews were undertaken during February and March 2008 in the Western Cape, KwaZulu Natal and Gauteng. The interviews were based on a structured questionnaire which covered areas such as ownership, firm performance, market conditions and firm competitiveness, investment and technology, education and skills, access to finance, government support incentives and policies, business objectives and growth, and perceived opportunities facing the sector.

1.4 Structure of the Report

In line with the terms of reference and objectives of the survey, the report first presents an overview of the role and performance of the manufacturing sector and SMMEs in the SA economy (section 2), followed by a profile of the textile, clothing and footwear sector (and the position of SMMEs) in section 3. Findings from the firm-level survey are analyzed in section 4 covering a description of the survey methodology followed and the major areas of firm performance, competitiveness, education and skills, business objectives and growth, and opportunities, among others. In section 5 we report on stakeholder views on the growth challenges and strategies for supporting SMMEs in the sector. Conclusions and initial recommendations are presented in section 6.

2. AN OVERVIEW OF MANUFACTURING AND SMMES IN THE SA ECONOMY



The performance of the South African economy in the decade prior to 1994 was quite subdued (and sometimes negative) but improved significantly between 1994 and 2004 (with an average 2.8% growth per annum). More recently, annual real gross domestic product grew at 5.1% in 2005 and 5.2% in 2006.

The National Treasury is forecasting slower rates for the forthcoming two years due to exchange rate volatility and other global pressures (e.g. oil prices) but nevertheless the broad consensus is that the economy is robust and facing improvements in terms of levels of investment and productivity (with multifactor productivity estimated to have

grown at an average annual rate of 3.0% between 1996 and 2005).⁸

Despite the structural shifts that were noted earlier, manufacturing remains an important sector of the South African economy contributing 18.6% to Gross Domestic Product (GDP), only slightly lower than services (which contribute 21.1%) and employing more than one million people. However, as illustrated in Table 4, manufacturing has been disappointing both in terms of average growth in real output (2.8% between 1996 and 2005) and employment growth (-1.5 %).

Other analysis of past economic trends also indicate that industrial performance has not been adequate, for example Roberts (2004) has noted that;

“Industrial performance in South Africa has not been good,

8 Productivity South Africa (2007)

with continued low growth of output, weak investment, and contraction in employment. Moreover, despite trade liberalisation, widespread restructuring of manufacturing and increasing international integration the trajectory has strong elements of continuity”.

The best performing sectors in terms of value-added growth from 1994 to 2004 are furniture, leather, other chemicals, basic non-ferrous metals and basic iron and steel. And the greatest employment creation occurred in other manufacturing, professional equipment, plastic products and machinery and equipment (Roberts, 2004).

Whilst some manufacturing sectors like plastic products, furniture and leather products, are recognized to have done well, the other success stories are still the large capital and resource intensive industries that have continued to perform well. Roberts (2004) further notes that this reflects the importance of “path dependency”- where the strength of industries such as basic metals and basic chemicals is due to state support and previous protection, means that they are relatively better positioned to take advantage of export and new investment opportunities.

Table 4: Gross Value Added and Employment by economic sector, 2005

Sector	Gross Value Added (Rm) nominal values	Persons employed	Average Growth of Real Output 1996-2005	Average growth employment 1996-2005
Agriculture, forestry and fishing	37 625	742 750	1.5	-2.1
Mining and quarrying	100 515	445 906	0.6	-2.6
Manufacturing	254 993	1 188 217	2.8	-1.5
Utilities (Electricity, Gas and Water)	31574	55 700	0.6	-2.7
Construction	33 161	406 238	4.3	-4.1
Wholesale and retail trade	191 549		4.6	2.4

9 Mollentz, J.(2002)

Sector	Gross Value Added (Rm) nominal values	Persons employed	Average Growth of Real Output 1996-2005	Average growth employment 1996-2005
Transport, storage and communications	131 955	1 385 375	6.5	-3.6
Finance, insurance and other services	293 481	1 526 606	5.3	5.2
Private economy	1 082 853	6 159 135	3.9	0.3

Source: Productivity South Africa (2007)

In presenting an overview of manufacturing performance during the past decade our focus was on briefly highlighting the overall relatively poor outcomes that characterized the sector as it faced an increasingly open trading regime, and during which companies moved to improve their competitiveness using various strategies.

These themes emerge quite frequently in the studies that have looked at the textile clothing and footwear sectors which we find to have fared poorly. The outlook for SMMEs in the textile, clothing and footwear sector cannot be divorced from these challenges, and this is an area that will be considered in the later sections of the paper.

Any attempt at an overview of the SMME sector is likely to be immediately confounded by the problem of a lack of consistent and reliable statistics, especially longitudinal data on trends and performance.⁹ The Ntsika Annual Review published in 2000 sought to present some consensus on the size of the SME sector, their profile and contribution to the economy (Mollentz, 2002). The recent attempt to update this information leaves us with the number of trading small businesses being between 1.8 and 2.56 million (*the dti*, 2004).

SMME statistics from new sources of information such as the Integrated Business Register and a Statistics South Africa survey of economically active corporations suggest that more

2. AN OVERVIEW OF MANUFACTURING AND SMMEs IN THE SA ECONOMY

than three quarters of small businesses are involved in services (including trade) rather than the production of goods (the latter represents 22% of formal businesses but only 14% of informal businesses).¹⁰

Previous studies have shown that the majority of SMMEs are micro and survivalist enterprises (predominantly retail with no signs of enterprise growth) whilst the most dynamic SMMEs responsible for the majority of SMME employment are medium-sized, but are only a minority (Mollentz, 2002).

Kesper (2000) concurs with this view, warning that the South African SMME sector is far from homogenous and would require a fine-tuned set of interventions rather than the generic assistance currently provided. She further adds that the type of interventions cannot only be about external but also internal factors, stating that “small business performance seemingly depends not only on the removal of constraints by means of (supportive) public policies and regulations, but decisively on industrial and organizational structures, the adaptiveness of firms and, above all, the capabilities and aspirations of the entrepreneur”.

¹⁰ *the dti*(2004)

3. A PROFILE OF THE SA TEXTILE, CLOTHING AND FOOTWEAR SECTOR



The textile, clothing and footwear sector is the subject of a growing body of research and numerous studies exist that help us to paint a picture of the major characteristics, trends and subsector developments in recent years.

South African clothing and textile industries began with the manufacture of blankets in the 1920s and 1930s (Morris et al, 2004) and historically they benefited from the protection afforded by high tariffs in the era of the National Party government's import substitution policies (Van der Westhuizen, 2007).

However, in recent years negative growth, declining employment and increased competition from trade

¹¹ Morris (2004)

liberalisation globally, cheap and illegal imports and dumping, as well as a strong SA Rand has resulted in a decline in the competitiveness of SA's clothing and textiles industries.¹¹ These trends are apparently even worse in footwear which has been a glaringly weak performer over the last decade characterized by massive job losses and company closures that resulted from the loss of the domestic market to imports and the failure to significantly grow exports (Ballard, 2002).

However, such a picture should not take anything away from pockets of excellence and the ability of many firms within the entire sector to develop new capabilities and adjust to new realities.

The local **clothing industry** has been described as being historically well established and caters for a wide range of customer needs including men's, women's and children's

3. A PROFILE OF THE SA TEXTILE, CLOTHING AND FOOTWEAR SECTOR

clothing goods, outerwear, underwear and swimwear products, among others (Rogerson, 2000).

The clothing industry is concentrated in three provinces: **Western Cape, KwaZulu-Natal and Gauteng**, and according to National Bargaining Council statistics, as of June 2004 there were 827 clothing firms in SA, with 327 located in the Western Cape, 239 in the northern areas, 219 in KwaZulu-Natal (KZN) and 42 in the Eastern Cape.¹² Nationally, the sector comprises a number of well-established large firms, SMMEs and home industries and there is also a large cut-make-and-trim (CMT) industry in the Western Cape and KZN that range from large, well-established firms to small home industries.¹³ Estimates of employment from enterprises registered with the SETA put employment at a total of 124,037 in 2005 (Van der Westhuizen, 2007) but calculations that sought to estimate for 'informal' employees put this figure at a much higher level of more than 150 000 with acceptance that the quality of employment has declined for some due to casualization and externalization processes in the industry.

Information compiled by the Department of Trade and Industry (DTI) indicates that the **textile industry** comprises 350 mills producing 560 million square metres of fabric made from locally grown cotton, locally produced polyester fibre and imported fibres.¹⁴ It is further noted that the fabric is valued at R12 billion and the apparel produced from it amounts to 191 million units valued at R11 billion. Exports accounted for R1,4 billion for apparel and R2,5 billion for textiles, mostly to the US and European markets. Exports to the US increased by a dramatic 62% in 2001, driven primarily by the benefits offered under the Africa Growth and Opportunity Act.

The positive export performance significantly masks the reality that textile production has stagnated and employment has fallen significantly over the years. According to statistics from Productivity South Africa (2007), annual output grew in most years since 2000 but employment has declined in all the

years for which statistics are available.

According to the DTI the domestic **footwear industry** consists of 112 manufacturers under the umbrella of the Southern African Footwear and Leather Industries Association (SAFLIA) and the National Bargaining Council in addition to at least 60 other SMMEs. Kwa-Zulu Natal, the predominant footwear producing province in South Africa, has a 62% share of production while the Western Cape is next with a 23% share. The balance of footwear is produced in the Eastern Cape (11%) and the Northern Province (4%).

South African footwear exports in 2001 were low at 1.5 million pairs, but have increased by 22% in volume terms from 2000. SADC, the regional grouping of which South Africa is the largest country, received 43% of these exports, 19% went to the EU and 9% to NAFTA. With the recent benefits of preferential trading arrangements with the US and the EU, there are improved prospects for increased exports to these regions.

Other trends from the footwear industry are disturbing though there is ground for optimism given a positive global outlook. These trends include¹⁵:

Domestic sales: The footwear market in South Africa has decreased in terms of value of sales by around 42.1% during the course of the decade.

Imports: As well as the domestic market shrinking by two-fifths, it is being increasingly lost to imports. Import penetration is now 63.4%.

Exports: The industry has utterly failed to perform in terms of exports. Although it grew promisingly until 1996, it subsequently declined year-on-year to half of its 1996 high over the very period when depreciation in the exchange rate should have yielded labour cost advantages.

12 Barnes(2004)

13 ibid

14 downloaded from <http://www.thedti.gov.za>

15 Ballard(2005)

Production: As a result of shrinking sales, increasing imports and lacklustre exports production has collapsed to little more than a quarter of its 1990 level in real price terms.

3.1 SMMEs in the Textile, Clothing and Footwear sector

Our survey of recent research studies and surveys of the textile, clothing and footwear sector did find various reports that shed some light on the roles and role challenges facing SMMEs within the sector, although the majority of studies were not focused on SMMEs per se (i.e. the key findings were often not disaggregated according to firm size). Unfortunately, there was only one study found on footwear industries and it focused on the larger exporting firms (Ballard, 2002). The details on the focus of the surveys and methodology used are to be found in the Appendix. The main conclusion we can draw is that the studies are few and most are outdated. At the same time we have insufficient material to comment on all the sectors.

In a survey of the textile industry Reid (1999) found that large firms still dominate the industry and that firms adopted labour shedding measures as their response to increasing competition from imports. In a larger survey of manufacturing firms, in 2001, Moodley and Reid found that a number of performance indicators had worsened for both clothing and textile manufacturers but unfortunately their study did not disaggregate between small and larger firms.

Rogerson (2000) reports on a survey of 'successful' clothing manufacturer's in the Witwatersrand area and the study shows the emergence of a notable CMT economy of subcontracting producers, as well as a group of successful clothing manufacturers from communities previously disadvantaged under the repression of apartheid. Furthermore, he points to the role of education and training, and the establishment of clusters as possible interventions that can assist more SMMEs to be successful in the clothing industry.

Kesper (2000) provides evidence, drawn from 4 sets of surveys across the country, and in different sectors, that during the period 1996-2000 many SMMEs were unable to grow for a variety of reasons and often identified market development and increasing labour and other input costs as major constraints.

However, an important finding in our view is that those SMMEs that did not experience reductions in output or turnover were still reluctant to grow or employ more staff, partly due to concerns about the demands of the new labour legislation or instability associated with market conditions.

3.2 The international and national economic policy context

Our survey of the literature reveals that there are powerful global developments that cannot be ignored and that these affect the competitiveness of the industry, particularly in clothing and textiles. It is not possible to overstate the threat posed by the emergence of China as the largest exporter of textiles and clothing. At the same time there have been changes in the global trading regime for this sector due to new agreements at the level of the World Trade Organization (WTO) which will have important consequences for the sector. Existing trade arrangements with the US and the EU are also important for the possible opportunities that they can bring. At a national level the industry also has to adjust to the phasing out of an export incentive scheme known as the Duty Credit Certificate Scheme (DCCS), and some assessment is still to be done on the new quota regime on Chinese products for the sector.

3.3 Changing production systems and implications

Studies conducted at the United Nations Industrial Development Organization (Geraffi and Memodovic, 2003), the WTO (Nordas, 2004) and locally (Barnes, 2005) indicate that in the current global context the 'old manufacturing' apparel industry has moved away from the developed

3. A PROFILE OF THE SA TEXTILE, CLOTHING AND FOOTWEAR SECTOR

countries and become dominated by the outsourcing of large parts of manufacturing to the developing world in new global value chains, leaving behind a 'new' apparel industry consisting of design, branding, the production of high value added garments, control of foreign production, liaising with customers, and the handling of logistics of garments and raw materials.¹⁶

Geraffi and Memodovic (2003) point out that these transformations in production, trade and corporate strategies have altered the global apparel industry and changed the prospects for developing countries entering and moving up these chains. They suggest that the apparel industry is now a 'buyer-driven value chain that contains three types of lead firms: retailers, marketers and branded manufacturers' and 'as apparel production has become global and competition has intensified, each type of lead firm has developed extensive global sourcing capabilities'.

Evidence also shows that the commercial buyers in these global apparel value chains are very demanding. They insist on lower prices, better quality, shorter lead times, smaller minimum quantities and supplier acceptance of as much risk as possible (Barnes, 2005). Clothing is increasingly considered as perishable where time to market matters. This is seen as placing producers in more remote locations at a disadvantage, especially in the fashion segments of the market (Nordas 2004). The research shows that developing countries have favourable prospects as they enter the clothing sector, but it has been difficult for them to create backward linkages in the sector and therefore the import content of the clothing industry is typically high. Parts, components and semi-finished goods often cross the border several times before the final product reaches the consumer which means that tariff rates have a multiplicative effect on costs, rendering the industry very sensitive to tariffs (Morris, et al 2004).

These studies further indicate that retailers increasingly manage the supply chain of both the textiles and clothing

sectors following a 'demand-pull system'. A survey by Morris et al (2004) indicates that as information flows directly from retailers to clothing manufacturers, but also to textiles plants in many cases, (where decisions are made on patterns, colours and material), textiles firms in industrialized economies are increasingly producing household and other industrial fabric, which is generally a more technical and R&D intensive segment of the industry and subject to less frequent stylistic changes. This explains why employment in textiles in developing countries is holding up and they are still big exporters (as will be shown below).

3.4 Trade patterns in clothing and textiles¹⁷

Currently, the US, EU and Japan are the largest consumers of textiles and apparel, yet the majority of clothing and textiles in these countries are imported. The Japan Textile Importers Association estimates that 87% of clothes on sale in Japan are imported, while the American Apparel and Footwear Association estimates that 89% of US clothes are imported (Morris et al, 2004).

Between 1995 and 2002, the US share of world imports of textiles and clothing increased from 14% to 21%, while since January 2001, 344,000 jobs in the industry have been lost, indicating that clothing and textiles manufacture in the US has been declining. There is, however, still an apparel industry left in the EU, especially in Southern Europe, consisting of approximately 100,000 firms employing 2.5 million people with a turnover of US\$229 billion.

Nordas (2004) presents statistics that show that China was the world's largest exporter both of textiles and clothing in 1995 as well as 2002. Furthermore:

- China's world market share (excluding intra-EU trade) increased from 22.5% to 30% over this period in the clothing sector, and from 16 to 22% in the textiles sector.
- The other dominant exporters of textiles in 1995 and 2002 were Italy, Germany, Republic of Korea, Chinese Taipei,

¹⁶ Barnes (2005)

¹⁷ These statistics are drawn from Morris et al (2004) except where otherwise indicated

France, Belgium, Japan and the UK, while Turkey and India had made it to the top 10 list in 2002. (Developed countries thus dominate exports in the textiles sector)

- In the clothing sector the major exporters in addition to China are Italy, Hong Kong, China, Germany, France, Turkey, India, Indonesia, Republic of Korea and Thailand. Mexico had made it to the top ten in 2002, ranking fifth, mainly due to NAFTA.
- The emergence of China in global trade in textiles and clothing is more vividly captured in Table 5. Whereas in 1995 China accounted for 29% of total clothing imports in South Africa, this had increased to 56.3% in 2002. Similarly, in textiles China's share of imports grew from 5.9% to 18.5%.

Table 5: China's share of total imports-selected countries

	Textiles (%)		Clothing (%)	
	1995	2002	1995	2002
Australia	19.3	35.2	54.3	70.4
Japan	41.4	66.5	59.1	77.5
South Africa	5.9	18.5	29	56.3
Switzerland	3.9	5.2	8	9.3

Source: Nordas (2004)

3.5 Other trade and national policy factors impacting on the sector¹⁸

The end of the Multi-Fibre Agreement (MFA): On December 31, 2004 the MFA came to an end and with it the termination of all quotas on textiles and clothing trade between WTO member states. This is likely to significantly affect the apparel industries in southern Europe, as well as those developing economies' apparel and textiles industries that have grown as a result of access to quotas, rather than genuine competitiveness. One of the major concerns is how China and India will behave after the removal of quotas. India's overall clothing and textiles exports increased 33% in January 2005,

when compared against January 2004 figures, whilst China experienced an even more astounding 546% increase.

African Growth and Opportunities Act (AGOA): This is a US programme that allows reciprocal tariff preferences to 37 sub-Saharan African (SSA) countries covering 6,000 product lines to 2015. Clothing is governed by a separate set of conditions and rules of origin. These rules stipulate that clothing has to be made from US fabric, yarn and thread, or from fabric, yarn and thread that is produced in an AGOA-beneficiary SSA country. Rules of origin tie the domestic textiles industry into the clothing production process and therefore any weaknesses in the textiles sector have a marked impact on the success of clothing exports.

The EU-SA Trade and Development Cooperation Agreement: The free trade agreement, which came into effect on 1 January 2000, provides for EU tariffs to be reduced to zero over six years, and for South African tariffs to be reduced to half of MFN tariff levels over eight years.

(NB: Both AGOA and the EU-SA Trade and Development Cooperation Agreement are also important in attracting international buyers to source from South Africa, and in encouraging inward investment. However, with the phasing out of the MFA SA producers are likely to find themselves under threat from unrestricted exporters)

National government policy

Duty Credit Certificate Scheme (DCCS): This is an export-incentive programme for the textiles and clothing industries which ended on 31 March 2005, and was replaced by an Interim Clothing and Textiles Scheme which ran until 30 September 2006. The DCCS was designed to encourage the outward orientation of the clothing and textiles industries by allowing firms to claim a remission of duty for proven exports. Alternatively the rebates earned could be sold to any other importer of garments or textiles. This resulted in the majority of credits being sold to retailers who paid as much as a 30-40%

¹⁸ This section draws freely from Barnes(2005)

3. A PROFILE OF THE SA TEXTILE, CLOTHING AND FOOTWEAR SECTOR

discount, which they then used to import garments, thus reducing demand for domestically produced apparel and ultimately hurting domestically oriented clothing firms.

Imposition of Quotas on Chinese textiles and clothing

Following numerous complaints from local manufactures, the Minister of Trade and Industry finally introduced restrictions on the importation of Chinese textiles and clothing in January 2007 for a period of two years. The listed products could only be imported after obtaining a special import certificate from ITAC.

According to the Textiles Federation, the quota has had positive effects. Some sectors of the textile industry have seen an upturn in business as a result of the quotas but this is not universal across all sectors of the industry.

Customised Sector Programme (CSP)

A Customised Sector Programme (CSP) for the South African clothing and textiles industries has been completed and is viewed as presenting an important opportunity for the sector, with the sector development strategy developed through the process identifying 26 Key Action Programmes (KAPs) capable

of crisis managing the clothing and textiles industries' present tenuous positions, re-establishing their foundations and then maximising the numerous opportunities that still exist.

The CSP was finalised in August 2006. However, since that time the Retail Sector has withdrawn its support for the CSP and consequently the programme has not yet been introduced.¹⁹ The CSP is intended to develop and modernise the textile and clothing industries and to put them on a path to higher competitiveness. It embraces the following aspects:

- Domestic market development
- Promoting exports
- Competitiveness by upgrading technology and investments
- Upgrading skills
- Empowerment, and
- Pursuing a partnership approach.

At this stage the only progress under the CSP is that some of the projects contained within the programme are being advanced. These are:

- Country of Origin labelling
- Replacement for the DCC Scheme
- Developing a capital upgrade provision for the sector

¹⁹ Textile Federation

4. ANALYSIS OF FIRM SURVEY DATA



4.1 Survey scope and methodology overview

The survey was designed primarily to obtain information to assist in developing a profile of SMMEs in the Textile, Clothing and Footwear sectors and to identify the opportunities and constraints that they face..

The survey took the form of plant-level interviews with members of senior management in each firm. In most cases, there was only one respondent to interact with. The respondents were typically Managing Directors, Financial Directors or Production Managers. The interviews were all conducted at the respondents' firms after an initial contact by telephone to secure an appointment. Each interview lasted between one and two hours and followed a structure that was set out in the interview schedule. The questionnaire was

usually completed during the course of the interview by the researcher (due to time constraints the field workers also left some questionnaires for completion at a later stage when the firm representative indicated that they had other commitments).

This sample is made up of 21 respondents (more are to follow as outstanding completed questionnaires are transcribed). The initial target had been 30 firms but due to survey fatigue and the conditions facing the sector it is understandable that fewer companies participated.

Eight firms were from Gauteng, seven from KwaZulu Natal and six were from the Western Cape. The selection of the respondents was informed by the availability of firms and their willingness to accommodate the researchers over a very brief

4. ANALYSIS OF FIRM SURVEY DATA

surveying period. The source of information on which companies to approach was the National Bargaining Council and industry association databases.

From the outset it must be acknowledged that sample selection would tend to be biased towards established SMMEs and exclude the emerging ‘informal’ and micro firms that do not register with bargaining councils and are often not interested in industry associations. Various attempts were made to access these firms but to no avail.

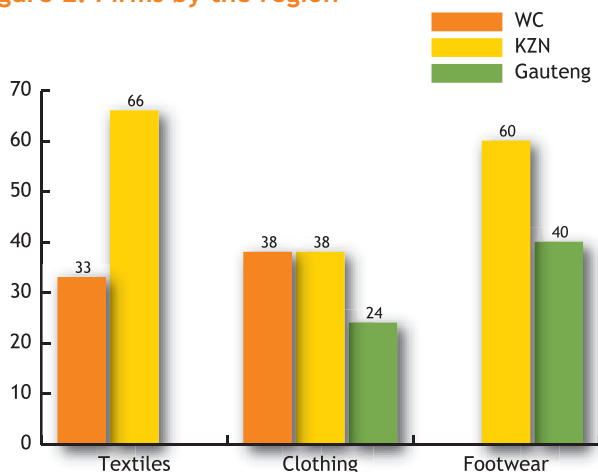
4.2 Structure and dynamics of the sample

Our sample consisted of 21 firms spread across the major industrial hubs of the sector, KwaZulu Natal (33.3%), Gauteng (38%) and the Western Cape (28.6%). As Table 6 and figure 1 indicate, the majority of firms in the sample are in the clothing industry (13), followed by Footwear (5) and textiles (3).

Table 6: SMME Survey sample by sector and region

	KZN	GP	WC
Textiles	2	0	1
Clothing	3	5	5
Footwear	2	3	0
TOTAL	7	8	6

Figure 2: Firms by the region



62% of all firms in the sample are family owned and 38% are privately owned entities. As shown in figure 2, only in KwaZulu were we able to obtain participation from firms in all three industries. Table 7 below shows the varied product range of the participating firms across the sector.

Table 7: Product Mix

Clothing	Textile	Footwear
Wet suits	Bathroom	Sandals
Garments	Bedroom	Boots
Head gear	Kitchen	Shoes
Ladies wear	Table	Safety footwear
Menswear	Washing	Ladies F/W
Hats & Caps	Garment dying	
School uniform	Curtains	
Socks	Linen	
Embroidery		

The sample consisted of mostly small (21-50 employees) and very small (6-20 employees) firms - 47% and 43% respectively. As highlighted earlier, no micro firms were captured in the sample and only 10% fall in the medium category (51-200 employees). As predicted in the literature and revealed in our sample, most footwear SMMEs are small and very small, the textile SMMEs are very small, whilst clothing SMMEs can range from the small to medium size (see figure 4).

Figure 3: Size of firms (employment)

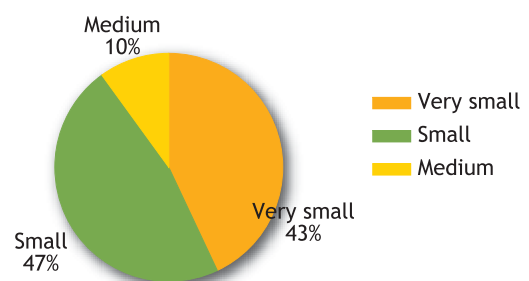
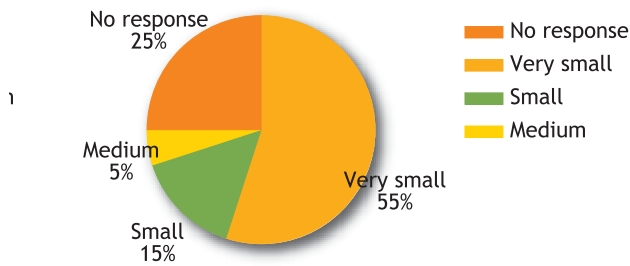


Figure 4: Size distribution according to industry



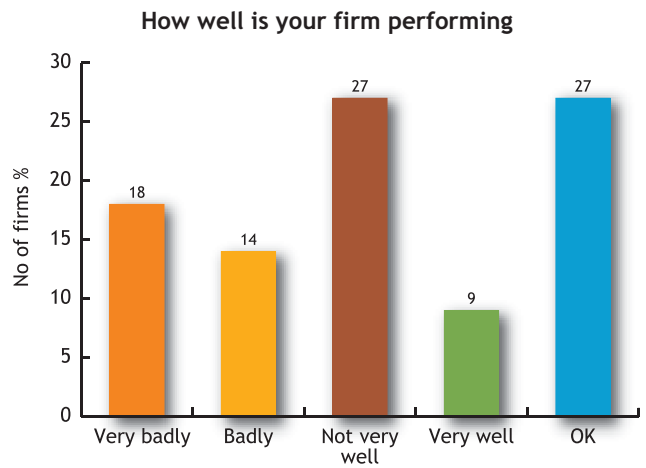
Size distribution of firms (turnover)



4.3 Firm performance

The firms were asked ‘how well is the firm performing?’ and only 14% responded positively, with 28.6% indicating that they were ‘OK’. 23% were not doing very well, whilst 29% indicated that they were doing very badly (where they had even begun to contemplate closure).

Figure 5: Performance of the firms



All textile SMMEs in the sample felt they were doing badly, but in the clothing and footwear industries there was an almost even split between those firms that were positive and those that were negative.

Figure 6: Changes in employment



Another useful indicator of firm performance is changes in employment over time. In our sample of SMMEs we found that despite the generally tough conditions facing the sector more than 86% of firms had unchanged employment levels between 2006 and 2007. Only one firm (clothing) had increased employment whilst two had experienced a decline (one clothing and one footwear).

4. ANALYSIS OF FIRM SURVEY DATA

4.4 Market conditions and firm competitiveness

Firms were asked where their output is sold. Most SMMEs are selling their products outside their regions but within the country (67%). Interestingly, 38% of the sample was involved in export markets (46% of clothing, a third and 20% of textiles and footwear SMMEs respectively).

Figure 7: Destination of output

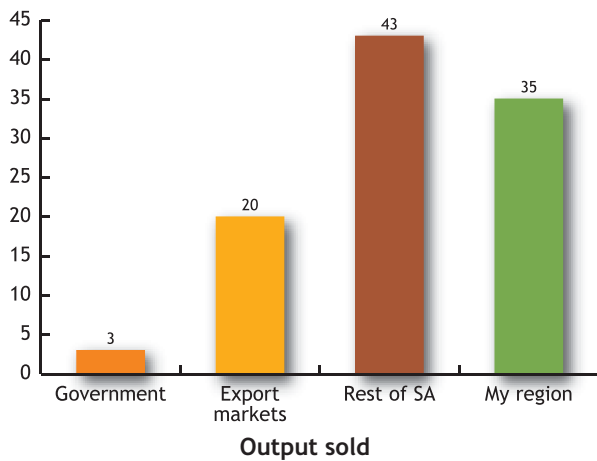
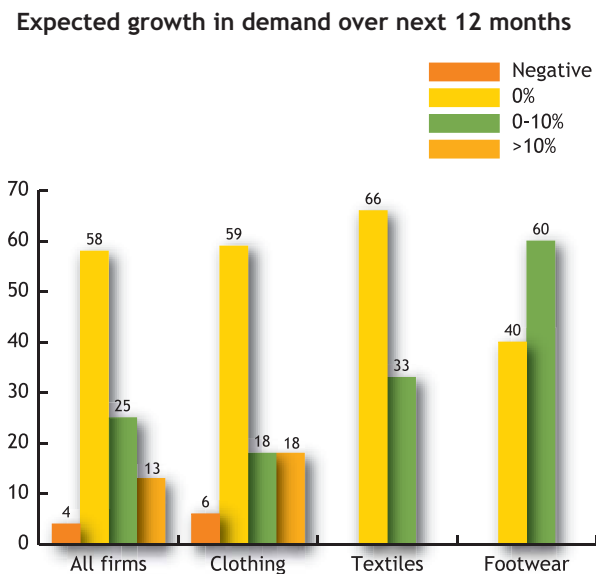


Figure 8: Expected trends in demand



Interestingly, despite the general conditions prevailing in the sector there was only one firm in the entire sample (clothing) that was anticipating negative growth in demand over the next 12 months. Most firms expected unchanged conditions whilst a few firms that have moved to niche areas (and exports) were actually expecting growth in demand of between 0% and 10%.

4.5 Investment and technology

SMMEs tend to view up-to-date technology as important for their competitiveness, especially in the clothing and footwear industries. However, this is not the case among the textile firms in our sample (Figure 9).

Despite this importance placed on up-to-date technologies, most SMMEs still have fairly old machines (see Figure 10). All industries seem to include a high number of firms that have machines with an average age of more than 10 years.

Figure 9: Up-to-date technology

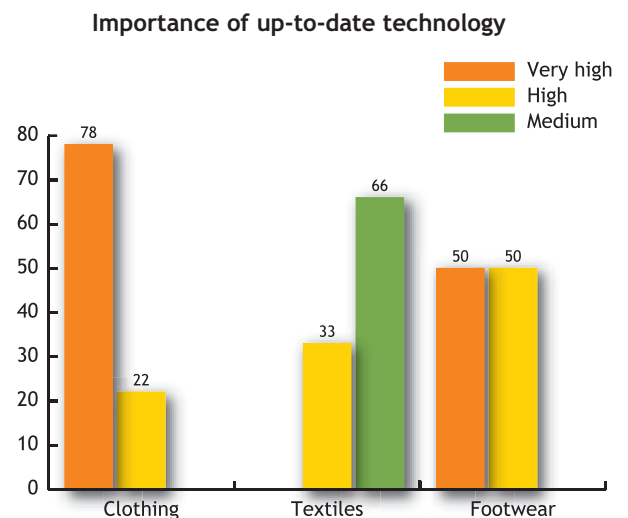
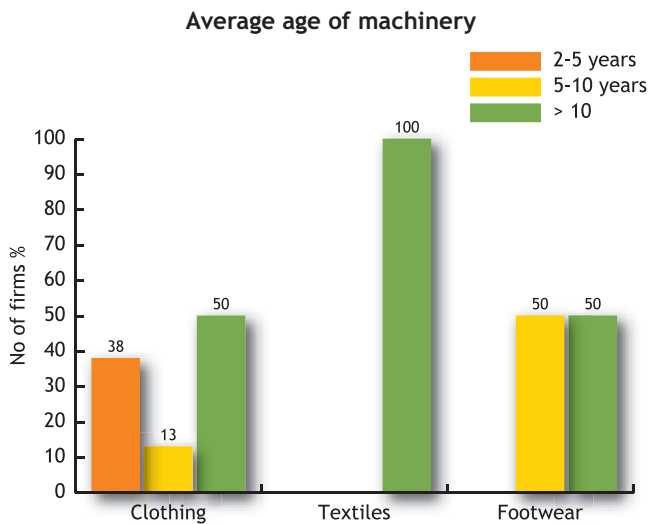


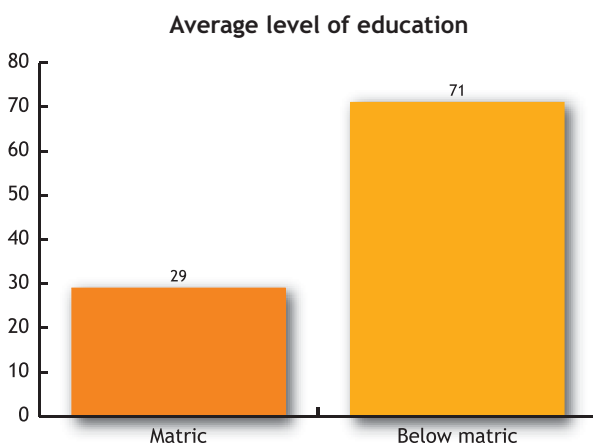
Figure 10: Machinery



4.6 Education and skills

As predicted by the literature the average education levels in these industries is fairly low, 'below matric' (Figure 11).

Figure 11: Average level of education in the three sectors



Despite this well recognized skills and education challenge less than 50% of firms spent on training in 2007. All textile

firms in our sample did not spend on training. These trends reinforce the unwillingness of firms to claim from the skills levy even in instances where they would qualify.

Figure 12: Expenditure on training

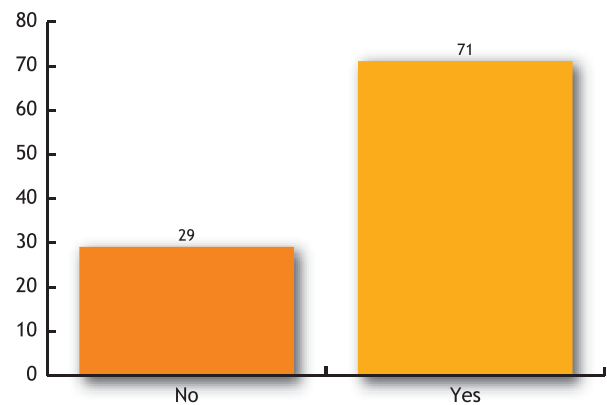


Table 8: Claiming from skills levy

Claiming from the Skills development levy		
	yes	no
No. of firms (or %)	7	14

4.7 Access to finance

Firms were asked whether they had attempted to obtain finance during the previous year and slightly more than 40% confirmed that they had for various motivations such as machinery, working capital, importing and marketing. The difficulty in obtaining finance was highlighted in the large numbers that were unsuccessful in their applications, mainly due to the absence of collateral.

Access to finance		
	yes	no
No. of firms (or %)	9	11

4.8 Government support incentives and policies

Firms were also asked about their awareness of, and

4. ANALYSIS OF FIRM SURVEY DATA

experience in accessing various government small business support measures (e.g. SMEDP, Khula etc.). The majority were not aware of these.

Awareness of government support program		
	yes	no
No. of firms (or %)	7	14

Economic Development policies considered to be highly important to firms

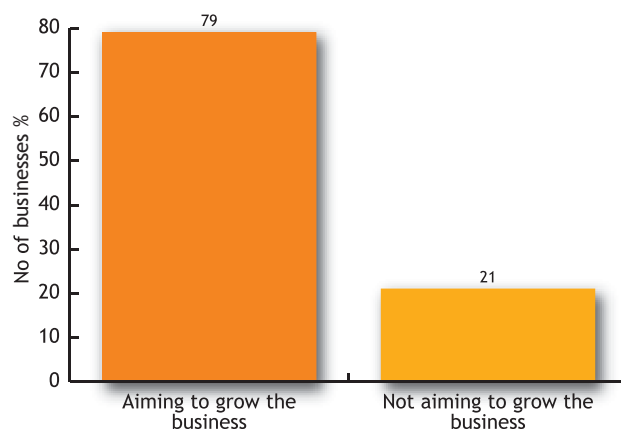
Policy	No. of firms
Skills	10
Marketing the area	14
Reasonable tariffs	18
High quality of life	15
Access to finance	15
Reliable transport	18
Business advice	15
Better relations with unions	15

When asked which of the major economic development policies they felt would be crucial to their success, most SMMEs highlighted ‘tariffs’ (and general effectiveness of customs against ‘grey imports’ etc.), reliable transport, and access to finance.

4.9 Business objectives and growth

Our sample of SMMEs indicates that most of these firms do want to grow but a few among them feel they have reached their ‘ceiling’ due to problems such as ‘access to finance’.

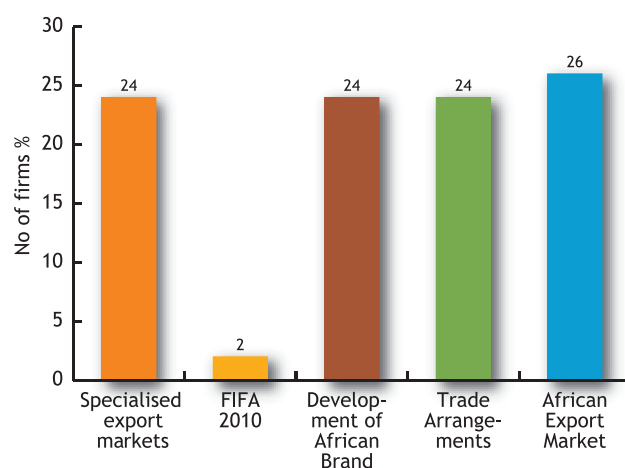
Figure 13: Business objectives



4.10 Opportunities facing the sector

Firms were also asked about their views on the potential opportunities available to SMMEs and their positioning for these. Surprisingly the FIFA World Cup 2010 is not viewed as important whilst the African export market and other specialised export markets are viewed as important.

Figure 14: Opportunities facing the Sector



5. ON GROWTH CHALLENGES AND SUPPORTING SMMES IN THE TEXTILE, CLOTHING AND FOOTWEAR SECTOR



5.1 Views from selected stakeholders

All stakeholders interviewed duly recognize the difficult competitive conditions in which the sector finds itself. The majority are also keen to highlight that the worst has passed and that the outlook is potentially positive if the appropriate policy and firm-level choices are made.

In textiles, industry has faced growing competitiveness pressures, particularly since the early 1990's.²⁰ In response many companies chose strategies such as 'downsizing' and 'specialization'. Whilst jobs have been lost, the industry has responded by moving up the value chain and focusing less on competing through price, and more on offering quick turnaround and better services.

The clothing industry is apparently undergoing a state of 'deepening crisis' and will be in a 'fight for survival' over past few years and for the next year and a half.²¹ The industry's woes are blamed on three factors, largely;

- The lack of an industrial policy from the DTI over the past 10-15 years. With lots of uncertainty manufacturers are unwilling/reluctant to invest in upgrading their machinery
- A surge in imports (from China in particular). Industry complains that the quotas imposed, whilst welcomed, were 'too little, too late' and that government took too long to respond.
- A perception within government and the public that industry is calling for 'protection' from foreign competitiveness due to poor productivity and inefficiency, whereas all they want is a 'level playing field' (e.g. they

²⁰ Interview with Brian Brink - Textile Federation of South Africa

²¹ Interview with Johan Baard, Cape Clothing Association

5. ON GROWTH CHALLENGES AND SUPPORTING SMMEs IN THE TEXTILE, CLOTHING AND FOOTWEAR SECTOR

point to China's manipulation of its currency and suspect labour practices in respect of human rights.

The footwear industry is much smaller than clothing or textiles but, after being decimated by Chinese imports over the years, it has shown growth over the last two years.²²

In response to import liberalization, footwear manufacturers chose to focus on the top end of the market (with support from the retail sector - they claim). This strategy is also recommended for smaller players.

SMME development does not feature prominently in the activities of sectoral employer bodies such as the Textile Federation, the Cape Clothing Association, and even the Southern African Footwear and Leather Industries Association. Small and micro-enterprises in these sectors also appear to struggle for a voice in the industry. Nevertheless, all stakeholders seemed to recognize that there is a contribution to be made by the textile, clothing and footwear sector and that SMME development should be prioritized.

According to union officials, this sector should still be a focus of government policy and support for the following reasons:

- It is the easiest sector in which to create jobs (number of jobs created per rand of investment)
- Barriers to entry are low and the sector tends to be very labour intensive
- The potential of the sector is evident in that there was a boom in 2001/2 when the currency was weak and exports to the US did well
- This is an industry that employs more women than others (especially single mothers)
- The service industry often pays less whilst employment benefits are often more pronounced here (pension, medical aid etc.)
- It is a sector that can be found in the small towns and marginalized rural regions of Transkei, KwaZulu Natal and the Free State²³

The suggested strategies for promoting SMMEs in the sector are varied but prominent across all the industries are the following:

- a) 'Clustering' seen as one way to assist SME's as it can involve the sharing of resources e.g.
 - access to IT
 - cutting packaging costs
 - sewing machine mechanics
 - marketing and branding
 - bargaining power for engaging retailers
 - quality inspection
- b) Collaboration and interrelationships between SMMEs and larger firms was also suggested. There is an example in 'George' (South Western Cape) where a large footwear firm retrenched workers who then formed companies that supply to this firm. As a result they have grown considerably
- c) Review of administrative and other regulatory burdens (e.g. those associated with registration of businesses and tax compliance)
- d) Having a more flexible labour market regulatory regime that responds positively to piecework, flexible working hours and working arrangements
- e) Role of Seda. It was suggested that Seda needs to look internally, with a view to improving their accessibility to SMEs ('SMEs don't know who to contact 'sectorally' at Seda'; the website could also be made more user-friendly for SMEs!).

In general, the selected stakeholders interviewed were positive about prospects for SMMEs in the sector and recognized the changing landscape in their industries with import liberalization leading to the shedding of jobs and growing informalization. They all also tended to emphasize

²² Interview with Dennis Linde and Paul Theron, Southern African Footwear and Leather Industries Association

²³ Interview with Etienne Vlok, Southern African Clothing and Textiles Workers Union (SACTWU)

that strategies developed for SMMEs needed to be placed within the context of the relevant industry Customised Sector Programme (CSP).

5.2 Supporting Clothing and Textile SMMEs in the Western Cape: a case study

Clotex is a Section 21 company established in the early 1990's (officially becoming a service provider in 1996) that supports clothing and textile SMMEs in the Western Cape and is lauded by many in the sector as an example of the type of focused intervention that can be adopted to further SMME development.²⁴ Among its recent achievements is the

successful growth of six small businesses it successfully supported despite the general trends in the industry.²⁵

Funded largely by the Western Cape Provincial Government, Clotex is run by a CEO answerable to a board that includes representatives from organized business, SMMEs, and government. According to the CEO, Averil Appolis, it has more than 600 SMMEs on its database and works with 120 per week. Among the services provided to SMMEs are; mentorship and coaching, training, benchmarking (through the SMME Competitiveness Network), shared services (access to services for compliance and administrative purposes) and marketing and promotion.

Box 1: Clotex services and recent achievements

Mentorship and coaching

This programme provides specialised interventions to SMME companies through a learning mode that involves 'action-learning and transference of skill from the mentor to the employee or employer'. The key objective of this intervention is to provide easy access to 'intensive care' support for SMMEs in trouble, general coaching, and skills development. The initiatives include the Design House-CMT linkage (described below) and on-going mentoring/coaching on all levels of SMME firms.

Training Services

The primary objective of the training programmes is described as being to provide basic levels of knowledge for individuals who operate their own businesses, and to deliver various courses for SMME and particularly Cut Make and Trim (CMT) employees. Attended by more than 423 SMMEs during 2006/7, the courses vary from one-day production planning courses to six-month Business Management Programmes. (Clotex also runs seminars and networking sessions)

Benchmarking

Through the Small Business Competitiveness Network, Clotex

assists SMMEs to improve their competitiveness as a group rather than as individual companies. Some 48 firms are involved in regular benchmarking sessions and exposure to experts and best practices events. Clotex has also recently signed a relationship agreement with an Italian counterpart, CAN.

Business Services

Clotex is rolling out an initiative aimed at assisting SMMEs to be legally compliant and have easy access to quality shared services without the need to appoint full time staff for-Payroll, Accounts, Human Resources, Legal and IT

Advocacy, Marketing and Promotion

Through the Design House Linkage Programme, Clotex has sought to develop and enhance linkages between the Design Houses, manufacturers and CMT operations. As Clotex registered CMT's receive orders from established firms and design houses Clotex ensures that these firms upgrade themselves through training and regular mentoring. 50 Clotex registered firms are also set to benefit from the 2010 World Cup as it has struck a partnership with SEARDAL who won the bid to manufacture clothing associated with the event

Source: Interview with Averil Appolis, Clotex Annual Report 2006-7

²⁴ Interview with Clotex CEO, Ms Averil Appolis

²⁵ Ibid

6. CONCLUSION



This survey of SMMEs in the textile, clothing and footwear sector has highlighted the many challenges faced by small firms in an industry characterized by extensive job losses, low productivity, lack of investment in machinery and intensive competition from low-priced imports especially from the Far East.

The survey of 21 firms drawn from the main centres of the industry reflects that the sector is still relevant and there are numerous opportunities for survival and even sustained success.

The sample was dominated by clothing firms, many of which are beginning to adopt a positive outlook that sees them entering the export market, spending on training and

machinery, and eager to see their firms grow despite the threat from imports. Similarly, some footwear SMMEs are also moving in this direction and a few are even showing signs of better performance. On the other hand, the textile firms that were part of the sample are not promising. They continue to face difficult market and competitiveness conditions but there are a few signs that this is leading them to adjust appropriately.

Stakeholders interviewed as part of the study confirm that the contribution of this sector and SMMEs in the broader national effort to grow the economy, create jobs and alleviate poverty is quite substantial. Among the already promising strategies and approaches are focused interventions in line with the Customised Sector Programmes, and innovative institutions such as 'Clotex' which provide mentorship and training whilst assisting SMMEs to grow within the relevant industry value chains.

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APPENDIX 1:

SUMMARY OF RECENT SURVEYS IN THE TEXTILE CLOTHING AND FOOTWEAR SECTOR

Table 9: Recent Surveys of SMME's in the Textile, Clothing and Footwear Sector

Author and year of Publication (in brackets)	Title	Focus of Study and Methodology	Key Findings
Reid, K(1999)	Survey report on recent trends in the textile industry	<p>Survey into the textile industry conducted between October 1998 and January 1999.</p> <p>50 firms located in the Western Cape and KwaZulu-Natal.</p> <p>Firms were identified by referring to a number of registers that listed textile firms. These included the Department of Trade and Industry's list of DCC (Duty credit Certificate) beneficiaries, Textfed's (Textile Federation) 1998 directory of member firms and the Braby's directory of industries.</p> <p>25 firms were surveyed in each region.</p>	<p>The most significant products being produced by the sampled firms are for the formal wear apparel market (20%) and woven textiles (23%). Other significant products that were being manufactured were knitted and household textiles (i.e. towelling) which accounted for 13% of the sample, while clothing and textile accessories accounted for 15%. Minor production activities were directed towards the underwear market (5%), sports wear (5%) and embroidery (5%).</p> <p>Firms in the textile sector appear to be achieving relatively high levels of specialization with respect to the markets that they target. Furthermore, although the proportion of firms that cater for the high end of the market is low, the majority of the firms appear to target markets that are still relatively demanding. This characteristic appears to have afforded the textile sector some measure of protection against illegal imported goods.</p> <p>There is a clear indication then that output and market share improvements in the textile industry are not being achieved through internal operational improvements. Furthermore, when the poor levels of performance regarding employment are taken into consideration, it would appear as if the industry is depending heavily upon the shedding of labour to underpin its efforts to improve competitiveness.</p> <p>With regard to the profile of firms, large firms still largely dominate the industry. Furthermore, ownership patterns are still heavily biased towards local interests. The liberalisation of the economy has not fostered an injection of foreign capital into existing firms. In fact, the survey responses suggest that there has been very little movement with regard to changes of ownership.</p>
Bhorat, H(et al) (1999)	"Promoting the Competitiveness of Textiles and Clothing Manufacture in South Africa	<p>Interviews were conducted in Gauteng, KwaZulu-Natal, and the Western Cape. Research team interviewed 103 clothing and textiles firms.</p> <p>These firms represent a range of sizes, product types, locations,</p>	<p>While more large firms are successful, there is wide variation within size categories. For large firms, the degree of success depends partly upon market segment but also on the way in which the factories are managed. Success in small firms depends upon knowledge of industry trends and upon investment, rather than upon low wages.</p> <p>The main conclusion about size of firm from the interviews is not that size does not matter. Economies of scale do offer certain opportunities denied to small firms, particularly with regard to</p>

Author and year of Publication (in brackets)	Title	Focus of Study and Methodology	Key Findings
		<p>modernity of plant, labor relations, retail channels, and dependence on exports and imports. The majority of firms do both some design and manufacture, although several CMT operations and a few design houses are also included.</p>	<p>investment in up-to-date technology. Size by itself, though, is not a substitute for the other factors highlighted above. Management education and spirit, the structure of the firm, and its labor relations swamp size as determinants of success.</p> <p>One of the consequences of the erosion of trade barriers, and the resultant increase in legal and illegal imports of both clothing and fabrics, has been the dissolution of a number of formal clothing producers, and the rise of informal sector firms in the industry, particularly at the bottom end of the clothing market</p>
Rogerson (2000)	“Successful SME’s in South Africa: the case of clothing producers in the Witwatersrand”	<p>October to December 1998, a total of 34 detailed interviews were conducted across the Witwatersrand with the operators of clothing SMEs. The selection of firms to be interviewed initially drew on information provided by the Clothing Federation of South Africa and was supplemented from the listings of enterprises in the University of South Africa Bureau of Market Research Industrial Register.</p>	<p>The study shows the emergence of a notable CMT economy of subcontracting producers, as well as a group of successful clothing manufacturers from communities previously disadvantaged under the repression of apartheid.</p> <p>First, the study suggests that enterprises have a higher propensity to graduate if they are established as a result of demand-pull rather than supply-push considerations. Although the push of unemployment or retrenchment may result in the initiation of what later may become a successful enterprise, a much stronger basis for long-term success is in the pull of new market opportunities.</p> <p>Secondly, geography matters. it is clear that those enterprises that move out from the home into larger premises in commercial areas are at an important watershed in their development, often overcoming some of their key constraints concerning access to markets, infrastructure and information.</p> <p>Thirdly, education and training are positive influences on the emergence of successful SMEs.</p> <p>Overall, however, the clothing research underscores the connected nature of education, training and small enterprise development and points to the notion of learning-led competitiveness.</p> <p>Fourthly, there is strong evidence that many of the newest ‘smart entrepreneurs’ are immigrants to South Africa from other countries in sub-Saharan Africa.</p> <p>Fifthly, the study discloses the importance of clusters as a vehicle for the promotion of cooperation for competitiveness and correspondingly for successful SME development. The potential for joint action, positive learning and imitation are greatly enhanced in the circumstances of a sectoral and geographical cluster consolidating in the inner-city of Johannesburg</p>
Kesper (2000)	“Failing or not aiming to grow? Manufacturing SMMEs and their contribution to employment growth in South Africa”	<p>1. survey of 82 established manufacturing SMMEs was undertaken in the Western Cape in July 1999 to inform about their growth trajectories and support needs</p>	<ol style="list-style-type: none"> 1. only 41 % of the sample firms increased their labour force in the period 1994 and 1998, while 38% decreased the number of their (permanent) employees 2. About two thirds of the Western Cape sample firms did not experience any growth over the period 1994-1998, and projections for the near future are similarly pessimistic. 3. Being asked to identify their key constraints, market development and increasing labour and other input costs were mentioned most frequently. 4. The majority of SMMEs in the Western Cape have grown their turnover and plan to grow it further, but only about half of those aim to increase their work force. Reasons ranged from ‘preferring the SMME to be a manageable size’ and ‘increasing efficiency through training and restructuring instead’ to ‘being scared

Author and year of Publication (in brackets)	Title	Focus of Study and Methodology	Key Findings
		<p>2. A survey of 66 manufacturing firms in the Vaal Triangle was undertaken in March 2000 to contribute to the formulation of a 'revival' strategy for the region by permitting insights into the growth experience, future plans and perceived problems of manufacturing SMMEs in the Vaal Triangle</p> <p>A survey of 102 manufacturing SMMEs was undertaken in May 1999 to inform about the growth experiences and support needs of SMMEs in Gauteng's dominating industries</p> <p>A survey of 120 SMMEs in three of the dominant industries in the Witwatersrand, namely clothing, furniture and metalworking was aimed at identifying success factors of SMMEs, and therefore investigated firms which had experienced some kind of growth in the period 1994-1998.</p>	<p>because of the new Labour Laws and wage agreements which turn the employee into high fixed costs with unpredictable returns'.</p> <p>Overall, the majority of sample firms in the Vaal Triangle reported positive growth in turnover and profits for the period 1994-1999, and project this trend to continue over the next five years.</p> <p>Manufacturers largely consider factors external to their firm as major impediments to their growth, i.e. increased competition in output markets and rising costs in input markets (partly caused by increasing transport costs).</p> <p>'Very small' enterprises complained about strong competition in a declining regional market from former ISCOR employees who have started their own businesses and operate from their backyards or 'bakkies' with little to no overheads. Furthermore, the higher than export prices of steel and aluminium scrap sold domestically are perceived to erode the competitiveness of metalworking firms in the Vaal Triangle</p> <p>In the Witwatersrand, SMMEs in clothing and metalworking and to a lesser extent in furniture manufacturing are finding it increasingly difficult to grow in a more liberalized South African economy, and despite a more regulated labour market. The common thread running through the interviews with SMME manufacturers is that demand has shrunk, and (illegal) imports are "cutting local SMMEs' piece of the cake even smaller". Moreover, rising labour costs are said to lie at the heart of retrenching unskilled labour (while retrenchments have also become more costly) or encouraging former employees to become subcontractors.</p> <p>In particular, under current "unstable" product market conditions, the prolongation of paid sick leave and the uncertainty about HIV infected workers and their future performance makes SMME employers even more hesitant to take on additional employees on a permanent basis.</p> <p>Research findings on manufacturing SMMEs in three South African regions indicate that quite a substantial number of these SMMEs have not been able to grow since 1994. They report neither a profit nor turnover increase, nor - as one would then expect - employment growth. It is argued that both poor macro-economic conditions and more price-competitive imports penetrating the domestic market result in smaller and less frequent orders</p>
Moodley and Reid (2001)	<p>"Clothing Manufacturers</p> <p>Survey: exploring the export orientation and business performance question"</p>	<p>Survey designed primarily to ascertain how clothing and textile manufacturers have responded to the DCC scheme.</p> <p>This sample is made up of 28 respondents. Nine of the respondents were from the Durban</p>	<p>43% of the sample experienced falling employment levels during the 1995-1999 period. Only 25% of the sample reported an increase in staff levels, and a further 21% claimed that staff numbers have remained the same</p> <p>A number of performance indicators worsened during the period in question. The most significant being output performance, profit levels, employment and stock levels. Nevertheless, in the case of stock levels, this indicator was partly affected by the increased</p>

Author and year of Publication (in brackets)	Title	Focus of Study and Methodology	Key Findings
		Metropolitan Area. The remaining 19 were from the Cape Town Metropolitan Area. The selection of the respondents was informed by the availability of firms and their willingness to accommodate the researchers over a very brief surveying period	export activities among certain respondents
Ballard, R (2002)	“Exporting and Upgrading in South African Leather Industries”, CSDS/SODS	Six large footwear firms were interviewed although two of these were not, at this stage, exporting. One had been exporting until recently and another was looking to start soon.	Exporting footwear firms were larger firms, averaging around 400 employees. The industry average is 79 employees per firm While the loss of domestic market to imports is frequently blamed for the footwear sector’s demise over the last decade, it is clear from the discussion presented above that an equally important factor behind this process has been the sector’s failure to integrate itself into global value chains. The sector as a whole has a low export intensity of 13%. Even the handful of firms that are engaged in exporting have not succeeded in making it their primary focus.
Roberts and Thoburn (2004)	Globalization and the SA textiles Industry: Impacts on firms and Workers	Interviewing programme of firms, Interviews were held too with key actors in South Africa such as the Textile Federation, the Textile and the Garment Export Councils, the Industrial Development Corporation and the Board of Tariffs and Trade.	In the postal survey, 62 per cent of firms recorded contractions in employment between 1995 and 1999, spread across all sub-sectors. These under-represents employment losses, given the number of firms which have closed down. It is evident that liberalization has placed pressure on all firms to respond. What distinguishes firms is the nature of their response. Firms in the postal survey which compete on quality and delivery time in export markets are much more likely not to have cut employment than firms which compete on price. Intense competition in design instead of price in the domestic market is also associated with maintaining or growing employment. Many firms interviewed were placing greater emphasis on numeracy and (English) literacy in new recruits, but most important was the knowledge gained on-the-job in understanding the operation of the machines. To reinforce the point that contractions in employment have not been associated with downward pressure on wages in textiles until very recently, the postal survey results showed that firms did not view wage rates as a hindrance to their competitiveness
Robbins, G., Todes, A. and Velia, M. (2004)	“Firms at the crossroads: The Newcastle Madadeni clothing sector and recommendations on policy responses”	The project involved sourcing of material from existing documentation; sourcing and analysis of data; and a series of key informant interviews and mini-workshops. A total of 20 interviews were conducted. The bulk of these took place	South Africa-based clothing production has witnessed considerable changes in the operating environment in the past ten years, including: rapid tariff reduction; currency instability; growth in import competition; and the opening up of new trading opportunities. These changes have been matched by more rigorous enforcement of internationally accepted labour standards and formalization of institutionalized corporatist arrangements facilitated by government policy involving labour and capital. In an environment of increasing macro-economic stability, the environment, under these processes, has been far from consistent for clothing producers. Many thousands of jobs have been lost and the sector is characterized by a range of processes of

Author and year of Publication (in brackets)	Title	Focus of Study and Methodology	Key Findings
		<p>in the form of face-to-face discussions with project team members in Newcastle and in Madadeni. A couple were done over the phone and some of those interviewed were Durban-based. A mini workshop was held with the Newcastle Chamber of Commerce and Industry (NCCI) members, a focus group discussion took place with members of the Sakekamer and individual members of Inyanda and the Chinese Chamber were consulted.</p>	<p>restructuring including informalisation, sub-contracting as well as the strengthening of the market positioning of some firms and the weakening of others. • In domestic market terms the increasing access</p>
<p>Van der Westhuizen (2005)</p>	<p>“Trade and Poverty: A case study of the SA clothing Industry</p>	<p>The literature review was augmented by interviews with the primary actors in the industry and the Department of Trade and Industry (DTI). The author secured interviews on the basis of the following: geographical representation (KwaZulu-Natal, Gauteng and the Western Cape); size of the manufacturer (from the largest clothing company, Seardel, to two CMT employers’ bodies); the clothing value chain (interviews were sought with retailers and secured with the second largest South African retailer, Truworths); policy input (DTI manager of clothing and textiles was interviewed); and to establish representation of views from exporters as well as producers for the domestic market.</p>	<p>Factories are being replaced by networks of informal producers in coordinated clusters which are connected with the formal economy through subcontracting</p> <p>CMTs are frequently small, household-based clothing manufacturers set up in one of two ways: either retrenched workers are set up with equipment in the household by erstwhile employers, thus creating CMTs or retrenched workers start CMTs as a survival strategy to ‘put food on the table’</p> <p>CMTs with more than five workers have to formalise by registering with the Clothing Bargaining Council, and are therefore bound by collective agreements on conditions of employment. CMTs provide the flexibility that the large factories deem ‘too expensive’ (Interview 2), due to set structures and factory floor organisation. CMTs can easily replace one ‘style’ with another because of flexible production lines.</p> <p>In both the Western Cape and KwaZulu Natal, manufacturers reorganized themselves to fulfil the function of intermediary between the CMTs and the retailer.</p> <p>In some cases, manufacturers retain limited manufacturing capacity while parcelling out work to CMTs when their own capacity is exceeded.</p>

SURVEY ON THE TEXTILE, CLOTHING AND FOOTWEAR SECTOR WITH A FOCUS ON SMALL ENTERPRISES

Komane Plaatjie Malebana and Associates are conducting a survey on the Textile, Clothing and Footwear Sector with a focus on small enterprises. The information provided will be treated in complete confidence. The research will not name or identify any individual firm, and the analysis will be based on an aggregation of the responses. The final report will be used by the Small Enterprise Development Agency (Seda) in formulating appropriate strategies and interventions as part of its mandate to support small businesses across the country.

(Interviewer should attempt to obtain responses on all questions as far as possible)

A. Background information

1. Please state your individual role in the company and number of years employed in the same company
2. Who are the owners of the company and what are their origins and background (i.e. are the owners SA citizens)
3. Identify in which of the following main sectors your firm operates:

FOOTWEAR

Formal or informal

TEXTILES

Which main activity: fibre production, spinning, weaving, knitting, non-wovens, carpet production, or fabric coating

Production of textiles for the apparel industry, households or industrial market?

Informal vs. Formal

CLOTHING

Retail

Manufacturing

Manufacturing but Cut-Make and Trim (CMT)?

Informal vs. Formal?

(Formal being companies that are registered for VAT)

4. What are the company’s main products?
5. How many people were employed in the company in 2006 and 2007? (including contracted labour)
6. Please provide a race and gender breakdown of the labour force for 2007? i.e. by December 2007, how many employees were black, white, Indian or coloured? Of these employees how many were male or female? And how many had disabilities?
7. What was the approximate turnover in your business in the past 12 months? (we can accept an estimate)
8. Where is the business located? i.e. at home? industrial site? etc. Are the premises owned by the company or rented?
9. Is the business a family owned business? ((A family business is majority owned by members of the same family)
10. To what extent is the company “empowered”, i.e. ownership participation by PDI’s or relevant rating on the BBBEE Scorecard



11. What were the main reasons for the establishment of the company? Was it due to a perceived business opportunity? retrenchment? Or other (please indicate)?

B. Firm competitiveness and market conditions

12. Thinking in very general terms about your business, how well would you say your business is doing? Would you say that you are doing?

Very Well _____
 Quite Well _____
 Adequately/OK _____
 Not Very Well _____
 Very Badly/concerned about our ability to survive _____
 Other (please state) _____

13. Of total output sold in South Africa, What is the proportion sold to:

	0%	1-20%	20-40%	40-60%	>60%
a. Your Region	_____	_____	_____	_____	_____
b. Rest of SA	_____	_____	_____	_____	_____
c. Export markets	_____	_____	_____	_____	_____

14. Indicate the growth in demand for your product over the previous twelve months in:

	Negative	0%	0-10%	>10%
a. Your Region	_____	_____	_____	_____
b. Rest of SA	_____	_____	_____	_____
c. Export markets	_____	_____	_____	_____

15. Indicate the **expected** growth in demand over the coming twelve months in:

	Negative	0%	0-10%	>10%
a. Your Region	_____	_____	_____	_____
b. Rest of SA	_____	_____	_____	_____
c. Export markets	_____	_____	_____	_____

16. At what proportion of full capacity production level did you operate over the past year?

<50% 50-60% 60-70% 70-80% 80-90% >90%

17. Where does your firm buy the majority of its material inputs?

Within your Province Rest of SA Imports

18. What are your main production costs? (Rank from 1 being the **largest** cost):

Raw materials Interest charges Wages & salaries Utilities & land Delivery & marketing Other (specify)

19. What has been the annual change in costs over the past two years?

	Negative	0%	0-10%	>10%
a. Raw materials	_____	_____	_____	_____
b. Interest charges & depreciation	_____	_____	_____	_____
c. Wages and salaries	_____	_____	_____	_____
d. Delivery and marketing	_____	_____	_____	_____



20. What is the importance of the following for your own competitiveness?

	<i>very high</i>	<i>high</i>	<i>medium</i>	<i>low</i>	<i>zero</i>
a. price	_____	_____	_____	_____	_____
b. quality	_____	_____	_____	_____	_____
c. design	_____	_____	_____	_____	_____
d. delivery time	_____	_____	_____	_____	_____
e. distribution/marketing	_____	_____	_____	_____	_____

C. Technology and investment

21. What is the importance of up-to-date technology for your competitiveness?

very high high medium low zero

22. What is the average age of your machinery/equipment?

1 yr 2-5yrs 5-10yrs >10yrs

23. Estimate the Rand value of investment in **2006** and **2007** of: (in thousands or millions of Rands)

	2006	2007
New domestic machinery & equip	_____	_____
New imported machinery & equip	_____	_____
New vehicles	_____	_____
Other capital investment (specify)	_____	_____

If no investments, please go to question 25

24. Rank the three most important motivations for investment (rank 1 = most important)

- domestic demand/expected sales growth _____
- to increase export competitiveness _____
- pressure from competitors _____
- to raise efficiency through more up-to-date technology _____
- to improve product quality through more up-to-date techno _____
- other (specify) _____

25. What is the importance of obstacles discouraging investment or capital expenditure by your firm since 2005?

	<i>very high</i>	<i>high</i>	<i>medium</i>	<i>low</i>	<i>zero</i>
• high interest rates	_____	_____	_____	_____	_____
• poor sales outlook	_____	_____	_____	_____	_____
• exchange rate level	_____	_____	_____	_____	_____
• uncertain/unstable exchange rate	_____	_____	_____	_____	_____
• labour regulations	_____	_____	_____	_____	_____
• inability to penetrate export markets	_____	_____	_____	_____	_____
• increased competition in domestic market	_____	_____	_____	_____	_____
• crime	_____	_____	_____	_____	_____
• weak domestic demand	_____	_____	_____	_____	_____
• Imports	_____	_____	_____	_____	_____

D. Skills development and training

26. What is the average level of education of your employees?

Below matric Matric Post-matric training Tertiary qualification

27. Over the past 12 months, has your business funded or arranged any training, including any informal on the job training, and development for staff employed at this location?

28. How much did your firm spend (in thousands or millions of Rands) on training in 2007?

In-house Outside training

29. Which is the preferred source for outside training?

- a. University
- b. Private training schools
- c. Vocational/technikons
- d. Industrial training boards
- e. Business partners (other firms)
- f. Other (specify)

30. Do you claim back the skills development levy? Yes No

E. Government support incentives and related policies

31. Thinking generally about all business matters, in the last twelve months, have your company sought general advice and information for running your business?

32. Thinking more generally about advice on all business matters, in the last twelve months, where have you got general advice and information for running your business from?

- Accountant _____
- Bank _____
- Friends _____
- Business Association _____
- Consultant _____
- Nafcoc/Chamsa _____
- DTI _____
- Seda _____
- KHULA _____
- Provincial departments or development agencies _____
- Other National departments or agencies _____

33. Is your firm aware of the following government incentive schemes? Has your firm made use of them?

	<i>Aware(Y/N)</i>	<i>Made use(Y/N)</i>
a. Competitiveness fund	_____	_____
b. Sector partnership fund	_____	_____
c. Small medium enterprise development programme (SMEDP)	_____	_____
d. Venture capital scheme	_____	_____
e. Technology & human resources for industry programme (THRIP)	_____	_____
f. Innovation fund	_____	_____
g. Support programme for industrial innovation (SPII)	_____	_____



- h. Standard leased factory-building schemes _____
- i. Export finance guarantee scheme _____
- j. Export marketing and investment scheme (e.g. DCCS) _____
- k. Other (specify) _____

34. How would you rate overall the services and incentives from Government?

very high high medium low zero

35. How would you rate the potential importance for your firm of the following types of economic development policies?

	<i>very high</i>	<i>high</i>	<i>medium</i>	<i>low</i>	<i>zero</i>
a. Supporting skills training	_____	_____	_____	_____	_____
b. Marketing your area/region	_____	_____	_____	_____	_____
c. Ensuring reasonable tariffs (and stamping out illegal imports)	_____	_____	_____	_____	_____
d. Ensuring high quality of life in the area	_____	_____	_____	_____	_____
e. Ensuring reliable service (electricity, water, refuse removal)	_____	_____	_____	_____	_____
f. Ensuring reliable & safe public transport	_____	_____	_____	_____	_____
g. Improving access to finance	_____	_____	_____	_____	_____
h. Business Advice and support	_____	_____	_____	_____	_____
i. Inter-firm collaboration and cluster development	_____	_____	_____	_____	_____
j. Better relations with unions and individual workers at the shop floor	_____	_____	_____	_____	_____

36. Have you tried to obtain finance for your business in the past 12 months?

37. What did you try to obtain finance for?

- Working capital, cash flow _____
- Buying land or buildings _____
- Improving buildings _____
- Acquiring capital equipment or vehicles _____
- Research & Development _____
- Acquiring intellectual property _____
- Protecting intellectual property _____
- Training/staff development _____
- Buying another business _____
- Marketing _____
- Other, please specify _____

38. (WHERE APPLICABLE) what reasons were given for your application for finance being turned down/for receiving less finance than you sort/having problems raising all the finance?

39. (WHERE APPLICABLE) what has been the effect on your business of the difficulties raising finance?

40. Do you have a problem with customers paying you later than you require them to in your normal terms of business?



E. Towards 2010: Constraints and Opportunities

41. Over the next two to three years, do you aim to grow your business?

42. In what ways are you looking to grow the business? Move into new markets, Introduce new products/services, Increase turnover/sales with existing product/market, mix or something else, (please specify)

43. (WHERE APPLICABLE) Why are you not looking to grow the business?

44. What would you say are the main obstacles to the success of your business in general?

- The economy _____
- Obtaining finance _____
- Cash flow _____
- Taxation _____
- Recruiting and keeping staff _____
- Transport issues _____
- Regulations _____
- Availability/cost of suitable premises _____
- Competition in the market (including role of imports) _____
- Shortage of managerial skills/expertise _____
- Shortage of Skills generally _____
- Lack of financial understand _____
- Crime _____

45. (MAINLY FOR CLOTHING AND TEXTILE FIRMS) Please rate in importance the following likely opportunities facing the sector and indicate what your company is doing to position itself to benefit

Specialized niche export markets to combat higher prices and longer lead times.	
South Africa is not competitive in the manufacture of basic items, but is competitive in the areas of man-made fibres and woollen articles where US import duties are still high and where SA has the advantage of preferential trade agreements.	
The development of an African brand could help boost exports, as well as sales into the growing domestic market. The FIFA 2010 World Cup presents a potential opportunity.	
Various existing and potential trade agreements (e.g. AGOA, US/SACU FTA, SA/EU FTA, SADC, Mercosur) not only provide export opportunities, but also create the potential for access to cheaper inputs, as well as technology.	
Demand for apparel in growing middle-income countries is increasing at a much faster rate than their economic growth. Exports to these markets should be more fully explored.	
The African export market could be more actively pursued.	
Clothing manufacturers could increase their supply into the local market by improving their relationship with customers and providing retailers with better responses, follow-up services and shorter lead times	

Contact person to which to send summary of research results and to invite to briefing session:

Address:

MANY THANKS FOR taking part in this interview, WE HOPE YOU FIND THE SUMMARY OF THE RESEARCH RESULTS USEFUL.



the 1990s, the number of people in the UK who are employed in the public sector has increased from 10.5 million to 13.5 million, and the number of people in the public sector who are employed in health care has increased from 2.5 million to 3.5 million (Department of Health 2000).

There are a number of reasons for this increase. One of the main reasons is the increasing demand for health care services. The population of the UK is ageing, and there is a growing number of people with chronic conditions such as heart disease, diabetes, and asthma. This has led to an increase in the number of people who are hospitalized and the length of their stays. In addition, there has been a growing emphasis on preventive care, which has led to an increase in the number of people who are seen by their general practitioners and other health care professionals.

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Free State	051 441 3820	051 444 4235
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