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**The challenges faced by CMT employers in
the clothing industry in the greater Durban
area**

By

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(Industrial Relations)*

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Declaration

I declare that the study entitled “The challenges faced by CMT employers in the clothing industry in the greater Durban area” is my own work and that all the material and sources that I have used or quoted have been acknowledged for in the references provided.



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- To the courageous CMTs who participated in this study, I hope that this study will shed some light on your situation

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Abstract

This research study examines the challenges facing CMTs in the Durban area. The researcher conducted a literature review on the evolution of the clothing industry, internationally and locally, the emergence of the CMT factory in Durban and the key aspects affecting CMTs in their current environment including yet not restricted to; imports, labour regulation, worker co-operation and CMT distributors.

CMTs are the labour components in the clothing sector, providing jobs for woman and unskilled to semi-skilled individuals. Therefore, the poor performance of CMTs are cause for concern in South Africa, a country that is experiencing disturbing levels of unemployment.

The evolution of the CMT factory highlights its reasons for coming into being i.e. short-run times and high productivity levels. When large manufacturers restructured to remain competitive, they shed the labour component of their operation. The reason for this move was to do away with labour issues. CMTs, in effect, became this labour component, without the benefits associated with that of a large manufacturing firm. However, the labour regulations that came into effect do not distinguish between a small business i.e. the CMT factory and a large manufacturer, as the same laws apply to both. The current CMT environment makes it difficult for employers to remain competitive, both locally and internationally, when factors such as low productivity hinder performance.

The study provides vital information from the CMT employers' perspective and recommendations that have been made are practical and can be made use of with the help of the government.

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Chapter 1: Introduction and overview of the study

1.1. Introduction

Historically, the South African clothing industry was isolated from global economic developments due to its highly protectionist structure of tariffs and restrictions. As such, this industry's growth levels has not been in line with its international counterparts. The advent of the trade liberalization program by the present government and numerous other factors including the new labour regulatory system has set this industry into a downward spiral (Harrison, 1997).

According to Barnes (2005: p 6), 'The clothing industry is particularly important to the economy because of its labour absorptive capacity and its ability to offer entry level jobs for unskilled labour. However, the rapid pace of job losses is a major concern.'

The importance of the clothing sector is not only limited to the parties involved but rather to other sectors such as the textile sector. If the clothing sector continues as is, only a few firms will remain in the near future, employing only a limited number of people and only supplying niche markets. The collapse of this sector will result in thousands of jobs lost and will negatively impact South Africa which is already characterized by high unemployment (Barnes, 2005).

The impact of such a situation will be felt by both the textile and retail sector. In the event of the demise of the clothing industry, the textile industry will also be placed in a tenuous position. The textile industry supplies approximately fifty percent of its total production to the domestic clothing industry which means that if the clothing industry collapses many textile firms will close resulting in additional job loss. The retailers will also feel the pressure. They will become solely dependant on imports resulting in less flexibility, increased costs, and greater price volatility due to the instability of the exchange rate and this will negatively affect the consumers (Barnes, 2005).

It would be beneficial to analyze the challenges facing clothing manufacturers at present, however, due to the prevalence of Cut, Make and Trim (CMT) factories in KwaZulu Natal (KZN) it would be prudent to study the CMT environment (Barnes, 2005).

1.2. Problem Statement

“What are the challenges facing CMT employers in the clothing industry in the Greater Durban area?”

1.3. Background of the Study

The South African clothing industry has been and still is a source of employment for many. In recent years it has been plagued by various obstacles requiring a change in its standard form of operating from being a full manufacturer to outsourcing orders to smaller firms in the form of CMT factories. CMT factories are a competitive alternative to manufacturing garments and more importantly it is a source of employment for many poor communities and low skilled workers who have few opportunities for employment (Vlok, 2006).

Netshitomboni (1996) and Gannon (2002) provide a historical analysis of the clothing industry, the rise of the CMT factory and the factors that have shaped the clothing industry into its present structure. Decentralization is one of the issues discussed and provides an understanding as to why clothing firms prefer areas such as Isitebi to the Durban Metropolitan areas. Gannon (2002) introduces the CMT factory and provides an insight into its evolution.

An insightful paper presented by Theron, Godfrey and Visser (2007) provides an assessment into the impact of trade liberalization on factors such as employment and wages in South Africa. Furthermore, the implications of labour law and the minimum-wage regulations are discussed with reference to the clothing industry, more specifically CMT factories (Theron, Godfrey and Visser, 2007).

Vlok (2006), Harrison (1997) and Barnes (2005) provide an insight into the magnitude of challenges facing the South African clothing industry. The trade liberalization stance that South Africa has taken, has placed manufacturers previously protected from cheap imports in a precarious position as they are now required to play ‘catch-up’ with the world and at the same time come up with strategies that would enable them to remain competitive on a domestic and international level. The highly competitive global market, where cheaper Chinese imports are dominating, coupled with the new labour legislative system in South

Africa proves to be a challenge for our local firms and it should not be surprising that this industry has struggled significantly over the past few years (Vlok, 2006).

In a study conducted by Dunne (2000), the changing nature of the CMT factory was highlighted as it poses an important turning point in the South African clothing manufacturing environment. The importance of the CMT factory was illustrated by a retailer who pointed out that out of thirty ladies garment manufacturers, only five were full manufacturers i.e. a factory able to carry out all the functions in the manufacturing process, while the remaining twenty-five garment manufacturers were considered to be CMTs (Dunne, 2000). This study highlights the changes that have occurred from the customers' perspective where there is now a demand placed upon the retailers to provide greater quality and value while at the same time ensuring a low cost garment to its customers. Retailers in turn transfer this customer demand onto the manufacturers who are forced to keep the cost of their garments low while still maintaining a quality level that is higher than the price of the garment. Furthermore, this study highlights the retailers' lack of interest regarding the needs of the CMT factory, what it entails to be a CMT factory or anything else relating to the continuous functioning of this business. Basically, retailers' are alleged to be concerned with their wellbeing (Dunne, 2000).

Gannon (2002) pointed out that international competition has negatively affected the local clothing industry and employers had to look to other areas to avoid minimum wage setting in order to reduce their overall cost. These CMT firms aligned themselves with the Confederation of Employers of South Africa (COFESA) and were made aware of certain 'loopholes' that existed in the Labour Relations Act. As such CMT employers fired their existing staff and rehired them on a contractual basis. According to Gannon (2002), this was only a temporary solution because new regulations were passed to specifically deal with this 'loophole'. On another note, Gannon (2002) found that although the government has put strategies into place to assist small businesses in the clothing industry, these strategies do not assist the CMT factory. Even exporting incentives are tailored towards large firms instead of CMTs who can utilize this strategy as a long-term strategy ensuring their survival for the future. Certain institutions like bargaining councils need to re-evaluate their

strategy in the clothing industry towards a strategy that gains the trust of both employees and employers.

1.4. Significance of the Study

The clothing industry in South Africa has a long history. It has been and still remains a significant source of employment more especially for woman (Harrison, 1997).

‘In its rural concentration, the industry is often the only source of formal employment and very many families are dependant on it for their survival. This geographic and demographic profile has resulted in tremendous social costs resulting from the industry’s recent crisis and the resulting loss of employment’ (Vlok, 2006: p 227).

In KwaZulu Natal, the clothing industry mainly consists of CMTs. These firms often manufacture for the lower end of the market and for wholesalers (Barnes, 2005). This study will highlight the factors that prove challenging to CMT employers and will provide a useful insight into the CMT business from the perspective of the CMT employer.

1.5. Overall Aims of the Study

To determine if cheap imports, lack of investment in capital and technology, workforce cooperation, labour regulations and CMT distributors are some of the challenges facing CMT employers.

1.6. Specific Objectives

- To conduct a literature review on the background to the clothing industry and the evolution of the CMT factory
- To conduct a literature review on the challenges faced by the clothing industry with a focus on CMTs
- To determine the extent to which cheaper imports, labour regulations, CMT distributors and worker cooperation affect CMTs
- Ascertain the influence of biographical variables on the productivity of CMT factories
- Conduct an analysis of the information acquired and make recommendations

1.7. Limitations of this study

This study was conducted in the Durban area and as such there are geographical limitations. Therefore, the findings of this study cannot be used as a generalization of CMT factories in other provinces in South Africa.

A questionnaire was given to CMT employers. The nature of the CMT business and the time constraints of the CMT employer made this method of data collection a viable option given the time limitation of this research project. However, due to the distrustful nature of CMT employers it was difficult to obtain a larger sample size.

Furthermore, due to the lack of research conducted on CMTs and their owner's information derived from the questionnaire was presented as best as possible given the above limitations. Further statistical data analysis techniques were utilized, however, due to the size of the sample it could not be computed and comparisons with other research was difficult as limited research was conducted in the field of CMTs only.

1.8. Research Methodology

1.8.1. Research Design

This study adopts a descriptive research design. The purpose is to provide insight into the factors that prove to be challenging for CMT employers.

1.8.2. Population and Sample

Simple random sampling was utilized for the distribution of the questionnaires. This study used a sample size of thirty CMT employers in the Durban area. As the sample size was small it would prove impossible to generalize these findings as it can not be used as a yard stick for the perceptions of all CMT employers.

1.8.3. Instrumentation

A self administered questionnaire was used utilizing both open ended and closed ended questions so that the information gathered can best reflect the perspective of the CMT employer.

1.8.4. Data Analysis

These questions were analyzed manually to determine commonalities among the respondents. Furthermore, the results have been graphically represented through the use of a statistical software package (SPSS) to provide a visual summary of the results.

1.9. Chapter Outline

- Chapter 1: **Introduction and overview of the study** provides a summary of the purpose of this research project
- Chapter 2: **CMTs and the evolution of the clothing industry** describes the history of the clothing industry and the evolution of the CMT factory
- Chapter 3: **Challenges facing CMT employers** describes the factors that are believed to affect the CMT factory
- Chapter 4: **Research Methodology** provides information on the research technique
- Chapter 5: **Analysis of Results** presents the information gathered from the questionnaire
- Chapter 6: **Discussion of Results** provides an understanding of the CMT environment by discussing the challenges that CMT employers' face
- Chapter 7: **Conclusion and Recommendations** presents possible ways in which the CMT factory can remain competitive in the global market

Chapter 2: CMTs and the evolution of the clothing industry

2.1. Evolution of the global textile and apparel industry

Historically, the textile and apparel industries were used as a platform for many countries as they progressed towards industrialization. In Britain, in 1895, textile and garment exports covered over one third of their total exports until the First World War. In 1913, textile and apparel exports only covered about twenty percent of all British exports. Although other types of industries started to take off, textiles still represented a powerful force to the British economy. Germany followed a similar path to that of Britain in that the textile industry played a major role in its initial step towards industrialization (Netshitomboni, 1996).

The textile and apparel industry played a similar role in France, Italy and Russia where it proved to be a vital step in their progress towards industrialization. Towards the late 1800's Britain was accountable for seventy percent of global trade in textiles and apparel. Although industrialized countries shared ninety percent of global clothing production in the 1950's, this figure had declined as a result of the industry moving towards developing countries due to infinitely cheaper labor costs. The trend that emerged in the 1960's was to avoid high costs in developed countries, therefore, clothing production was moved to developing countries (Netshitomboni, 1996).

Due to this movement the period from 1963 to 1987 in UK, Germany, U.S. and France was characterized by over two million job losses within this industry. The labor intensity required in the clothing industry allowed developing countries to have a competitive edge, allowing these countries to dominate the export of clothing. This phenomenon progressively occurred for over forty years. This can be seen in the example of Asia where clothing industries, due to their increased labor intensity, moved out of Japan to South Korea, Hong Kong and Taiwan, then to Mauritius and Bangladesh and now to Madagascar, Vietnam and Indonesia (Salinger, Bhorat, Flaherty and Keswell, 1999).

over by Indian women. During the 1970's in Natal, Indian women were replaced by black women. The composition of the industry workforce changed drastically for in the 1930's white women made up about fifty percent of the workforce while in the 1970's this figure was greatly reduced for only five percent of the workforce comprised of white workers (Meer, 1990). Around this period South Africa experienced a period of increased political disturbance and as such international isolation due to the system of apartheid.

During the 1970's and 1980's this industry experienced a period of stagnation which can be attributed to the following historical factors;

- The industry's isolation as a result of apartheid sanctions and tariff protections.
- Many businesses within this industry were family run and as such maintained a conservative nature where survival, instead of maximization of profits, was the goal (Altman, 1993).

During the period of 1973-1993 the industry experienced a severe decline due to lack of growth in employment. The introduction of import liberalization, severe foreign competition and an ineffective production structure proved too much for the industry to cope with resulting in severe job losses (Salinger *et al*, 1999).

2.3. The Background of the Clothing Industry in Durban

The development of the clothing industry in Durban is tied to the Durban Port. Since 1910 the Durban Port proved to be the largest Port in the subcontinent of Southern Africa and far exceeded the cargo volumes of the rest of the ports in South Africa (Katzen, 1961).

Access to raw materials through imports proved to be one of the more important considerations in terms of the location of the clothing and textile firms, as such, their nearness to the Durban Port was crucial (Wilkinson, 1963). In order to understand the importance of the above it is preferable to quantify this statement. In 1965 thirty-nine percent of all fibres, textiles and clothing imports that entered South Africa came via the Durban Port (Netshitomboni, 1996).

2.4. Cut, Make and Trim (CMT) Factories: A history and description

In the 1960's a large number of 'backyard factories' were identified which mostly operated on a CMT basis. CMT refers to,

'A situation in the clothing industry where manufacturers are supplied with fabric and process the fabric according to specifications using their own labour and trimmings, and never taking title to the goods. A charge based on this service is levied to the supplier of the fabric' (Visser, 1999: p 19)

The effect of trade liberalization on the clothing industry was the decreased competitiveness of large manufacturers especially those manufacturing for the lower end of the market. Many of these large firms restructured to be able to import garments or outsource production to remain in this industry and also maintain profitability. Work was outsourced to CMT factories that were and still are in direct competition with cheap imports from China, Malawi, India and Hong Kong without the advantage of technological investment, training, market knowledge, adequate management skills, and a steady policy environment and so on (Gannon, 2002).

In order to avoid any legal consequences many of these CMT factories employed less than three workers. It must be noted that on a historical note, Durban had a larger CMT base than its counter part, Western Cape. More often than not the owners of the CMTs were once employees in the Clothing Industry (Netshitomboni, 1996).

A rise in economic growth in the 1960's and 1970's translated to a rapid growth in the clothing industry in Durban. However, this did not mean increased wages for the workers. To reiterate, Durban manufactured for the lower end of the market and the success of this industry was built on so-called 'sweated labour'. Employment itself grew by fifty-five percent between 1969 and 1979 due to the entrance of new firms and a greater demand for labour (Netshitomboni, 1996). During the 1970's and 1980's the Durban clothing industry grew in stature both locally and nationally, one out of every five industrial workers in Durban was employed in the clothing industry (Netshitomboni, 1996).

The industry reached one of its lowest points during the period from 1991 to 1993 due to negative economic growth and the advent of the Structural Adjustment Program (SAP). This caused the industry to let go of approximately twenty percent of the workforce and as a result of the Structural Adjustment Program the industry was bombarded by an increase in clothing imports (Altman, 1993).

Dunne (1998: p 38) states that large retailers, 'have supported the growth of the CMT industry as a way of limiting the power of full manufacturers and concentrating power at the retail end of the pipeline.' Surprisingly, it is not productive efficiency that led to the decentralization of the clothing industry rather, it was power politics and low labour costs.

Table 2.1: Profits before tax

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

Source: Internet 1

The above table depicts the profits before taxes for the five major retail groups in South Africa; Edgars Consolidated Stores (EDCON), Mr. Price Group, Foschini Group, Truworths and Woolworths. The major retail groups for the period 2002 to 2004 made a collective profit of R8.3 billion and these profits are perceived to be at least partly due to the increased sales of cheaper imported items (Internet 1)

The main source of start-up finance for CMT firms was personal capital and according to Harrison (1997: p 65), 'Only three firms (out of seventeen) reported bank loans being a major source of start-up capital, and only one received a Small Business Development Corporation (SBDC) loan.' A lack of institutional support regarding start-up capital and the facilitation of an ongoing cash flow was considered a major obstacle for this industry. Smaller firm owners were unable to access bank loans due to a lack of collateral and taking the SBDC route was considered extremely

bureaucratic. Partnership and shareholder schemes were also used as a means to obtain financial capital (Harrison, 1997).

According to Harrison (1997), the main costs for CMTs are labour, trimmings and overheads such as rent, transport and insurance while training, not surprisingly, is not even considered in the budget. The clothing industry is understandably labour intensive however CMTs are considered to bare the greater labour costs than any other operation in this industry. The average cost for labour is forty-six percent, however, this figure may not be so accurate as there is significant deviation in the study from the lowest percentage being twenty-five percent, to the highest being eighty percent (Harrison, 1997).

CMTs are involved with pre-production and assembly stages of the manufacturing process. CMT employers usually pick up the fabric and designs supplied by the CMT distributors, assemble the garments and deliver the order within an agreed upon date i.e. when the order is passed by the quality assessor it is then delivered by the CMT employer to a place assigned by the distributor. Accordingly, the major input costs are considered to be labour and trimmings (Harrison, 1997).

Due to their hand-to-mouth existence, CMTs are paid on a weekly basis usually on a Thursday so that wages can be paid on Friday. A characteristic of a CMT firm is that sometimes they lay patterns where additional cuts can be made exceeding the order requirement. These extra garments i.e. cabbages, are then sold as additional profit for the firm (Harrison, 1997).

The advantage of having a CMT factory in Durban is; shorter supply lines and delivery times, efficient services and a 'perception' of higher labour productivity. According to Smart (1995) cited in Harrison (1997), the high concentration of CMT firms in Durban with three hundred out of four hundred firms being CMTs and twenty thousand workers employed in CMT factories out of a total workforce of thirty-seven thousand in the clothing industry, translates to CMTs being extremely vulnerable to competition from low wage areas. CMTs that manufacture for the lower end of the market, where price, instead of quality and service are the basis of competitiveness face an inordinate amount of pressure from cheap imports. CMTs

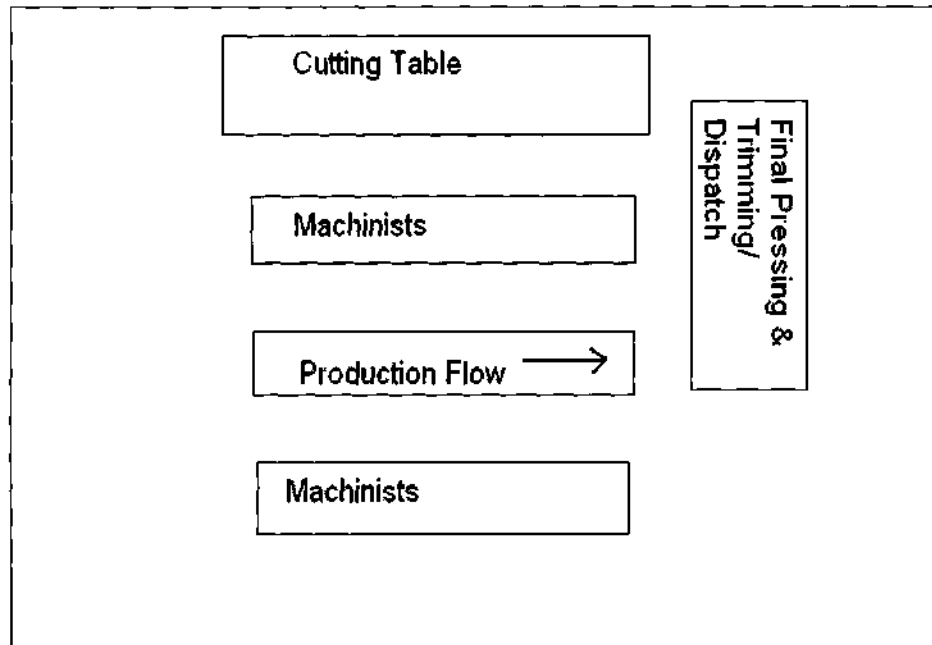
are struggling due to low levels of efficiency, attachment to one or two suppliers, financial constraints and little to no marketing skills (Harrison, 1997).

According to Salinger, Bhorat, Flaherty, and Keswell (1999) during the year of 1997 a number of firms worked short-time. However, those firms with a workforce of less than fifty worked more than three days of short-time per month. In one or two cases firms only reached full production in May and were not open before then. While large firms stated that labour costs amounted to twenty percent to fifty percent of total costs, CMT firms claimed that labour costs amounted to forty-five percent to eighty percent of total costs (Salinger *et al*, 1999). Therefore, smaller firms retrenched employees within the last three years. CMTs claimed that they preferred to work short-time instead of retrenching workers as these employers felt a huge sense of duty towards their employees who were largely female and more often than not, the only person with an income in their household. Salinger *et al*, (1999) claimed that there are serious limitations on productivity as a result of an alienated labour force. CMT firms claimed that due to increased short-time their workers began to 'go-slow' so that their work was stretched out in order to receive their wages for the whole week.

2.4.1. Layout of CMT factory

The following table (2.2.) depicts a typical factory layout. Fabric picked up from the CMT distributor is cut according to the patterns from the distributor and bundled together according to its pattern. Thereafter, these pieces are sent onto the machine floor to be put together. This process is not as easy as it seems as there are different types of machinists and machines involved e.g. flat machine, overlocker etc. After the garment is put together, it is sent to the dispatch area to undergo the final stage of the assembly process. The garment is 'cleaned' as threads are cut, the garment is neatened, labels are attached, and the garment is pressed and finally packaged in bags. The garments are then counted and packed into boxes according to sizes, colours etc. and delivered to the distributor.

Table 2.2. General layout of CMT factory



Source: Gannon, S. (2002: p 52). Durban Based, COFESA affiliated CMT clothing manufacturing firms: Their upgrading opportunities. M.A. Dissertation: University of Natal

2.5. Industrial Decentralization and the need for CMTs

It is a well known fact that in order to survive in the clothing industry one needs to remain competitive on both the domestic and international front. Firms that compete solely on offering the lowest prices are the ones most affected by cheaper imports (Harrison, 1997). As such, large manufacturing firms have outsourced their labour function in order to decrease costs and smaller firms have relocated in order to decrease wage costs.

The changing demands of the market on the clothing industry can be explained by the following quote from Harrison (1997).

'Both internationally and nationally, one of the primary responses of the clothing industry to changing market demands has been through geographical shifts. The globalization of clothing production has been evident through the decentralization of production functions and the dispersal of sourcing, manufacturing and marketing activities' (Harrison, 1997: p 2)

The above proves true in South Africa where in order to remain competitive many firms began to move their operations from the Durban area to Hammarsdale and

other parts of Natal in order to recruit cheap and unorganized African labour. Existing firms in the Durban area believed that they were being undercut by the firms operating in the decentralized areas. Industrialists tried to avoid the control of the Industrial Council by moving to areas that were beyond council control in order to employ cheap labour. This was one of their primary reasons for staying competitive, by keeping the labour cost to a minimum (Netshitomboni, 1996).

According to Netshitomboni (1996), the 1960s saw Durban wholesalers subcontracting to decentralized areas on a CMT basis. As an example of decentralization it would be prudent to consider the Hammarsdale Clothing Industry who were operating on a CMT basis in 1963 and produced shirts that according to the owner (Netshitomboni, 1996) were approximately five to ten percent cheaper than those produced by Durban manufacturers. Furthermore, in 1967 wages in Hammarsdale was considered to be twenty-eight percent lower than Durban and these workers did not receive any fringe benefits (Netshitomboni, 1996). This geographical shift towards lower wage areas was not unique to the South African clothing industry as it was also practiced in Asian countries.

In order to counteract this type of competition between the Durban manufacturers and those in Hammarsdale, an agreement was reached in 1964 between the Hammarsdale Clothing Industry, the GWIU (Natal), and the NCMA to instill certain control measures in Hammarsdale. It was also found that in the 1960's Durban Wholesalers subcontracted to decentralized areas on a CMT basis (Netshitomboni, 1996).

There was significant movement of the clothing industries towards the then Natal border areas and the Bantustans (Bell, 1983). The government at the time encouraged wage competition by introducing decentralization policies that persuaded firms to move their operations to the borders of African homelands where cheap labour was in high supply and where the industrial council could not impose a minimum wage (Netshitomboni, 1996).

In line with apartheid policies to curb the flow of African labour into the cities, decentralization began to take a more proactive function. In the early 1960's the

initial decentralization policy offered incentives to industrialists to move their firms to locations that were adjacent to Bantustans. This policy proved ineffective. In 1967 the Physical Planning Act came into effect in order to limit the growth of labour intensive operations in urban areas by ordering manufacturers in this area to ask for government's consent before recruiting more African staff. This policy drastically affected Transvaal which experienced a decline in employment. Durban was exempt from expansion restrictions because of its closeness to the Bantustans thereby experiencing a rise in employment. The government, in 1982, tried once again to encourage relocations to decentralized areas by offering generous incentives. However, in the late 1980's the widespread abuse of these incentives brought forth the recommendation that market forces should determine firm locations. This recommendation took effect in the form of the Regional Industrial Development Program (RIDP) of 1987 (Netshitomboni, 1996).

Natal reflected a large contingent of firms operating in decentralized areas as low costs were central to the survival of these operations and decentralized areas eg. Hammarsdale, proved to have lower wage levels than urban areas (Gannon, 2002). Decentralized policies proved beneficial to Hammarsdale as it began to thrive. Other areas such as Isithbe, Madadeni and Ezakheni also benefited due to the introduction of the 1982 incentive package (Harrison, 1997).

Many firms, instead of relocating to decentralized areas, tried to remain competitive by outsourcing work to CMTs in the Durban area. These CMTs were not involved in the design or supply of material, their specialty was to assemble garments at highly competitive prices. In the 1960's everything relating to the garment was taken care of by large manufacturers from the design, to the material and also the completed garment. Eventually, retailers took the power away from these large manufacturers by buying their own fabric and subcontracting CMTs to make their designs (Harrison and Dunne, 1998).

According to Gannon (2002: p 35),

'While more full manufacturers were established up till the 1980s, the establishment of the CMT firms became the norm in the 1990s.'

This meant that there was an increasing number of CMT operations being formed which translated into a highly competitive environment for this type of operation.

One of the many reasons attributed to South Africa's inability to compete with international markets was the textile input cost. It was determined that if one had to remove the fabric costs from the production costs certain South African products were proven to be internationally competitive. The importance of this is that the relationship between textiles and clothing industries is crucial to the survival of the clothing manufacturing industry (Harrison, 1997).

The large number of small, medium and informal firms and the increased movement towards decentralized smaller production units, predominately in KwaZulu Natal, increases the concentration of power at the output end of the clothing phase. This highlights the vital role that marketing agents and large manufacturers occupy in the clothing supply chain. These agents have the financial power to order bulk loads of fabric and any other piece of input required in order to give out orders to CMT firms (Harrison, 1997).

The final step in the process of garment manufacturing by CMTs is to transport the final product (completed garments) back to the large manufacturers or marketing agent at the expense of the CMT for delivery to retailers and so forth. The competitive edge for these CMT firms are still based on lower costs which translates to a viciously competitive environment that is made more unstable by the retailers themselves who demand low prices for the completion of their goods. Another negative aspect in this relationship is that retailers fail to show loyalty to any CMT firm which means that orders would be given based on the criteria of lowest possible CMT price for the manufacturing of the garment (Harrison, 1997).

The effect that increased imports has had on this volatile situation is that it adds more competition to an already competitive and ruthless environment causing firms to undercut their prices in order to compete for declining domestic orders (Harrison, 1997).

CMT manufacturers have tried to remain competitive by lowering labour costs. This was accomplished by decreasing the number of formal employees and by looking towards atypical forms of employment in order to minimize the social insurance expenditure (Gannon, 2002).

2.6. The rise of atypical forms of employment in order to remain competitive

To keep up with a competitive environment employers have incorporated a concept known as 'flexibility' which includes the casualization of workers (Bezuidenhout & Kenny, 1999; Kenny & Webster, 1998). In a study on the extent of labour market flexibility it was found that a number of organizations were using flexible practices such as part-time working, occasional working, and subcontracting (Horwitz & Franklin, 1996).

The changing nature of work has further implications for workers. They are not given the same security of employment as their counterparts i.e. permanent workers. Also, the growth in the informal sector has implications for trade unions in the sense that their core constituency is made up of unskilled to semi-skilled workers who are increasingly moving towards forms of 'atypical' employment thereby having a negative affect on the union's power base which is its mass organization. Another implication regarding atypical employment is that the union is unable to organize workers in the informal sectors and some unions don't even try (Crankshaw, 1997). This situation harms workers in the formal sector because their position is weakened in respect of the employer-employee power play since more organized workers are choosing the informal sector i.e. the unorganized sector (Horn, 2003).

Externalization, which entails the worker providing services or goods to the core business via an intermediary, is one of the processes to emerge together with casualization, that assists in increasing the growth of the informal sector and vice versa. These processes, more importantly externalization, represent a move away from the employment relationship. This is problematic since our labour legislation is founded on the existence of an employer-employee relationship. Moving away from the employment relationship means that some workers will not be able to have some forms of social protection that are typical of the employer-employee relationship (Theron, 2003).

The growth of outsourcing has increased which can be noted in a study conducted by Andrew Levy & Associates in 1999 where it was found that out of 101 firms, sixty eight percent had outsourced over a five year period. The backlash of this process is that blue collar workers were retrenched by these firms due to their jobs becoming redundant (Kelly, 1999; Theron & Godfrey, 2000). There are benefits to employers when it comes to outsourcing in so far as they do not have to deal with the responsibility of wages or benefits to the employee and also absolves the employer of any employee related liabilities or any industrial relations matters such as industrial action and furthermore, outsourcing reduces labour costs (Thompson, 2003).

The changing forms of work are problematic for trade unions such as COSATU, in the sense that the historical, racial and class basis of this movement are changing. Most of their members are employed in unskilled and semi-skilled manual work and these are the jobs that are declining. This means that there has been an expansion of occupations and sectors which enjoy lower rates of unionization (Horn, 2003).

The changing nature of work can be seen in the clothing industry, as a result of the introduction of trade liberalization in South Africa, in the form of outsourcing non-core business functions, the emergence of Cut, Make and Trim Factories (CMTs), relocating factories to areas that are more lenient in terms of labor costs as can be seen in the advent of decentralization (Theron, 2003).

2.7. The social effects on women

It was found that in many developing countries, factory workers would not receive an income from the formal sector if it were not for the existence of the clothing industry (Nordas, 2004). Workers who are retrenched from an uncompetitive industry find themselves experiencing a long period of unemployment until they reskill themselves in order to enter the market. This situation proves to be more difficult on retrenched workers from developing countries as there is less money available for them to reskill themselves and as a result this feeds into a long period of stagnation and increases unemployment levels. Restructuring has therefore gone hand in hand with levels of unemployment and within the South African Clothing

Industry it proves nearly impossible for these workers to be reabsorbed into this industry (Nordas, 2004).

The clothing industry's importance in South Africa is its ability to provide employment for low skilled workers who are presently unable to be absorbed into the economy. Those affected most by the changes within the clothing industry are women who make up eighty-six percent of the workforce (Van der Westhuizen, 2003). As a result of apartheid the clothing industry was segregated in terms of race, gender and location. Predominantly, African women make up the workforce in Kwa-Zulu Natal while in Western Cape Coloured women dominate the sector.

Women are characterized as suitable workers for the clothing industry because of their supposed capacity for long periods of remaining in a particular position, their patience and dexterity. The South African context shows that poor women of colour are affected most by the social costs of liberalization. The options available for retrenched clothing workers are few and even more so for female workers as the options available to them are limited by the lack of economic opportunities available in struggling communities. The lack of alternative economic options means that for those individuals to survive they have to lean on neighbours for food. This means that the community as a whole will feel the effects of retrenchment in the clothing industry. According to Van Der Westhuizen (2006), it is believed that workers in the metropolitan area support approximately four dependents while workers in the non metropolitan areas support approximately six dependents. Table 2.3 shows the profile of the average retrenched worker; thirty-nine years of age with an education level of grade nine. The worker was unemployed for ten months, while the worker was employed by the last employer for approximately ten years. This worker will not be absorbed into the formal economy largely due to a lack of economic opportunities and limited skills.

Table 2.3. Profile of retrenched clothing workers

Average age	39
Education attained	Grade 9
Average period out of employment	10 months
Period at last employer	10 years
Number of dependants	Three to eight

Number of children	Two to four
Household Income before retrenchment (2003)	R33 749 per annum
Average personal income	R0
Average reduction in household income after retrenchment	31 %

Source: Van der Westhuizen, C. (2006). Trade and Poverty: A case study of the South African clothing industry. South African Labour and Development Research Unit: University of Cape Town

Ultimately this means that these women will bare the negative social effects of the government's decision on liberalization. Opportunities for these retrenched workers are slim to none as a result of the slow rate of job creation within our market. These women were often the sole breadwinners in the family and without this salary these families are often pushed to the poverty lines. When women lose their jobs in a poor community this does not only affect her but also her family at large (Van der Westhuizen, 2006).

2.8. Policies influencing the clothing industry

The development of the clothing and textiles industry can be categorized into three phases representing the level of protection and competition from international trade.

2.8.1. During the apartheid era, before South Africa's integration into the world trading system, this industry was characterized by import substitution. The industry was isolated from global economic trends until recently. As such the industry was relatively protected from global market trends and much of the restructuring of the industry occurred in the 1970's and 1980's (Harrison, 1997).

The nature of the textile, clothing and footwear industries was a highly protectionist structure of tariffs and quantitative restrictions forced on by the National Party. In the 1970's only six percent of all domestic production was exported. In 1989, although exports increased to fifteen percent, trade was restricted due to international sanctions imposed during the latter stages of the apartheid era (Internet 2).

2.8.2. Between 1974 and 1994 trade was dictated by the MultiFibre Arrangement (MFA). This gave countries, whose domestic industries were struggling as a direct result of increased imports, to be able to establish quotas restricting imports (Internet 2).

2.8.3. After the collapse of the apartheid government in 1994, South Africa joined the World Trade Organization (WTO) and agreed to an extensive trade liberalization program under the General Agreement on Tariffs and Trade (GATT). In 1995, the World Trade Organization's Agreement on Textiles and Clothing was finalized. This required their members to gradually decrease their quotas on textile imports over a two year period and ensure that these industries are brought in line with the regulations of GATT (Internet 2).

The surprising feature of South Africa's tariff liberalization program was that it went further than what was required by the GATT agreement and WTO agreement and at a much faster pace. The period between 1994 and 1999 saw the average tariff level lowered by about one third. However, due to the prevalence of illegal and under voiced imports, the protection levels of the clothing industry is much lower than the tariff levels would suggest (Internet 2).

The late 1990's and early 2000 saw the rand depreciate steadily causing it to be significantly undervalued and coupled with an incentive scheme, assisted the industry to increase exports and still remain competitive against imports (Vlok, 2006).

The Duty Credit Certificate Scheme (DCC), the most utilized export incentive, provides duty credit certificates to local exporting clothing firms allowing them to earn custom duty rebates of thirty five percent of the value of their exports. This certificate can also be used when importing goods associated with the export product such as the fabric to make the garment. However, there was a flaw in this scheme in that these certificates were used to import goods cheaply thereby competing with locally produced goods (Internet 2).

In March 2005 the Duty Credit Certificate Scheme came to an end and its successor was the Interim Development Program (IDP), whose only difference from the DCC is that in the second year of this program rebates earned can only be sold to other manufacturers thereby trying to quell the abuse of the DCC scheme (Theron, Godfrey and Vissor, 2007).

The government has made promising agreements with both the European Union and the United States. The South African /European Community Free Trade Agreement permits very favorable rates for the exporting of garments that have been manufactured using locally produced fabric to the European Community.

The United States African Growth Opportunity Act (AGOA) which came into effect in 2001 allows garments manufactured from South Africa and African produced fabrics to be exported to the US duty and quota free. This agreement is not as cut and dry as it seems for there is a specific set of conditions that's applicable to South Africa only with regards to the 'rules of origin.' Garments have to be manufactured from fabric, yarn and thread made in the US or fabric, yarn and thread that is made in an AGOA beneficiary sub-Saharan country. Although there are benefits to this agreement, South Africa is still disadvantaged by less developed countries that have clothing industries because these countries are subject to a single-stage transformation i.e. garment needs to be produced locally, while South Africa is governed by a triple stage transformation i.e. yarn, fabric and the garment must be produced locally. Therefore, the rules of origin have intertwined the domestic textile and clothing sectors, in that, any weaknesses in the textile industry will most certainly impact on the success of clothing imports (Theron, Godfrey and Vissor, 2007).

Since 2002 the local currency appreciated significantly and exporting of goods has decreased. Also, the appreciation of the Rand coupled with our trade liberalization program has resulted in an increased and continued surge in imports, more predominantly from China (Vlok, 2006).

'This has resulted in an unprecedented crisis in the industry, characterized by large scale loss of employment (the South African Clothing and Textile Workers Union (SACTWU)

recorded more than 55, 500 job losses since 2003, and the official statistics show 37% reduction in employment since 1996) and of production capacity' (Vlok, 2006: p 228).

This highlights the plight of the clothing industry where South Africa is reacting to changes instead of being a 'leader' in this industry. Therefore, understanding the current nature of this industry and the perceptions of all parties involved can prove to be a starting point in turning this industry around.

2.9. Conclusion

This chapter has outlined the evolution of the CMT factory on a global and local scale. The policies that have influenced the current CMT environment have also been examined.

Chapter 3: Challenges facing CMT Employers

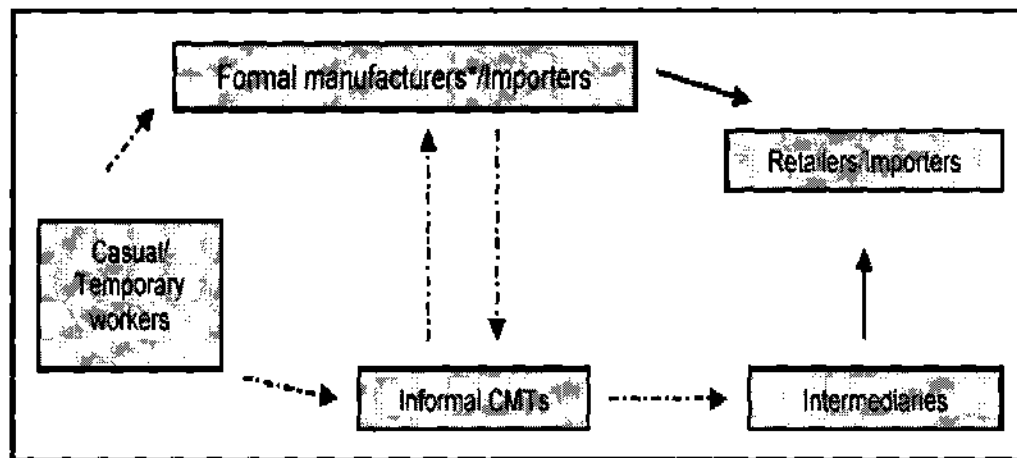
3.1. Introduction

As noted by Soko (2005), the clothing industry is a labour intensive sector representing 1.8 percent of total employment and coupled with the textile sector it covers approximately 13.4 percent of manufacturing jobs in general. KwaZulu Natal is an important component of the national clothing, textiles and leather industries as it contributes thirty-four percent of gross geographic value added goods for textiles, clothing and leather with Western Cape being the highest contributor with thirty-five percent (Soko, 2005). Unlike the Western Cape, where over eighty percent of the manufacturing occurs in firms located in the metropolitan area, KwaZulu Natal has a more decentralized clothing sector. Some factories are located in the Durban metropolitan area while many other factories are located in the surrounding areas.

The South African clothing industry comprises of large manufacturers operating in conjunction with a large number of CMTs. CMTs are usually small or micro enterprises managed by the owners (Soko, 2005). CMTs are often considered to be small, home based clothing manufacturers that emerge either by retrenched workers who are set up with equipment in their homes by former employers or by retrenched workers as a means to survive on a day to day basis (Van der Westhuizen, 2006).

In the 1990's COSATU proposed the flexibilization of production through reorganizing the production line to ensure short cycle manufacturing and 'quick response relationships'. According to Altman (1993), firms responded by externalizing the labour function. The impact of this was that factories were set aside for networks of informal producers that were linked to the formal economy through subcontracting as can be seen in the following diagram.

Figure 3.1. The SA Value Chain



*Formal manufacturers include formal CMTs. (Dotted lines indicate informal links.)

Source: Van der Westhuizen, C. (2006). *Trade and Poverty: A case study of the South African clothing industry*. South African Labour and Development Research Unit: University of Cape Town

In 1996 and 2000 the clothing sector received the most investment in new projects, the majority of which, thirty-nine percent, went to KwaZulu Natal (Soko, 2005). KwaZulu Natal attracted the majority of the investments because industrialists and producers considered this cost structure to be more efficient. A lack of excessive union presence in a labour intensive province proved to be enticing and the fact that all employers were not required to pay minimum wages as set out by the bargaining councils (decentralized areas) proved to be an attractive package (Soko, 2005).

Large clothing manufacturers had to downsize and outsource functions to CMTs due to the pressures of increased global competition. As a result, formal employment declined and informalization and casualization of labour increased. Women seemed to be the most vulnerable to the effects of globalization. They were the largest group of workers moving from the formal to the informal economy as a result of retrenchments and other mitigating circumstances (Soko, 2005).

Clearly, the clothing industry demonstrated an inability to adequately adjust to an increasingly liberalized trade environment and a stronger Rand. This inability was

due to both structural and strategic factors as can be seen in the previous and forthcoming discussions (Vlok, 2006).

According to Soko (2005) many small and medium manufacturers in South Africa are plagued with some of the following challenges which will be discussed later on:

- Lack of capital
- Low investment in technology
- Deficiencies in innovation and skills development
- High labour costs in relation to output
- High capital costs in relation to output
- Inflexibility of the labour market
- Archaic management practices
- Inadequate management skills
- Poor industrial relations and ;
- High cost of conforming to regulations which severely affects their ability to survive and create jobs in the advent of global competition.

KwaZulu Natal and Western Cape, which are the dominant provinces in the South African clothing industry, are clearly uncompetitive in the global market. This can be attributed to a number of factors such as the relative productivity of labour and according to Soko (2005: p 39), 'the outcome of a policy history of protectionism followed by mild liberalism.' The challenges faced by CMT manufacturers are:

3.2. Absenteeism

Problems at the firm level have also contributed to the lack of competitiveness of the clothing sector such as poor industrial relations, rigid labour and business regulation which has stunted the growth of this sector. High absenteeism has regularly affected business performance (Soko, 2005) with regards to;

- Sick leave payments,
- Increased manufacturing costs due to unbalanced production lines,
- Low productivity,
- Low morale,
- Poor quality clothing and:
- Higher unit costs.

The high levels of absenteeism experienced in the clothing industry can be attributed to the social problems which plague African, Coloured and Indian women such as alcoholism, drug abuse, domestic violence, gang violence and their roles as caregiver and breadwinner. Re-employment opportunities for these women are usually limited to CMTs and this brings with it a multitude of problems including non-payment, underpayment, inconsistent payment, long hours, lack of social insurance and unhealthy working conditions (Van der Westhuizen, 2006).

In an interview conducted by Salinger, Bhorat, Flaherty & Keswell (1999; p 64), owners claimed that absenteeism was highest on Monday and lowest on Friday, the latter being the day in which wages are paid out. The problem was not that wages had to be paid for this absence period, rather, that production time was lost and overheads still had to be paid resulting in higher unit costs and as such lower productivity (Salinger *et al*, 1999). The effect of absenteeism is illustrated in the following example; if a machinist had to stop work in the middle of working on a garment, this will result in another worker having to complete this garment. The other worker may prove to be just as competent as the previous worker but most of the time this is not the case which means that the quality of the garment is poor. Therefore, the consequences of high absenteeism levels is a disruption in production patterns and reduction in the quality of completed garments which can result in the whole order failing. Another factor that poses a challenge to the CMT employer is:

3.3. Investment and technology

A further obstacle to industrial growth is the high cost of capital. The inability of financial institutions to disregard their risk-averse nature has resulted in a battle for CMT employers to access the capital needed to achieve daily operational needs and to invest in skills development and equipment. A matter of concern in South Africa is the lack of accessibility to capital for Small, Medium and Micro Enterprises (SMMEs). South African banks practice a risk free philosophy making it extremely difficult for business to secure finances and this is even more so for CMTs operating in what is considered a high risk industry. CMT owners pointed out that the difficulties in obtaining finance negatively affected their ability to compete in the market when one takes into consideration the high cost of technology and machinery.

Notably, some CMTs have been able to ease their financial burdens. This was accomplished by making arrangements with design houses as finance was acquired for operational requirements. The downside to this working arrangement is that it undermines the operational independence of CMTs. As a condition for providing the finance the design house expects the CMT to be contracted to them only. An essential component to sustainability and growth of CMTs is making sure that finance is more accessible in the clothing industry to these types of operations (Soko, 2005).

It is understood that this industry is particularly labour intensive, however, investments in capital equipment are needed. Many manufacturers believe that new machinery will decrease labour costs by increasing multifactor productivity. If one invests in a machine that automatically cuts off excess thread then it will eliminate the need for an individual to cut threads. The investment in new machinery will result in increased productivity. Many manufacturers believed that an impediment to international competition has been the lack of capital investment. If one invested in new technology, then production will increase and this will help in reducing the cost of manufacturing garments. The seasonal nature of the CMT operation means that production can either be in boom periods or in valley periods depending on orders. There is, however, no steady production level in this instance (Salinger, Bhorat, Flaherty & Keswell, 1999). It is beneficial to the business in the long term to invest in technology as it would decrease the labour cost factor experienced during periods of decreased orders.

Large firms do not believe that CMTs should be exempt from paying levies as these CMTs do not bear the cost of fabric and often do not cut the fabric. Unfortunately, CMTs cannot 'afford the necessary investment to become competitive in the long run' (Van der Westhuizen, 2006: p 117) as they are undercapitalized. CMTs either have limited or no capital available to invest in technology or skills upgrades.

Generally, compared to competitor nations, the South African clothing industry has experienced low investment in capital equipment and technological innovation. Although new export and investment incentive schemes and policies are needed it is also particularly important that the industry, independent of these incentives and

policies, ensure that investment levels increase and improvements are made in technology (Vlok, 2006). Now that investment and technology has been discussed it would be useful to determine the affect that the labour market and labour regulation have on the CMT environment.

3.4. Labour Market, Regulation and CMTs

CMTs maintain that in order to remain competitive, there should be labour market flexibility which does not necessarily mean a wage restraint. Labour market flexibility translates to greater freedom in employment practices while still maintaining the established institutional arrangements for negotiating wages and other employment conditions (Salinger *et al*, 1999). Rigidity is apparent in labour legislation and reinforced by a strong union movement in the South African Clothing and Textile Workers Union (SACTWU). With a membership of 185 000 members in 1989, this union made it a goal to address the low wages in this sector for the previously disadvantaged and also demanded the formation of a national industrial council for the clothing sector (Theron *et al*, 2007).

When trade liberalization began the government put into place a number of labour laws. This took the form of the Labour Relations Act, 66 of 1995 (LRA), which legalized collective bargaining and founded bargaining councils. Thereafter, the Basic Conditions of Employment Act, 75 of 1997 (BCEA) came into effect which in essence regulated conditions of work. Later on a strategy for skills development came into place in the form of the Skill Development Act, 197 of 1998 (SDA) and the Skills Development Levies Act, 9 of 1999 (SDLA). The Employment Equity Act, 55 of 1998 (EEA) was passed in order to ensure equity in the workplace. Together with these laws a new dispute resolution system came into being i.e. the Commission for Conciliation, Mediation and Arbitration (CCMA), to determine unfair dismissal cases. The BCEA was amended where minimum wages could be determined by way of Sectoral Determinations. However, the previous system of determining wages was considered to be more transparent (Theron *et al*, 2007). The SDLA imposes a cost on both the employer and employee in the form of the Skills Development Levy but this fee is not costly.

within the existing labour legislation system surrounding the dismissal of employees who are performing below the acceptable standard. The owners believed that less strict workplace regulation could lead to more job opportunities.

The current labour regulation means that inefficient and unproductive workers must be retained even in 'loss periods' workers cannot be laid off. The clothing industry is particularly volatile, characterized by seasonal work and subject to the requirements of a dominant retail sector and as such the rigidity in labour regulation makes it problematic for employers to hire and fire workers according to the needs of the market. Formal manufacturers desire what informal producers have which is autonomy with regards to their productive needs and it is believed that because of this lack of labour regulation informal producers are able to prosper. Managers and owners of clothing firms considered the wage aspect to be relatively minor compared to the supposed rigid labour market, although, they still did not find the current wage levels to be acceptable. CMTs also wanted flexibility in work categories i.e. if an individual was employed as a sweeper then that individual should also be used to load a truck. The ability to transfer workers between tasks while on the job is essential in order to gain the maximum output from a worker which highlights the need for greater flexibility in hiring (Salinger *et al*, 1999).

CMTs that employ over five workers are required to formalize their business by registering with the Bargaining Council. This means that these CMTs have to comply with the collective agreement on conditions of employment (Van der Westhuizen, 2006).

The success of CMTs lies in their ability to provide the flexibility that large firms will consider too expensive due to their structured set up. CMTs are able to replace one garment style with another easily due to their flexible production lines. It would prove costly for large factories, in terms of production times, to change garment styles in the middle of production. As such, CMTs play an important role to these large factories as they are able to fulfill extra orders from retailers on limited time frame as a result of to good sales (Van der Westhuizen, 2006).

The distinctive feature of the CMT is its ability to be invisible to regulators and as such avoiding registration with Bargaining Councils (BC) and non compliance with Council agreements is prevalent. Around 877 CMTs with a total workforce of approximately 24000 workers 'were to have rights of execution issued against them for failing to comply with bargaining council agreements, including registration and conditions of employment' (Van der Westhuizen, 2006: p 120). Also, CMT employers fail to register all their employees in order to reduce levy costs. Approximately 700 small businesses may be prosecuted due to non compliance with the minimum wage as set out by the Bargaining Council. In KZN the CMT employers' organization has about 162 members with a workforce of around 8500 workers. However, the more accurate figure is estimated to be around 500 CMTs with a total workforce of 17000. This means that approximately 438 CMTs in KZN are not members of the Bargaining Council because they want to avoid levies associated with registering. If a CMT registers with the Bargaining Council they have to pay provident fund levies, health care levies, and unemployment insurance fund for each employee, SETA levy, allow workers paid leave, paid public holidays, and ten days paid sick leave. CMT employers consider these requirements to be impossible based on the extremely low payments received for production (Van der Westhuizen, 2006).

Understandably, CMTs are considered different in terms of income and number of employees. In Cape Town, the characteristics (Van der Westhuizen, 2006) of CMTs allow them to be divided into three categories;

1. Well established CMTs consisting of 20-45 employees are able to have a constant flow of orders and pay higher wages.
2. A medium sized CMT employing up to 20 workers are unstable with regards to the number of orders received and often pay lower wages.
3. The last category of CMT is called the survivalist operation consisting of around 3 – 5 workers and is usually struggling to complete orders on time which often results in loss of payment and cancellations.

In KZN, CMTs in the metropolitan areas often employ between 5 to 150 workers while some might even employ up to 300 workers. In the non-metropolitan areas like former Qwa-Qwa, CMTs employ around 200 workers (Van der Westhuizen, 2006).

The Minister of Labour has extended the National Main Collective Agreement to non-parties which means that in KZN the Metro-Areas i.e. Chatsworth, Durban, Inanda, Lower Tugela, Pietermaritzburg and Pinetown, are required to pay the following;

Table 3.1. Deductions effective from 1 September 2007 to 31 August 2008

COUNCIL LEVIES	PROVIDENT FUND <i>Payable i.r.o. employees earning up to R1 489.30 p.w. or R6 453.65 p.m. and not in respect of employees whose occupation is monthly paid and of a managerial, specialist technical or non-production related nature.</i>		SICK BENEFIT FUND		SACTWU SUBS.	SACTWU BURSARY FUND	SACTWU HIV/AIDS PROJECT
	Employee	Employer	Employee	Employer			
R1,50 cents per week Payable by THE EMPLOYER AND BY MEANS OF A DEDUCTION FROM AN EMPLOYEE'S WAGES Payable i.r.o. employees earning up to R1 489.30 p.w. or R6 453.65 p.m	6,5% of each individual contributor's actual basic weekly earnings	7,5% of each individual contributor's actual basic weekly earnings	1,5% of each employee's weekly wage	1,75% of each employee's weekly wage	1% of each individual Trade Union member's basic weekly wage plus an additional R1.20 per week towards the Sactwu funeral scheme with a minimum of R6.20 per week, and a maximum of R10.40 per week.	20 cents per week Payable by EMPLOYER ONLY Payable i.r.o. each Trade Union member only	30 cents per week Payable by EMPLOYER ONLY Payable i.r.o. employees earning up to R1 489.30 p.w. or R6 453.65

Source: Internet 3

This means that a new wage rate came into effect from September 2007. Furthermore, the above table explains the deduction schedule for both employer and employee regardless of the size of your business and applying to Sick Benefit Fund, Provident Fund, Bargaining Council Levy, HIV/AIDS, and lastly Trade Union Subscriptions for member employees (Internet 3)

According to Hart (1995), neo-liberals believe that South African wages are unnaturally high, and insist on unleashing competitive forces that are characterized by minimum labour market regulation. Two impressions were gathered from factory workers from a study conducted in Newcastle (Hart, 1995). The first being that many factory workers are older women who shoulder most of the responsibility when it comes to raising children and bearing the onus of supporting the household with their low wages. The second impression is blatant resentment from these workers towards their employers. This reflects the underlying animosity in capital labour relations and one of the reasons why many employers complain bitterly about the low productivity (Hart, 1995).

Industrialists argue that lower wages in the clothing industry are justified because worker productivity is lower. Small firms in the clothing industry, typically CMTs, were reluctant to settle for higher wage during the wage negotiation between SACTWU and the Natal Clothing Manufacturers Association (NCMA) which is understandable when the wage cost represents forty to fifty percent of total costs for these firms (Netshitomboni, 1995). To a degree these smaller firms are highly dependent on their customers who are the larger firms as these larger businesses exploit their role by offering CMTs lower prices and pitting them against each other (Netshitomboni, 1995).

KwaZulu Natal (KZN) can claim to be one of the most populated, poorest and unionized provinces in South Africa and mostly competes at low prices (Sitas, 1995). Their direct competition is China and other Asian low cost producers. In order to compete with China, KZN would need to decrease production costs. This does not immediately translate to wage cuts which will eventually result due to decreased productivity, rather, one should focus on improving other aspects such as the effectiveness of export procedures and dealing with corruption. If one is competing with China, cheaper labour is not the only factor one needs to contend with. Factors such as competent management, technical know-how, high productivity, a huge internal market and an amenable research and development community are among the pluses in the Chinese clothing sector (Soko: 2005).

The provincial and national government must work with the private sector to improve South Africa's transport and logistical internal structure. Attention focused on aspects such as improving the efficiency of customs procedures and reducing port delays could enhance South Africa's ability to compete in profitable markets such as the United States and the European Union. Also, more emphasis should be placed on restricting the entry of illegal imports in the South African market. Some of the reasons attributed to these illegal entries are permeable borders and the under invoicing of the value of these imports. The South African Revenue Service (SARS) has recognized the negative impact that this has had on the economy and has put measures in place to deal with it such as destroying impounded goods, applying tariffs and duties more rigorously, and limiting the points of border entry (Soko, 2005). According to Soko (2005: p 47), 'the restructuring of the global clothing and textiles trade within the context of WTO liberalization has brought immense competition to bear on the South African Market.' The South African domestic industry has to contend with; the inability to create enough labour-intensive investment, poor international competitiveness, low quality goods, inadequate skills base, high levels of worker absenteeism, factory closures, downsizing and the informalization of labour.

3.5. National Policy and Trade liberalization

The purpose of national policy should be to introduce the national economy into the global market in a way that lessens vulnerability and risk. Therefore, industrial policy is not about what role the government should play but rather what is the most appropriate role for government to occupy. Historically, different perspectives emerged concerning the nature of the relationship between the state and markets on the potential of industrial policy to influence development within a capitalist framework. One perspective supported by the World Bank was the neo-liberal approach. This approach believes that industrial development should be market driven with the state occupying a limited role in influencing industrial structure. The opposite to the above approach is the model of the development state in which the government plays a central role in shaping industrial structure through industrial policy measures or identifying certain problem industries for investment (Bezuidenhout, 2002). In the 1930's, governments' occupied a central role in their economies through demand side macroeconomic management which included a

number of ways of increasing domestic demand like minimum wages and protecting certain industries by utilizing protectionist tariffs. The purpose of this was to promote the development of the domestic industries. This approach is known as **import substitution**. This approach slowly dissolved due to rising inflation and the oil crisis in the 1970's. Governments' then started to adopt neo-liberal policies by minimizing their role in the economy through privatization, trade liberalization and flexible labour markets (Bezuidenhout, 2002).

Trade liberalization can be understood as, 'the lowering and eventual removal of tariffs and other impediments to global trade by nation states.' (Theron, Godfrey & Visser, 2007: p 1) Trade liberalization and the first democratic government in South Africa came about approximately the same time so the experience of South Africa can be considered unique (Theron *et al*, 2007). When the African National Congress (ANC) came into power in 1994, South Africa had already dedicated itself to a number of tariff reductions on the premise that South Africa was a 'developed' rather than a developing country. In order to get a better idea of what this meant for an industry, McCord (2003: p 41) confirmed that the maximum tariff dropped from 1389 percent to 61 percent.

According to Chang (2005: p 101), 'Contrary to what developed countries would have us believe, there is a respectable theoretical and empirical case for tariff protection for industries that are not yet profitable, especially in developing countries ... Virtually all of today's developed countries built up their economies using tariffs and subsidies (and many other measures of government intervention) throughout the 19th century and most of the 20th century (in particular until the early 1970s). Therefore a big "double standard" is involved when these countries preach the virtues of free trade...' This illustrates the need for developing countries to evaluate their ability to cope with trade liberalization and thereafter, to assess the need for certain protections to ensure certain industries do not fold from the pressure of global competition.

There is a widespread belief that trade liberalization has led to increased job loss in manufacturing. This belief is based largely on the job crisis where unemployment levels are high and the only available jobs are insecure. In addition to this there is an

increase in cheap imports which have made their way to flea markets, taxi ranks and in 'China' shops situated in small rural towns (Theron *et al*, 2007). To properly understand trade liberalization, it needs to be isolated, that is, separate from policies and preconceptions which is a difficult undertaking and one that cannot be fulfilled in this study.

The changing nature of employment has resulted in many firms focusing on core functions and externalizing unskilled labour or non core functions. Trade liberalization has increased this trend by forcing a downward pressure on wages in sectors that are experiencing increased competition. In the case of the large manufacturing firm, they outsource to the CMT. The CMT can only profit if their total cost is low when compared to other local and international firms (Theron *et al*, 2007).

When comparing the changing patterns of employment there is an underlying theory that changes within sectors e.g. manufacturing, can be due to technological changes, whereas, changes in employment between sectors e.g. manufacturing and construction, can most likely be attributed to trade liberalization. Factually, the structure of employment has changed since the 1990's which is the period when trade liberalization came into effect. The most notable change can be seen between sectors in the decline in employment in the primary sector while the tertiary sector is experiencing a job surge (Theron *et al*, 2007).

Trade liberalization during the 1970's cannot be blamed for the decline in employment that occurred in the primary sector but neither did trade liberalization reverse or contribute to reversing the loss of unskilled jobs in the formal economy. Trade liberalization has had a beneficial impact for there has been a stable rise in exports which can be attributed to trade liberalization, however, there has also been a steady increase in imports (Theron *et al*, 2007). Early 2004 saw the rate of increase in imports exceed the rate of increase in exports. According to Theron *et al*, (2007; p 4), whatever the impact of trade liberalization, 'it has not reversed, or contributed to reversing, this loss of unskilled jobs in the formal economy.'

3.5.1. The consequences of government policies (Internet 2)

are:

- The decrease in production which is problematic, however, combined with the decrease in prices is detrimental to this industry's survival at a global and domestic level because at the domestic level with the absence of tariff protections they are competing with Chinese imports which are taking over the market.
- Many businesses have closed down due to their inability to cope with trade liberalization and the increased levels of competition. Also, some businesses had to close down certain units because they were unable to compete with the cheaper Chinese imports.
- Because these firms are unable to remain competitive due to their inability to purchase machinery that would enable them to do so, foreign investors have taken over these firms to provide the capital necessary to survive and thrive.
- This industry has been plagued with job losses for businesses had to cut costs and pay inflexible wages. The only avenue available to these employers is to cut down on the labor which has caused a drastic fall in employment in this sector. These workers face innumerable obstacles for studies have shown that these people are unable to find employment in the formal sector.
- Many firms have relocated their factories in order to escape unionized labor by setting up in other African countries with lower labor costs and also because other governments provide greater incentives for them.

3.6. Appreciation of the Rand

With the liberalization of trade came the belief that exporting will lead to employment creation. The drive towards export production has been strongly supported by governments but only certain firms, such as those that have access to niche markets, are able to be profitable. The Rand value of exports doubled between 1995 and 2000 and increased by fifty percent by 2003. Unfortunately, the appreciation of the Rand resulted in a number of problems (Van der Westhuizen, 2006).

Table 3.2. Exports value

	2001	2002	2003	2004	7/2004 Year-to- date	7/2005 Year-to- date
South Africa	\$194,887m	\$200,019m	\$232,318m	\$141,466m	\$80,714m	\$44,370m
Total AGOA exports	\$954,107m	\$1,108,455m	\$1,504,499m	\$1,751,712m	\$927,719m	\$833,900m

Source: Van der Westhuizen, C. (2006). Trade and Poverty: A case study of the South African clothing industry. South African Labour and Development Research Unit: University of Cape Town

In 2004 a further setback to exporting was noted. A number of clothing firms have been exporting garments to the United States and European Union markets for a number of years, some even dating back to the apartheid years. Sadly, only 150 out of 2000 clothing manufacturers that were registered with the Sector Education and Training Authorities (SETAs) exported garments. The appreciation of the Rand has negatively impacted on the ability of clothing manufacturers to export on a competitive level resulting in massive job loss. The idea that exporting is the solution in creating jobs has not been successful as workers who have lost their jobs have not been reabsorbed into the clothing industry. Several large CMT companies in KZN were exporting jeans to the United States until the appreciation of the Rand which caused these firms to close down and foreign investors to withdraw. Unfortunately, for South Africa, the agreement concluded with the United States in the form of the African Growth and Opportunity Act (AGOA), did not allow for the appreciation of the Rand. Although, South African exports have decreased substantially exports from other members of the AGOA agreement have been steadily rising. Although, the appreciation of the Rand cannot be solely blamed for the decrease in exports under AGOA it does highlight the problem that a matter like that of a stronger currency coupled with another factor such as poor textile supply can jeopardize the possibility of exporting (Van der Westhuizen, 2006).

3.7. Cheap Imports

The increase of cheap imports into the country caused a price deflation in the clothing industry. This prompted adjustments in this industry, especially by manufacturers, as buyers now have access to cheaper imported garments and goods from rural areas. Competition on a global scale has forced the introduction of new strategies which involve shorter lead times, smaller manufacturing runs and more flexible manufacturing units. In order to remain competitive two flexibilization strategies were practiced. The first strategy being the downsizing of the manufacturing function, which means the labour aspect, resulted in some manufacturers becoming design houses or importers. This meant that the manufacturing of the whole garment was outsourced as a way of reducing costs. The next strategy was the reorientation of production from the domestic market to the export market which was largely supported by government initiatives (Van Der Westhuizen, 2006).

At the moment retailers are the ones who hold the power which means that they determine the orders and prices. Although, large retailers strongly insist that they support the local industry i.e. have their garments made by South African manufacturers, according to Van der Westhuizen (2006: p 117), 'visits to retail stores stacked with imported items from especially China show that retailers have been growing sales on the back of imports.' Many manufacturers have restructured themselves in order to engage in importation. Other manufacturers still retain their manufacturing ability but augment their production with imports from Asia (Van der Westhuizen, 2006).

3.8. Skills base

In the current manufacturing environment a skilled base is important and it is particularly dependant on higher levels of education. The consequences of the apartheid era remain with regards to the lack of investment in the education and development of the black workforce. Although, investments were made in the clothing sector, it has not yielded a significant group of highly skilled workers or technicians. Although, Sector Education and Training Authorities (SETAs) have made progress, the overall level of skills is insufficient to the job of swiftly raising

the bar on quality. It is clear that investment in skills development in the clothing industry is needed (Vlok, 2006).

It is necessary to invest in skills development as the older generation who were trained in the 'proper' factory environment in the past are becoming scarce and the skills that enabled South Africa to be competitive in that time will go with these workers. The critical problem at the moment is that CMTs in their present state will not be able to compete effectively in either niche markets or mass production (Van der Westhuizen, 2006).

Furthermore, poor managerial skills among CMT owners have added to high levels of inefficiency characterized by lost production times, redos and wastage. Small CMT firms are unwilling to send their employees on training courses as they feel that production is lost during this absence. Managerial skills prove to be inadequate at times as CMTs are usually managed by the owners who have to constantly be in the factory to monitor workers instead of going out to secure more orders (Netshitomboni, 1995). Together with intense competition among CMTs, these inadequacies have put a downward pressure or decreased the unit price of garments to unsustainable levels. Business costs have inexorably risen due to the difficulties associated with complying to tax regulations, labour pains, bargaining council accreditation and conditions of the Sector Education and Training Authorities (SETAs). Unfortunately, the clothing sector has to contend with compliance costs that are higher than the average requirement. In the case of certain CMTs this means costs of up to 8.3 percent of their total turnover (Soko, 2005).

3.9. Innovation and Design Capacity

This industry has never been considered a leader but rather a follower when one considers its poor performance in innovation and technological advancement. A possible challenge for this industry is to combine technological advancement and innovation with design and industrial development. This is vital to an industry that wants to remain competitive (Vlok, 2006).

3.10. Firm-Level Competitiveness

Rapid changes in the global and national economic environments mean that unionists are finding it difficult to adapt to markets with greater complexity. Now more than ever unionists require a thirst for deeper knowledge and skills as well as innovative strategies and approaches that are able to balance national needs with immediate worker interests (Bonner, 2000).

A 'social contract' needs to become a priority based on job creation and rural development. Certain requirements need to be met for such a contract to be successful such as; export-processing zones, unregulated labour practices, and non-unionized and disciplined labour available to foreign investors. When labour is unionized it has to operate on the principles of work discipline and consent. This view of labour reflects the labour repressive model of the Asian countries. There has been a decline in the KZN industrial base and a flight of physical and human capital to Gauteng. KZN relies on goods that can be purchased far cheaper on the global market. Furthermore, KZN is faced with a large number of people and households that are struggling to survive.

According to Sitas (1995), trade unions are being pressured to hand out wages, jobs and pensions in a province that barely considers economic growth yet feels more about qualities such as patronage, loyalty and control. Furthermore, 1995 saw KZN express a prevailing attitude of swift, radical action through the bulk of the community irrespective of the consequences and this type of attitude was believed to achieve results. The strikes that took place in that time showed that a number of workers decided and acted without and despite their trade unions (Sitas, 1995).

3.11. CMT Distributors

The evolved role of the manufacturers became that of an intermediary between CMTs and retailers. However, some manufacturers operated on a limited manufacturing capacity and outsourced orders to CMTs when they reached their capacity for fulfilling orders (Van der Westhuizen, 2006).

According to Soko (2005), retail stores and design houses need to improve their relationship with CMTs. The aspects that need critical attention are the work-supply

arrangements between the above outlets and CMTs where improvements in this relationship will lessen downtime and ensure that orders are delivered on time. A significant complaint from the clothing sector is the failure of the textile industry to distribute fabric on time. The textile industry's response to high fabric cost is to put the blame on cotton suppliers for higher input costs. Blame is also allocated to the clothing industry for their inability to give definite orders. The most blame however can be placed on the retailers themselves who place orders late due to last minute fashion trends. As a result communication breakdowns occur, leading to late deliveries. Retailers have experienced a growth in sales and profits which is not true for clothing manufacturers. Large retailers are responsible for a high proportion of sales and because of this they wield the power to set prices and can also choose to be inflexible when it comes to delivery dates (Netshitomboni, 1995).

An important feature of the clothing industry is the power held by the retail sector over the clothing sector in this whole process of giving out orders, making garments and garment sales. Some clothing firms either have a chain store retailer or an independent retailer as their main client. Firms prefer to do business with the independent retailers because there is more flexibility with regards to the markup of the garment. The problem with independent retailers is their late payment for orders that have already been delivered. On the other hand, having a chain retailer as a client brings high volume and large turnover for the manufacturers. However, in this relationship the retailers are the ones in control as they determine the price that they will pay for the garment, the delivery dates and so on. The uneven power distribution in this relationship can be seen in the net returns where clothing manufacturers, on the manufacturing of the garments (determined by retailers), only receive approximately four percent while retailers receive around one hundred and fifty percent to two hundred and ten percent from the sale of the garment which could be higher when one takes into account the cheap imported garments that are being sold by these retailers (Salinger *et al*, 1999).

Power is concentrated among the five largest retailers in the country who are accountable for seventy percent of clothing sales. This means that manufacturers are highly dependent on these retailers for the majority of their orders. This simply means that retailers are able to set prices, determine delivery dates and demand high

quality from the price that they allocate per garment. It has been argued that the retailing industry is wiping out their own supply base by demanding lower prices from manufacturers. The low returns received by these firms make it impossible for them to upgrade technology on a regular basis or expand their business. It is believed that if these retailers offer marginally higher prices to manufacturers then the retailers are guaranteeing themselves a more productive, efficient and probably a more competitive clothing industry. It is believed that this downward pressure on prices by retailers has emerged due to increasing competition from Asian manufacturers (Salinger *et al*, 1999).

Manufacturers have the least amount of power within the value chain and are forced to accept the prices offered by retailers. To understand this situation one needs to consider the prices associated with garments where a woman's shirt with a shop price of R249 will only get the CMT R18, 50 on the overall garment (Van der Westhuizen, 2006). In the manufacturing process it is acknowledged that CMTs supply the labour however certain overhead costs such as the maintenance of machines are not taken into account when manufacturers cost garments for CMTs (Van der Westhuizen, 2006).

Therefore, although garments are given low markups, foreign buyers still perceive these prices to be too high. This means that the price disadvantage originates from the costs of production such as fabric and direct and indirect labour costs (Salinger *et al*, 1999).

3.12. Conclusion

The factors above have been discussed and their impact on the CMT factory has been identified. As this study progresses one would have a better understanding of the impact of these factors on the present CMT environment.

Chapter 4: Research Methodology

4.1. Introduction

The sampling design utilized in this study is probability sampling, as the elements in the population i.e. CMT employers in the Durban area, have a probable chance of being selected as subjects in the sample. Due to cost factors and the nature of this study, area sampling will be utilized as this study is aimed at a given population within an identifiable geographic area (Sekaran, 2003).

This study aims to garner the perception of CMT employers regarding the challenges that they are faced with. Furthermore, biographical factors will be analyzed in order to determine if it has any bearing on the findings of this study. The data can be analyzed using two major branches of statistics i.e. Descriptive Statistics, which ‘involves the organization, summarization, and display of data,’ and Inferential Statistics which involves ‘using a sample to draw conclusions about a population.’ (Larson & Farber, 200: p 5). The type of information gathered in this study determines the type of statistics used.

4.2. Focus of the study

“What are the challenges facing CMT employers in the clothing industry in the Greater Durban area?”

4.3. Objectives of the study

- To conduct a literature review on the background to the clothing industry and the evolution of the CMT factory
- To conduct a literature review on the challenges faced by the clothing industry with a focus on CMTs
- To determine the extent to which cheaper imports, labour regulations, CMT distributors and worker cooperation affect CMTs
- Ascertain the influence of biographical variables on the productivity of CMT factories
- Conduct an analysis of information acquired and make recommendations

4.4. Sampling Technique and Description of Sample

There are many pragmatic reasons for sampling. It cuts cost, reduces labour requirements, and collects important information quickly. Furthermore, if selected properly, samples are adequately accurate in the majority of cases (Zikmund, 2000).

In order to understand the sampling process certain concepts need to be explained. According to Larson and Farber (2000; p 3), a population is, 'the collection of all outcomes, responses, measurements, or counts that are of an interest.' In terms of conducting research, it would be impractical and impossible to obtain all the population data, unless the population size is small, therefore, information is usually obtained from a sample. A sample can be defined as, 'a subset of a population' (Larson & Farber, 2000; p 3).

In this study, the population consists of all CMT employers in the clothing industry in KwaZulu Natal (KZN) while the sample consists of responses from CMT employers in the Durban area. The sample enables the researcher to draw conclusions that can be a generalization for the population (Sekaran, 2003).

4.4.1. Composition of sample

The composition of the sample which is divided into gender groups is outlined in table 4.1. and frequencies are used as a method of measurement

Table 4.1: Sample Composition

	CMT Employers				Total
	Male	%	Female	%	
Age Composition					
20 - 35	1	33.3	2	66.7	3
36 - 50	19	90.5	2	9.5	21
51 - 65	3	100	0	0	3
Over 65	3	100	0	0	3
Total	26	86.7	4	13.3	30
Gender Composition					
Male	26	86.7	0	0	26
Female	0	0	4	13.3	4
Total	26	86.7	4	13.3	30
Completed level of education					
Primary School	0	0	0	0	0
High School	20	87	3	13	23
Technikon	5	83.3	1	16.7	6
University (Undergrad)	0	0	0	0	0
University (Postgrad)	1	100	0	0	1
Total	26	86.7	4	13.3	30
Previously worked in the clothing industry					
Yes	18	90	2	10	20
No	8	80	2	20	10
Total	26	86.7	4	13.3	30

Probability and nonprobability sampling are two main types of sampling designs. Probability sampling is when, ‘the elements in the population have some known chance or probability of being selected as sample subjects’ (Sekaran, 2003: p 269). Nonprobability sampling is when, ‘the elements do not have a known or predetermined chance of being selected as subjects.’ (Sekaran, 2003: p 269)

In this study, probability sampling will be used, more specifically, area sampling which is when, ‘the research pertains to populations within identifiable geographical areas such as countries, city blocks, or particular boundaries within a locality’ (Sekaran, 2003: p 275). An area sample is considered the most popular type of

cluster sampling. An example of an area sample is as follows. A grocery researcher randomly selects several geographic areas as primary sampling units and thereafter interviews all the grocery stores or maybe a sample of grocery stores within the geographic clusters. Interviews are conducted within the clusters, not in other clusters (Zikmund, 2000).

As this study is only concerned with CMT employers in the Durban area this method of sampling proves to be suitable. The advantage of area sampling is that it is cost effective and it is helpful to establish the position of individuals in a particular locality. The difficulty in area sampling is that it is not so easy to collect data (Sekaran, 2003).

4.5. Data Collection

The best suited data collection method for this study is the questionnaire. A questionnaire is defined as a, 'preformulated written set of questions to which respondents record their answers, usually within closely defined alternatives' (Sekaran, 2003: p 236).

4.5.1. Description of Questionnaire

The challenges faced by CMT employers are measured using a self-developed Likert scale questionnaire. Previous studies on the clothing industry have been used as a platform for developing the questions around the areas of interest (Sekaran, 2003).

The questionnaire is divided into 4 sections:

4.5.1.1. Section A: concerns biographical information such as gender, age and level of education.

4.5.1.2. Section B: concerns information relating to the CMT operation i.e. location of the business, period for which the business has been operational and the CMT manufacturers target market.

4.5.1.3. Section C: is divided into subsections and is designed using the Likert scale, which is constructed to analyze how strongly subjects agree or disagree with the proposed statements on a 5 point scale (Sekaran, 2003).

Strongly Disagree	Disagree	Uncertain	Agree	Strongly Agree
1	2	3	4	5

4.5.1.3. (a) Section C 1: The factor that is analyzed is the *Workforce* where subjects are required to rank their answers concerning workforce skill levels and absenteeism rates.

4.5.1.3. (b) Section C 2: concerns *CMT Distributors* and their impact on the CMT operation.

4.5.1.3. (c) Section C 3: concerns Labour Regulation and its impact, if any, on CMTs around aspects such as minimum wages etc.

4.5.1.3. (d) Section C 4: deals with imports and its impact on the viability of the CMT operation.

4.5.1.4. Section D: is an open-ended question, dealing with *recommendations* from CMT employers on the ways that will help improve the profitability and competitiveness of this sector.

4.5.2. Pilot study

The term pilot study (Van Teijlinge, Rennie, Hundley & Graham, 2001) can be used in two different ways:

- 1) feasible studies (trail run in preparation for the major study)
- 2) pre-testing or ‘trying out’ a specific research instrument (questionnaire)

An advantage of utilizing a pilot study is that it can give an early warning as to where the main research project could fail, whether the instruments or methods used are inappropriate or too difficult. Therefore, the importance of a pilot study (Van Teijlinge *et al*, 2001) is;

- to determine if the sampling frame and technique are effective
- to collect preliminary data
- to determine the resources needed for the planned study
- to determine if the proposed data analysis techniques might cause problems
- to identify potential practical problems in the research procedure

However, even if one completes a pilot study it does not guarantee the success of the major study. Also, certain problems may only become known when the major study is conducted (Van Teijlinge *et al*, 2001).

The questionnaire was pre-tested on a small sample population to determine if the wording of the questions were not ambiguous. The pilot study was administered to a sample size of 5. It was found that certain instructions were not clear and an example had to be incorporated to assist the subjects as they were not familiar with the Likert scale. The questionnaire was administered to 45 subjects; however, only 30 questionnaires were returned giving a response rate of 66.7%. The subjects were given a varying time period in which to complete the questionnaire.

4.5.3. Data Analysis

This research study was analyzed using SPSS (Statistical Software Package). When one undertakes business research, in order to arrive at the answers one seeks, it is important to organize and analyze the data and thereafter, make sense of the results. This is usually achieved by determining how frequently certain events occur, the average score in a data set and the variability of the data set. This type of analysis, which is used in this study, is known as **Descriptive statistics**. Descriptive statistics is the transformation of raw data into a structure that can provide information to explain a set of factors in a situation. This is achieved by ordering and manipulating the raw data that has been collected. Descriptive statistics are provided by frequencies, measures of central tendencies and dispersion (Sekaran, 2003).

4.5.3.1. Descriptive statistics

4.5.3.1 (a) Frequencies

In order to make data usable, information that has been gathered needs to be organized and summarized. A frequency distribution or frequency table is one of the most common methods of summarizing a set of data. To begin, one usually records the number of times a value of a variable occurs. This is called the frequency of that value (Zikmund, 2000).

Frequencies can be thought of as, 'the number of times various subcategories of a certain phenomenon occurs, from which the percentage and the cumulative

percentage of their occurrence can be easily calculated' (Sekaran, 2003: p 395). This information can be presented either in a table format or in the form of a histogram or bar chart. (Sekaran, 2003).

4.5.3.1 (b) Measures of central tendencies

The central tendency of a distribution is an approximation of the midpoint of a distribution of values (Internet 4). There are 3 measures of central tendencies; mean, median and mode.

- **Mean**

The mean or average is the most frequently used measure of describing central tendency (Internet 4). The mean can be calculated by adding all the entries in a data set and dividing the total by the number of entries.

- **Median**

Another measure of central tendency is the median which is the midpoint of the distribution or the 50th percentile. To put it in another way, the median is the 'value below which half the values in the sample fall' (Zikmund, 2000: p 371), or the middle entry in the data set when the data set is arranged in either an ascending or descending order (Larson & Farber, 2000).

- **Mode**

In clothing, mode means the most popular fashions. In simple terms the mode is the data entry that comes up the most number of times. If a data set does not have such an occurrence then there is no mode in that data set (Larson & Farber, 2000).

4.5.3.1 (c) Dispersion

The above measures i.e. mean, median and mode summarize the central tendency of frequency distributions. However, one needs to also know the tendency for observations that move away from the central tendency. As such, another means of summarizing data is to determine how the observations vary from the mean i.e. dispersion of the data. (Zikmund, 2000). Dispersion is the spread of the values around the central tendency (Internet 4). The common measurements of dispersion are;

- **Range**

This refers to the extreme values in a data set (Sekaran; 2003). According to Zikmund (2000), the range is the simplest measure of dispersion. The range does not, however, consider all observations as it only highlights the extreme values of the distribution.

- **Standard Deviation**

Statisticians have developed a number of quantitative indexes to reflect a distribution's spread or variability. Standard deviation is considered the most valuable index of spread or dispersion (Zikmund, 2000). According to Sekaran (2003; p 398), the standard deviation 'offers an index of the spread of a distribution or the variability in the data.' Standard deviation can be calculated by taking the square root of the variance (Sekaran, 2003).

- **Variance**

Variance allows one to see how dispersed the data in the data set are (Sekaran, 2003). Variance is a useful way of describing the sample variability and it is an extremely good index of the degree of dispersion. The variance can be equal to zero if each and every observations in the distribution is the same as the mean. The variance will increase as the observations are likely to vary increasingly from each other and from the mean. The major drawback of using variance is that it reflects a unit of measurement that has been squared (Zikmund, 2000).

There are three major criteria for evaluating measurement; reliability, validity and sensitivity.

4.6. Criteria for evaluating measurement

4.6.1. Reliability

According to Zikmund (2000: p 280), 'reliability is the degree to which measures are free from error and therefore yield consistent results.' Two dimensions motivate the concept of reliability: repeatability and internal consistency.

4.6.1.1. The test-retest method

This assessment of repeatability is when the same scale is administered to the same respondents at two different times in order to test for stability. If the measure or scale is consistent when both the first test and second test have been administered one should obtain similar results for both tests taking into consideration that the conditions are similar. If a questionnaire produces erratic results when utilized on separate occasions then the results are considered unreliable because of an error in measurement. As this study is not a longitudinal study the second dimension of reliability will be used i.e. internal consistency (Zikmund, 2000).

4.6.1.2. Internal consistency

In order to measure the internal consistency of a multiple item measure, 'scores on subsets of the items within the scales are correlated.' (Zikmund, 2000: p 280) Internal Consistency is usually measured with Cronbach's Alpha (α) which is a statistic calculated from the pairwise correlations between the items.

Cronbach's Alpha will generally increase the stronger the correlations between the items. As such, the coefficient is called the internal consistency or the internal consistency reliability of the test (Internet 5). It is commonly accepted that an α of 0.6-0.7 is considered as acceptable reliability while 0.8 or higher is considered good reliability. However, 0.95 or higher may not be considered acceptable as it may mean that the items are redundant and not just consistent.

4.6.2. Validity

According to Zikmund (2000: p 281) validity is defined as, 'The ability of a scale or measuring instrument to measure what is intended to be measured.' There are three basic approaches when dealing with validity.

4.6.2.1. Face validity or content validity

This is a professional yet subjective agreement that a scale reasonably appears to reflect what it was supposed to measure. When a measure is considered to provide suitable coverage of the concept then it is considered to have face validity (Zikmund, 2000).

4.6.2.2. Criterion validity

Criterion validity is defined as, ‘the ability of some measure to correlate with other measures of the same construct’ (Zikmund, 2000: p 282). Criterion validity can be classified as concurrent validity or predictive validity. *Concurrent validity* is when the new measure is taken at the exact time as the criterion measure (Zikmund, 2000) and *predictive validity* when a new measure either forecasts a future event or correlates with a criterion measure administered at a later time. The only difference between concurrent validity and predictive validity is the time in which the measure is taken. While face or content validity is a subjective assessment, criterion validity is a more rigorous empirical test (Zikmund, 2000).

4.6.2.3. Construct validity

It is defined as, ‘The ability of a measure to confirm a network of related hypotheses generated from a theory based on the concepts’ (Zikmund, 2000: p 283). Construct validity is established during the statistical analysis of the data.

4.6.3. Sensitivity

The sensitivity of a scale is considered to be an important measurement concept especially if changes in attitudes are to be investigated. Therefore, sensitivity is defined as, ‘an instrument’s ability to accurately measure variability in stimuli or responses’ (Zikmund, 2000: p 283). A dichotomous response category where agree or disagree are the options is not reflective of slight attitude changes. Introducing a more sensitive measure, where there are more items on the scale; “strongly agree”, “agree”, “neutral”, “disagree” and “strongly disagree” will increase a scales sensitivity (Zikmund, 2000).

4.7. Conclusion

The concepts discussed in this chapter provides a framework of reference for the chapters to come, also, due to the nature of the data collected only certain concepts will be utilized in Chapter 5. As these concepts are not easy to understand this chapter has provided a brief overview of the main ideas in research methodology.

5.2.2. Gender Composition

Table 5.1 below shows the frequencies and percentages of the gender groups.

Table 5.1: Frequencies and Percentages of the Gender groups

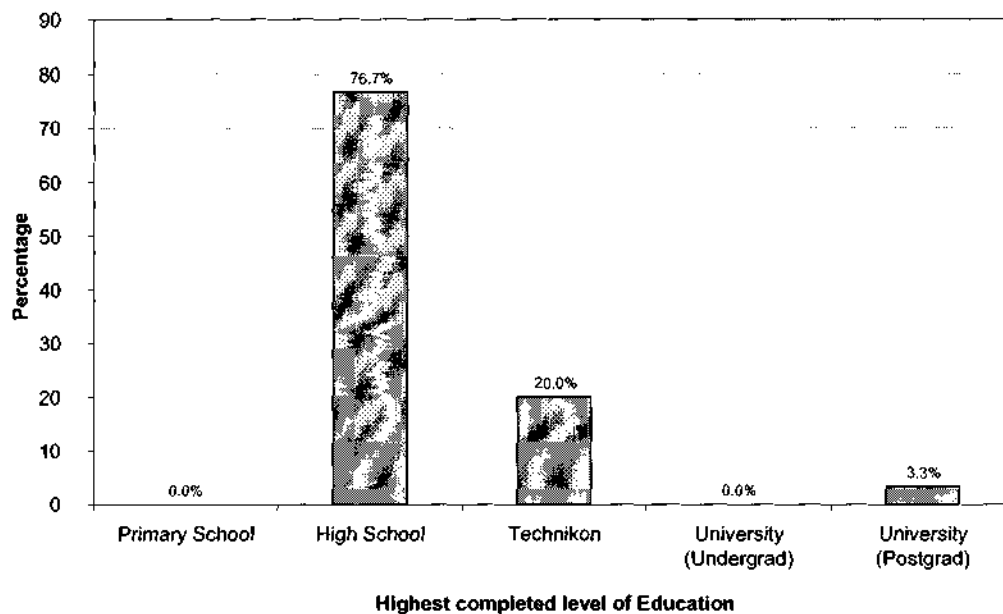
Gender Groups	Frequency	Percent	Valid Percent	Cumulative Percent
Male	26	86.7	86.7	86.7
Female	4	13.3	13.3	100.0
Total	30	100.0	100.0	

Table 5.1. shows that the majority of subjects are male (86.7%) with females comprising only 13.3%.

5.2.3. Level of Education

The data below presents the percentage of participants in the respective educational groups.

Graph 5.2: Percentages of the Education groups



The majority of individuals (76.7%) completed high school while 20% graduated from a technikon and 3.3% obtained a postgraduate degree from a university.

5.2.4. Previous Employment of CMT employers

The data below shows the CMT employers' familiarity with the clothing industry in terms of whether or not they have previously worked in this industry.

Table 5.2: Frequencies and Percentages of Employment groups

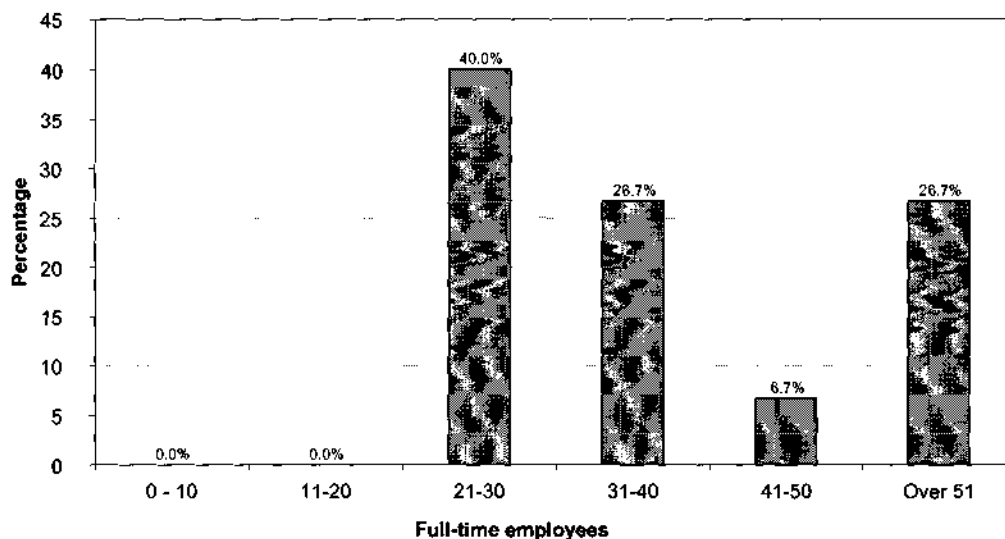
Employment Groups	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	20	66.7	66.7	66.7
No	10	33.3	33.3	100.0
Total	30	100.0	100.0	

Twenty subjects (66.7%) have previously been employed in the clothing industry while ten (33.3%) have never worked in this industry before.

5.2.5. Number of full-time employees

The data below presented in percentages shows the full-time employees in CMT factories.

Graph 5.3: Percentages of full-time employee groups



Most of the CMT subjects 12 (40%), employ between 21-30 full-time workers, eight (26.7%) employ between 31-40, two (6.7%) employ 41-50 workers, while eight (26.7%) employ over 51 full-time employees.

5.2.8. Gender Composition of Workforce

Frequencies and percentages are used to present the gender composition of workers in the CMT factory.

Table 5.5: Frequencies and Percentages of Gender groups

Gender Groups	Frequency	Percent	Valid Percent	Cumulative Percent
Female	30	100.0	100.0	100.0

All subjects stated that the majority of workers are female.

5.3. General Information concerning the CMT factory

Frequencies and percentages are used to present data in terms of; location of business, funding, investment capability, labour costs, the operational period of the business, management training and the market for which garments are manufactured.

5.3.1. Location of CMT factory

The data below presents the location of CMT factories.

Table 5.6: Frequencies and Percentages of the location of CMT factory

Area Groups	Frequency	Percent	Valid Percent	Cumulative Percent
Industrial Area	27	90.0	90.0	90.0
Other	3	10.0	10.0	100.0
Total	30	100.0	100.0	

Twenty-seven (90%) subjects stated that the business operated in an industrial area while 10% indicated that the business operated in other areas i.e. residential area.

5.3.2. Funding for the business

The data below describes the options that were available to CMT employers for start-up capital.

Table 5.7: Frequencies and Percentages of funding groups

Funding Groups	Frequency	Percent	Valid Percent	Cumulative Percent
Personal Funds	28	93.3	93.3	93.3
Other	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Twenty-eight (93.3%) claimed that personal funds were used as start-up capital and two (6.7%) claimed that start-up capital came from other sources i.e. personal credit.

5.3.3. Investment in new machinery

The following data highlights the ability of the CMT employer to invest in new machinery.

Table 5.8: Frequencies and Percentages of investment groups

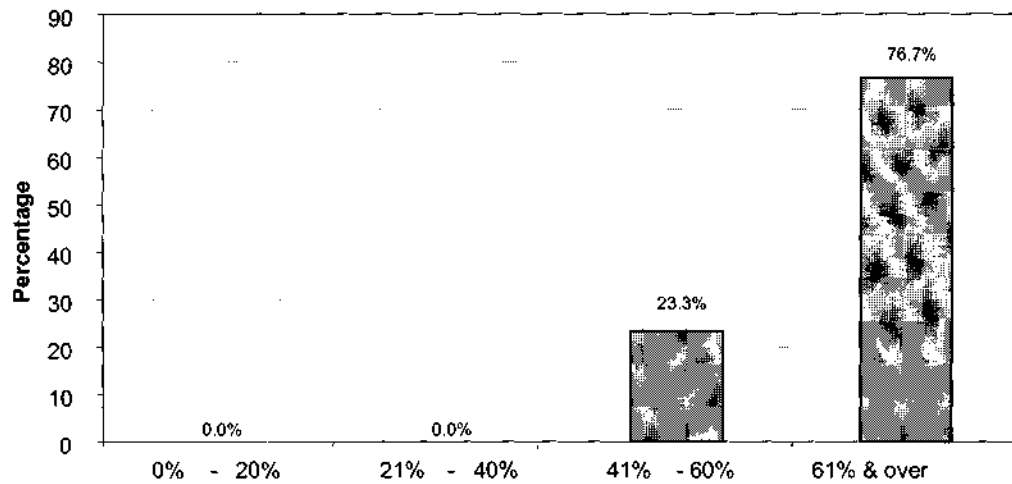
Investment Group	Frequency	Percent	Valid Percent	Cumulative Percent
No	30	100.0	100.0	100.0

All the subjects claimed that they were unable to invest in new machinery.

5.3.4. Total Labour Costs

The data below shows the labour costs of CMT employers in relation to total costs.

Graph 5.4. Percentages of labour cost groups



Graph 5.4. shows that the majority of subjects 23 (76.7%) stated that labour costs are greater than sixty-one percent of total cost while 7 (23.3%) indicated that labour costs are forty-one to sixty percent of their total costs.

5.3.5. Operational period of the business

The data below shows the period for which these CMT employers have been in operational.

Table 5.9: Frequencies and Percentages of operational period groups

Operational Groups	Frequency	Percent	Valid Percent	Cumulative Percent
0-2 years	1	3.3	3.3	3.3
3-5 years	4	13.3	13.3	16.7
Greater than 5 years	25	83.3	83.3	100.0
Total	30	100.0	100.0	

Twenty-five (83.3%) claimed that the CMT factory has been operating for a period greater than five years, 3.3% (1) indicated a period of two years or below while four (13.3%) stated a period between three to five years.

5.3.6. Management Training

The data below shows whether or not CMT employers have had management training.

Table 5.10: Frequencies and Percentages of management training groups

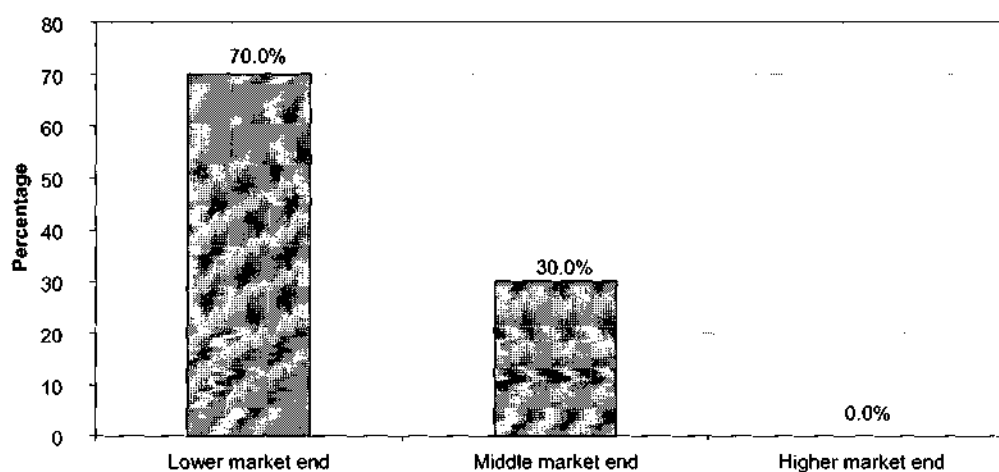
Training Groups	Frequency	Percent	Valid Percent	Cumulative Percent
Yes	9	30.0	30.0	30.0
No	21	70.0	70.0	100.0
Total	30	100.0	100.0	

Nine (30%) subjects claimed that they attended management training while twenty-one (70%) did not attend any management training.

5.3.7. Garments Manufactured

The following data presents the markets for which CMTs manufacture.

Graph 5.5: Percentages of market groups



Most of the subjects 21 (70%) manufactured garments for the lower-market end while 9 (30%) manufactured for the middle-market.

5.4.Workforce

Data will be presented via descriptive statistics where frequency (see Appendix B for graphs depicting this information), central tendencies and dispersion measures will be used to transform the data into information that can be understood. The information gathered pertains to absenteeism, employee output levels, employee skill levels and the ability of CMT employers to invest in skills development.

5.4.1. Absenteeism affects my production levels

The following information relates to the impact of unplanned absenteeism on the whole factory i.e. short-time for other employees as an absent cutter means no work for machinists.

Table 5.11: Frequencies and Percentages on the output of absenteeism

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%	FREQUENCY	%
Absenteeism affects my production levels	0	0%	0	0%	0	0%	8	26.7%	22	73.3%

The measures of dispersion and central tendency are shown in Table 5.12.

Table 5.12: Dispersion and Central Tendencies on the output of absenteeism

Minimum	4
Maximum	5
Mean	4.73
Std Deviation	0.450

Twenty-two subjects (73.3%) strongly agree that absenteeism affects production and eight (26.7%) subjects agree. The mean score of 4.73 indicates that subjects strongly agree that absenteeism affects production. The low deviations in the responses (std. dev = 0.450) indicates that the variation in responses are very low. This is confirmed

by the minimum score of 4 indicating subjects agree and the maximum score of 5 indicating that subjects strongly agree that absenteeism affects production.

5.4.2. Output per employee is consistent and acceptable

The data below reflects the employer's perceptions of employee's production levels.

Table 5.13: Frequencies and Percentages on the output per employee

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Output per employee is consistent and acceptable	6	20.0%	12	40.0%	2	6.7%	6	20%	4	13.3%

The measures of dispersion and central tendency are shown in Table 5.14.

Table 5.14: Dispersion and Central Tendencies on the output per employee

Minimum	1
Maximum	5
Mean	2.67
Std Deviation	1.373

The majority of subjects either disagreed (40%) or strongly disagreed (20%) with the statement with 20% agreeing or strongly agreeing (13.3%) and 6.7% recording a neutral response. The mean score of 2.67 indicates that subjects disagree that output per employee is consistent and acceptable. The high deviations in the responses (std. dev. =1.373) indicates a large variation in responses. This is confirmed by a minimum score of 1 and a maximum score of 5 indicating a large spread of values around the mean however the majority of respondents disagree that output per employee is consistent and acceptable.

5.4.3. Most of the employees are unskilled to semi-skilled workers

The following data describes the skill levels of CMT workers.

Table 5.15: Frequencies and Percentages on the output of skill groups

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Most of the employees are unskilled to semi-skilled workers	0	0%	4	13.3%	0	0%	14	46.7%	12	40%

The measures of dispersion and central tendency are shown in Table 5.16.

Table 5.16: Dispersion and Central Tendencies on the output of skill groups

Minimum	2
Maximum	5
Mean	4.13
Std Deviation	0.973

The majority of subjects either agreed (46.7%) or strongly agreed (40%) with this statement with 13.3% disagreeing. The mean score of 4.13 indicates that subjects agreed that most employees are unskilled to semi-skilled. The deviations in the responses (std. dev. = 0.973) indicates a large variation in responses. This is confirmed by a minimum score of 2 indicating subjects disagree and a maximum score of 5 indicating subjects strongly agree.

5.4.4. I have the time and money to invest in skills development

The data shows the ability of the CMT employer to invest (time and money) in skills development.

Table 5.17: Frequencies and Percentages on the output of skills development

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
I have the time and money to invest in skills development	24	80%	5	16.7%	1	3.3%	0	0%	0	0%

The measures of dispersion and central tendency are shown in Table 5.18.

Table 5.18: Dispersion and Central Tendencies on the output of skills development

Minimum	1
Maximum	3
Mean	1.23
Std Deviation	0.504

The majority of subjects (80%) strongly disagreed with the above statement; 16.7% disagreed with 3.3% recording an uncertain response. The mean score of 1.23 indicates that subjects strongly disagreed that they have the time and money to invest in skills development. The low deviations in the responses (std. dev. = 0.504) indicates that the variation in responses is low. This is confirmed by a minimum score of 1 indicating subjects strongly disagree and a maximum score of 3 indicating an uncertain response as to having the time and money to invest in skills development.

5.5. CMT Distributors

Data will be presented via descriptive statistics where frequency, central tendencies and dispersion measures will be used to transform the data into information that can be understood. The information gathered pertains to; the frequency of CMT orders, the cost of manufacturing garments, costs covered by CMT distributors, payment period for completed orders and the impact of a lack of minimum price regulation on pricing of garments.

5.5.1. CMT orders are frequent throughout the year

The data presents the regularity of CMT orders throughout the year.

Table 5.19: Frequencies and Percentages on the output of CMT orders

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
CMT orders are frequent throughout the year	25	83.3%	3	10.0%	0	0%	0	0%	2	6.7%

The measures of dispersion and central tendency are shown in Table 5.20.

Table 5.20: Dispersion and Central Tendencies on the output of CMT orders

Minimum	1
Maximum	5
Mean	1.37
Std Deviation	1.033

Twenty-five (83.3%) of the subjects strongly disagreed with this statement and three (10%) subjects disagreed with two (6.7%) strongly agreeing. The mean score of 1.37 indicates that subjects strongly disagreed that CMT orders are frequent throughout the year. The high deviations (std. dev.=1.033) indicates the large variation in responses. This is confirmed by a minimum score of 1 indicating subjects strongly

disagree and a maximum score of 5 indicating subjects strongly agree that orders are frequent throughout the year.

5.5.2. I am able to cost garments enabling me to make a profit and cover overhead costs e.g. rent

The data presents the CMT employers ability/power to cost a garment in order to cover expenditures instead of accepting prices allocated by CMT distributors.

Table 5.21: Frequencies and Percentages on the output of garment costs

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
I am able to cost garments enabling me to make a profit and cover overhead costs e.g. rent	15	50.0%	11	36.7%	0	0%	0	0%	4	13.3%

The measures of dispersion and central tendency are shown in Table 5.22.

Table 5.22: Dispersion and Central Tendencies on the output of garment costs

Minimum	1
Maximum	5
Mean	1.90
Std Deviation	1.322

The majority of subjects either strongly disagreed (50%) or disagreed (36.7%) with 13.3 % (4) strongly agreeing with the above statement. The mean score of 1.90 indicates that subjects disagreed that they are able to cost garments in order to make a profit and cover overhead costs. The high deviations (std. dev. = 1.322) indicates a large variation in the responses. This is confirmed by a minimum score of 1 indicating subjects strongly disagree and a maximum score of 5 indicating subjects strongly agree that they are able to cost garments making a profit and covering overhead costs.

5.5.3. Cotton, packaging & delivery costs are covered by CMT distributors

This data represents the costs covered by CMT distributors using frequencies and percentages.

Table 5.23: Frequencies and Percentages on the output of Distributor's costs

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Cotton, packaging & delivery costs are covered by CMT distributors	29	96.7%	0	0%	0	0%	0	0%	1	3.3%

The measures of dispersion and central tendency are shown in Table 5.24.

Table 5.24: Dispersion and Central Tendencies on the output of Distributor's costs

Minimum	1
Maximum	5
Mean	1.13
Std Deviation	0.730

Twenty-nine (96.7%) of the subjects strongly disagree with the above notion that cotton, packaging and delivery costs are covered by CMT distributors with 3.3% (1) strongly agreeing. The mean score of 1.13 indicates that subjects strongly disagreed with the above statement. The deviations (std. dev. = 0.730) in the responses indicates a small variation as only one respondent strongly agreed. This is confirmed by a minimum score of 1 indicating subjects strongly disagree and a maximum score of 5 indicating subjects strongly disagree that cotton, packaging and delivery costs are covered by CMT distributors.

5.5.4. Payment for completed orders are received upon delivery of garments

The following data shows whether or not CMT employers receive payment when completed orders are delivered.

Table 5.25: Frequencies and Percentages on the output of payment

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Payment for completed orders are received upon delivery of garments	3	10.0%	13	43.3%	0	0%	10	33.3%	4	13.3%

The measures of dispersion and central tendency are shown in Table 5.26.

Table 5.26: Dispersion and Central Tendencies on the output of payment

Minimum	1
Maximum	5
Mean	2.97
Std Deviation	1.326

Three (10%) of the subjects strongly disagreed and thirteen (43.3%) disagree with ten (33.3%) agreeing and four (13.3%) strongly agreeing with the above statement. The mean score of 2.97 indicate disagreement. The high deviations (std. dev. =1.326) in the responses indicates a large variation in responses. This is confirmed by a minimum score of 1 indicating subjects strongly disagree and a maximum score of 5 indicating subjects strongly agree that payment is received when the garments are delivered.

5.5.5. The absence of minimum price regulation on the cost of garments allows CMT Distributors to outsource orders to the cheapest CMT

The data highlights the impact of an absence of minimum garment price regulation as CMT distributors outsource to the cheapest CMTs or buy cheaper imports. This information is presented via frequencies and percentages.

Table 5.27: Frequencies and Percentages on the output of outsourced orders

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
The absence of minimum price regulation on the cost of garments allows...	0	0%	0	0%	0	0%	3	10.0%	27	90.0%

The measures of dispersion and central tendency are shown in Table 5.28.

Table 5.28: Dispersion and Central Tendencies on the output of outsourced orders

Minimum	4
Maximum	5
Mean	4.90
Std Deviation	0.305

Three (10%) of the subjects agreed and twenty-seven (90%) strongly agreed with the above statement. A mean score of 4.90 indicates that subjects strongly agreed that an absence of minimum price regulations on the cost of garments allows CMT distributors to outsource to the cheapest CMT factory. The low deviations (std. dev. = 0.305) in the responses indicates a low variation in responses. This is confirmed by a minimum score of 4 indicating subjects agree and a maximum score of 5 indicating that subjects strongly agree that no price regulations allows CMTs distributors to outsource to the cheapest CMTs.

5.6. Labour Regulation

Data will be presented via descriptive statistics where frequency, central tendencies and dispersion measures will be used to transform the data into information that can be understood. The information gathered pertains to; bargaining council membership, payments of bargaining council, minimum wage regulation, flexibility regarding workplace practices, main collective agreement and CMTs and large firms being governed by the same regulations.

5.6.1. I choose to be a member of the bargaining council

The data below indicates whether or not the CMT employer chooses to become a member of the bargaining council.

Table 5.29: Frequencies and Percentages on the output of members

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
I choose to be a member of the bargaining council	21	70.0%	5	16.7%	0	0%	0	0%	4	13.3%

The measures of dispersion and central tendency are shown in Table 5.30.

Table 5.30: Dispersion and Central Tendencies on the output of members

Minimum	1
Maximum	5
Mean	1.70
Std Deviation	1.368

The majority of respondents (70%) strongly disagreed and five (16.7%) disagreed with four (13.3%) strongly agreeing with the above statement. The mean score of 1.70 indicates that subjects strongly disagreed that they choose to be members of the bargaining council. The deviations (std. dev. = 1.368) in the responses indicates a large variation. This is confirmed by a minimum score of one indicating that subjects

strongly disagreed and a maximum score of five indicating that subjects strongly agreed.

5.6.2. The payments demanded by the bargaining council are reasonable

The following data presents the CMT employers perceptions regarding the payments demanded by the bargaining council.

Table 5.31: Frequencies and Percentages on the output of council payments

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
The payments demanded by the bargaining council are reasonable	22	73.3%	0	0%	3	10.0%	0	0%	5	16.7%

The measures of dispersion and central tendency are shown in Table 5.32.

Table 5.32: Dispersion and Central Tendencies on the output of council payments

Minimum	1
Maximum	5
Mean	1.87
Std Deviation	1.548

The majority of subjects (73.3%) strongly disagreed with the above statement and five (16.7%) strongly agreed with three (10%) recording an uncertain response. A mean score of 1.87 indicates that subjects disagreed that payments demanded by the bargaining council are reasonable. The high deviations (std. dev. = 1.548) indicate a large variation in the responses. This is confirmed by the minimum score of one indicating subjects strongly disagreed and a maximum score of five indicating that subjects strongly agreed with this statement.

5.6.3. Minimum wage regulation affects the business

The following data reveals the impact of minimum wage on the business.

Table 5.33: Frequencies and Percentages on the output of regulation

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Minimum wage regulation affects the business	8	26.7%	4	13.3%	0	0%	2	6.7%	16	53.3%

The measures of dispersion and central tendency are shown in Table 5.34.

Table 5.34: Dispersion and Central Tendencies on the output of regulation

Minimum	1
Maximum	5
Mean	3.47
Std Deviation	1.814

The majority of subjects (53.3%) strongly agree and two (6.7%) agree with eight (26.7%) strongly disagreeing and four (13.3%) disagreeing that minimum wage regulation affects the business. The mean score of 3.47 indicates that subjects agree with the above statement. The high deviations (std. dev. = 1.814) indicate a large variation in responses. This is confirmed by a minimum score of one indicating that subjects strongly disagree and a maximum score of five indicating that subjects strongly agree that minimum wage regulation affects the business.

5.6.4. I am unable to hire or fire employees based on my productivity needs

The data presented shows the flexibility that CMT employers have regarding productivity needs.

Table 5.35: Frequencies and Percentages on the output of flexibility

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
I am unable to hire or fire employees based on my productivity needs	1	3.3%	0	0%	0	0%	17	56.7%	12	40.0%

The measures of dispersion and central tendency are shown in Table 5.36.

Table 5.36: Dispersion and Central Tendencies on the output of flexibility

Minimum	1
Maximum	5
Mean	4.30
Std Deviation	0.794

Seventeen (56.7%) subjects agreed and twelve (40%) strongly agreed with the above statement with one (3.3%) strongly disagreeing. The mean score of 4.30 indicates that the majority of subjects agree that they are unable to hire or fire employees based on their productivity needs. The high deviations (std. dev. = 0.794) indicate a large variation in the responses. This is conformed by a minimum score of one indicating that subjects strongly disagree and a maximum score of five indicating that subjects strongly agree with the statement above.

5.6.5. The Main Collective agreement does not represent the interests of all CMT employers

The data shows the representativeness of the main collective agreement according to CMT employers.

Table 5.37: Frequencies and Percentages on the output of representiveness

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
The Main Collective agreement does not represent the interests of all CMT employers	0	0%	0	0%	0	0%	7	23.3%	23	76.7%

The measures of dispersion and central tendency are shown in Table 5.38.

Table 5.38: Dispersion and Central Tendencies on the output of representiveness

Minimum	4
Maximum	5
Mean	4.77
Std Deviation	0.430

The majority of respondents (76.7%) strongly agree and seven (23.3%) agree with the above statement. The mean score of 4.77 indicates that the majority of respondents strongly agree that the main collective agreement does not represent the interests of all CMT employers. The low deviations (std. dev. = 0.430) indicate a low variation in the response rate. This is confirmed by the minimum score of four indicating that subjects agree and a maximum score of five indicating that the subjects strongly agree that the collective agreement does not represent the interests of all CMT employers.

5.6.6. It is not acceptable that CMTs are governed by the same regulations as large firms

The data presented in frequency and percentage indicates the perception of CMT employers on having to follow the same regulations as large firms.

Table 5.39: Frequencies and Percentages on the output of same regulations

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
It is not acceptable that CMTs are governed by the same regulations as large firms	0	0%	1	3.3%	0	0%	4	13.3%	25	83.3%

The measures of dispersion and central tendency are shown in Table 5.40.

Table 5.40: Dispersion and Central Tendencies on the output of same regulations

Minimum	2
Maximum	5
Mean	4.77
Std Deviation	0.626

Twenty-five (83.3%) subjects strongly agree and four (13.3%) agree with the above statement with 3.3% (1) disagreeing. The mean score of 4.77 indicates that subjects strongly agree that it is not acceptable that the same set of rules apply to all manufacturing firms. The deviations (std. dev. = 0.626) indicate a small variation in responses as only one person disagreed. This is confirmed by the minimum score of two indicating subjects disagree and a maximum score of five indicating that subjects strongly agree that it is not acceptable that CMTs are governed by the same regulations as large firms.

5.7. Imports

Data will be presented via descriptive statistics where frequency, central tendencies and dispersion measures will be used to transform the data into information that can be understood. The information gathered pertains to; the impact of cheaper imports on local CMT orders on an annual basis, the impact of cheaper imports on the prices allocated to orders (garments) outsourced to domestic CMT factories and the survivability of the CMT factory in the long-run if illegal/cheaper imports continue to rise.

5.7.1. Cheaper imports affect the availability of CMT orders

The data (frequencies and percentages) reflects the extent to which cheap imports impact on the availability of domestic CMT orders even though measures have been put into place to ensure the survivability of this industry.

Table 5.41: Frequencies and Percentages on the output of CMT orders

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Cheaper imports affect the availability of CMT orders	0	0%	0	0%	0	0%	0	0%	30	100%

The measures of dispersion and central tendency are shown in Table 5.42.

Table 5.42: Dispersion and Central Tendencies on the output of CMT orders

Minimum	5
Maximum	5
Mean	5.00
Std Deviation	0.000

All the subjects strongly agree that cheaper imports do indeed affect the availability of CMT orders. On a five-point scale the minimum and maximum score was five with a mean of 5 and as such no standard deviation.

5.7.2. Cheaper imports affect the pricing of CMT garments

The data reflects the impact of cheaper imports on the downward pricing of local CMT produced garments.

Table 5.43: Frequencies and Percentages on the output of pricing

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Cheaper imports affect the pricing of CMT garments	0	0%	0	0%	0	0%	0	0%	30	100%

The measures of dispersion and central tendency are shown in Table 5.44.

Table 5.44: Dispersion and Central Tendencies on the output of pricing

Minimum	5
Maximum	5
Mean	5.00
Std Deviation	0.000

All subjects strongly agree that cheaper imports do affect the prices allocated to garments outsourced to CMTs. On a five-point scale the minimum and maximum score was five with a mean of 5 and as such no standard deviation because all the subjects' responses were the same.

5.7.3. I can not maintain the business if illegal/cheaper imports continue to enter the market

The data reflects the perceptions of CMT employers on the survivability of their business.

Table 5.45: Frequencies and Percentages on the output of illegal/cheaper imports

	STRONGLY DISAGREE		DISAGREE		UNCERTAIN		AGREE		STRONGLY AGREE	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%	Frequency	%
I can not maintain the business if illegal/cheaper imports continue to enter the market	0	0%	0	0%	0	0%	0	0%	30	100%

The measures of dispersion and central tendency are shown in Table 5.46.

Table 5.46: Dispersion and Central Tendencies on the output of illegal/cheaper imports

Minimum	5
Maximum	5
Mean	5.00
Std Deviation	0.000

All subjects strongly agree that it is impossible to maintain the business if illegal/cheaper imports continue to enter the market.

5.8. Internal Consistency

Table 5.47: Reliability Statistics

Cronbach's Alpha	N. of Items
.726	30

Chapter four examined the concepts of internal consistency and Cronbach's Alpha which is a test used to determine correlations between the items. An alpha of 0.726 is considered to be an acceptable reliability as Cronbach's Alpha generally increases the stronger the correlations between the items (Internet 5).

5.9. Conclusion

This chapter analyzed the responses of CMT subjects towards their workforce, labour regulation, imports, CMT distributors, biographical information and general information around skills development, cost structure, investment, target market, survivability of these firms and the financial opportunities that were initially available.

The data presented here is based solely on the responses of the CMT subjects to the questionnaire. A more in-depth analysis is required on certain issues, however, the aim of this study was to highlight the factors that affect these employers. These results will be discussed in the following chapter where literature will be used as a support structure for these results.

Chapter 6: Discussion of Results

6.1. Introduction

This study examines the challenges facing CMT employers in the clothing industry. This study was undertaken in the greater Durban area. The names of the participants will not be mentioned as anonymity was granted. The following chapter presents a discussion based on the results obtained in chapter 5.

6.2. Discussion of results based on variables studied

Where possible, the key variables will be compared with results from previous studies to provide a more meaningful analysis.

6.2.1. Biographical variables

The following analysis will provide information around the age, gender, educational levels and the familiarity of CMT employers with clothing industry. Also, information will be provided around the gender, race and complement of the CMT workforce.

6.2.1.1. The age groupings of CMT employers

The majority of CMT employers, 70%, fall within the age bracket of thirty-six to fifty years old. This on its own does not mean much but together with other biographical information it will as this period coincided with the apartheid and many non whites found employment in the clothing industry. During the 1970's and 1980's the clothing industry grew at a local and national level resulting in a growth in employment which implicates the above age group (Netshitomboni, 1996).

6.2.1.2. Gender analysis of CMT employers

The majority of CMT employers are male (86.7%) which is interesting as the majority of workers in the clothing industry are females. If the male to female ratio is considered in this industry women dominate, therefore, taking this ratio into consideration there should be more women owning factories than this study indicates.

6.2.1.3. The education levels of CMT employers

The majority of individuals (76.7%) completed high school while 20% attended a technikon and 3.3% obtained a postgraduate degree from a university. It was found that one of the determinants of success in a firm is the education of management, however, one must also consider the experience that these individuals bring to the business (Salinger, Bhorat, Flaherty, and Keswell, 1999).

6.2.1.4. Familiarity with the clothing industry

The majority of CMT employers (66.7%) have previously worked in the clothing industry in one form or another while only 33.3% have not previously worked in this industry. As the majority of CMT employers (66.7%) have worked in this industry previously it supports the statement that these workers were possibly retrenched and to survive, opened a CMT factory (Netshitomboni, 1996). Some of the positions previously held by 66.7% of the subjects as determined by the questionnaire were; supervisors, administrator, machinist, quality assessors, production managers and machine mechanic.

6.2.1.5. Complement of full-time workers

Most of the subjects (40%) employ between 21-30 full-time workers, eight (26.7%) employ between 31-40, two (6.7%) employ 41-50 workers, while eight (26.7%) employ over 51 full-time employees. This question allows one to determine the number of workers that are permanent and the impact that unemployment will have if CMTs continue on their downward spiral. In a study conducted by Salinger *et al*, (1999), it was found that a CMT factory that was operational for more than thirty years with a staff of fifty had to downsize to a staff of fifteen with only two being permanent employees. From this we can conclude that it is the workers who suffer when this industry does not perform well and this is especially true for CMTs as labour is dominant in this area.

6.2.1.6. Complement of part-time/casual workers

Twenty-two subjects (73.3%) employ below ten part-time employees, seven subjects (23.3%) employ 11-20 part-time workers while one employer (3.3%) employs between 21-30 part-time workers. As can be seen from Salinger *et al*, (1999), large

clothing manufacturers had to downsize while others restructured in order to outsource orders to CMTs due to the pressures of intense global competition. As such, formal employment became a concept that seemed out of date and casualization became the order of the day. However, those that suffered from this move away from formal employment were women, as they dominated this industry (Soko, 2005).

6.2.1.7. Determination of workforce based on race

In KwaZulu Natal (KZN) the majority of machinists were Indian men but during the 1960's this role was taken over by Indian women. During the 1970's in KZN, Indian women were replaced by black women (Meer, 1990). The respondents in this study mirrored the above results as twenty-eight subjects (93.3%) claimed that the majority of their workers are black while two (6.7%) subjects claimed that their workforce consisted of Indians. The possible reason for this migration is that during the apartheid not many jobs were available for non-whites especially women and the clothing industry became the stepping stone for many in terms of proper job prospects.

6.2.1.8. Determination of workforce based on gender

All respondents claimed that the majority of their workforce consisted mainly of females. South Africa's experience differs from other countries where jobs were initially segregated along the lines of gender but in South Africa jobs were rigidly determined along racial lines and thereafter, gender lines. This type of historical background can be the reason for the composition of the CMT industry today as it is dominated by African, Coloured and Indian women (Meer, 1990).

The data helps to form a picture as to who will be most affected by unemployment CMTs continue on a downward spiral. The trend in the workforce is that black women dominate in KwaZulu Natal while coloured women dominate the factory settings in the Western Cape.

According to Hart (1995), many factory workers are older women who are often the sole breadwinners in their family. As such Van der Westhuizen (2003) claims that these woman, who make up eighty-six percent of the workforce, will bare the

negative social effects of the government's decision on liberalization. Without their salary from these factories their families will be pushed to poverty lines and will also put pressure on the community as a whole. Therefore, the government needs to take a closer look at CMTs to determine ways in which one can improve its functioning and ensure clear communication with these employers.

6.2.2. General Information

A discussion concerning the following factors will follow; location of factory, how start-up capital was obtained, ability to invest in machinery, costs of labour compared to total cost, the period for which the factory has been operational, management training and production markets.

6.2.2.1. Location of CMT factories

The majority of respondents (twenty-seven) stated that their business operated in an industrial area and three respondents claimed that their business is based in a place other than a home or an industrial area, namely, a residential area (renting in building). This information does not correspond with that of Van Der Westhuizen (2006), who states that CMTs are often considered to be small, home based clothing manufacturers. This study contradicts the above information as the majority of CMTs participating in this study claimed that their business is based in an industrial area and forty percent (majority) of these respondents claim that they employ between twenty-one and thirty full-time employees. A possible explanation for the above can be that one needs to reconsider the 'traditional' definition of a CMT factory as it can be home-based, however, all respondents in this study are paying rent towards a property where their factory resides, a property that is not their home.

6.2.2.2. Funding for the business

Twenty-eight (93.3%) subjects claimed that the personal funds were used as start-up capital and two (6.7%) subjects claimed that start-up capital came from other sources i.e. extended personal credit which means that the business initially began as a great personal risk to the employer. According to Harrison (1997) in an interview conducted with seventeen CMTs, the main source of start-up finance for CMTs was personal capital as only three firms confirmed that a major source of start-up capital was bank loans while only one firm received a Small Business Development

Corporation (SBDC) loan. This lack of support for new businesses and an ongoing cash flow is a major detriment to the continued functioning of these businesses. Smaller firms claimed that it was difficult to apply for loans due to a lack of collateral and the extremely bureaucratic nature of the SBDC route. The difficulties experienced by small business is accessing finance which proves to be a major source of difficulty in keeping a new business afloat in its most trying period (Harrison, 1997).

6.2.2.3. Investment in new machinery

All the subjects claimed that they were unable to invest in new machinery. This response is not surprising as employers used their own funds to start and maintain the business. The reasons attributed to their inability to invest in new machinery when asked to elaborate on the above question were insufficient funds, the high cost of machinery and the low price of CMT garments. Therefore, the growth of CMTs is hampered by the high cost of capital. It is difficult for CMT employers to access the capital needed to achieve daily operational needs and invest in machinery due to the inability of financial institutions to disregard their risk free philosophy. Gaining access to these funds is particularly difficult for CMTs who are operating in what is considered a high risk industry (Soko, 2005).

Many manufacturers believe that new machinery will decrease labour costs as it will increase multifactor productivity. As this study has pointed out, twenty-three respondents claimed that labour costs amounted to over sixty-one percent of their total costs, however, investment in new machinery can decrease labour costs. If one invests in new machinery i.e. one that automatically cuts thread, then it eliminates the need to have someone perform this task and, furthermore, investment in new machinery increases productivity. Another benefit to investing in new machinery and technology is that it can decrease the cost of manufacturing garments thereby allowing domestic markets to become internationally competitive. It also helps to decrease labour costs during periods of decreased orders (Salinger, Borat, Flaherty & Keswell, 1999).

Another factor contributing to CMTs inability to invest in new machinery is the retailers who continuously demand lower prices from manufacturers. The low return

received by CMTs makes it increasingly difficult to invest in or upgrade technology (Salinger *et al*, 1999).

6.2.2.4. Total Labour Costs

The majority of respondents, 76.7%, claimed that the labour cost in their factory was greater than sixty-one percent of their total cost. According to Harrison (1997), the average cost for labour is forty-six percent, however, this figure may not be as accurate for there is significant deviation from the lowest percentage being twenty-five percent, to the highest being eighty percent. The clothing industry is understandably labour intensive, however, CMTs are considered to be more labour intensive than any other operation in this industry as can be seen in the labour cost-total cost ratio evidenced by the respondents in this study.

During previous wage negotiations small firms (CMTs) were reluctant to settle for higher wages as their then wage costs represented forty to fifty percent of total costs (Netshitomboni, 1995). This is not surprising as this study has pointed out that the labour cost is the highest cost incurred by CMT employers.

6.2.2.5. Operational period of the business

Twenty-five (83.3%) subjects claimed that their CMT factory has been operating for a period that was greater than five years. According to Van Der Westhuizen (2006), a CMT is characterised as being invisible to its regulators, situated in households and residential premises and are short-lived due to their up-and-go nature. However, not all CMTs can be considered short-lived, as evidenced by the above responses, as many CMT factories within this study have been operational for a period greater than five years.

6.2.2.6. Management training

Nine (30%) subjects claimed that they attended management training while twenty-one (70%) subjects did not attend any management training. CMTs are considered to have inadequate management skills as they are usually managed by CMT owners themselves who are constantly needed in the factory to monitor workers and as a result fail to secure more CMT orders (Netshitomboni, 1995). CMT owners are careful when trusting others to supervise the business in their absence as it does not

take much for these individuals (if they know who supplies orders to these CMTs) to open their own CMT factory and steal orders from the CMT owner.

6.2.2.7. Garments Manufactured

Twenty-one respondents (70%) stated that they manufacture garments for the lower market end while nine respondents (30%) stated that they manufacture garments for the middle market end. Historically, Durban successfully manufactured for the lower end of the market based on 'sweated labour' (Netshitomboni; 1996). The impact of trade liberalization resulted in the decreased competitiveness of large manufacturers for the lower end of the market as such many of these firms restructured in order to outsource production to CMTs or import garments to remain profitable (Gannon, 2002). CMTs that manufacture for the lower end of the market face immense pressure from cheap imports (e.g. China, Malawi, India and Hong Kong) as they compete without the advantage of technological investment, training, market knowledge, adequate management skills, and a steady policy environment and so on (Gannon, 2002). As such, if these CMTs continue on the same path as present, they will not be able to compete in either niche markets or mass production (Van der Westhuizen, 2006).

6.2.3. Workforce

A discussion concerning the following factors will follow; 1) the impact of absenteeism on the factory at large, 2) output levels, 3) skill levels and 4) ability to invest in skills development.

6.2.3.1. Absenteeism affects my production levels

Twenty-two subjects (73.3%) strongly agreed while eight subjects agreed (26.7%) that absenteeism affects production levels. The consequences of high absenteeism is demonstrated in the following summary; increased sick leave payments, increased manufacturing costs due to a lack of flow in the production line, low productivity, low morale, poor quality of garments and increased unit costs (Salinger *et al*, 1999). According to Salinger *et al*, (1999) there is often a pattern to absenteeism rates as workers are seldom absent on Friday and often absent on a Monday which can be attributed to high levels of drinking during the weekend. The results of the above disruptions in production and reduction in the quality of completed garments can

result in the whole order failing. This is particularly difficult for a business that survives on a week-to-week basis and where overheads have to be considered (Salinger *et al*, 1999).

Furthermore, unplanned absenteeism affects more than one worker. According to respondents, depending on which department is most affected by absenteeism; workers are put on short-time. As such, deadlines are not met and overtime is required which is an additional cost to the employer. At times, workers fail to meet the employer's overtime requirements and further production delays occur. This business survives on payments made on the completion of orders and if a certain number of orders are not completed within the week then employers are unable to meet the required wages for the week. This highlights the far-reaching consequences of high absenteeism levels in the CMT factory.

6.2.3.2. Output per employee is consistent and acceptable

The majority of subjects either disagreed (40%) or strongly disagreed (20%) with the statement with 20% agreeing or strongly agreeing (13.3%) and 6.7% subjects recording a neutral response. The majority of respondents (40%) believe that their employees are not producing the required score. A possible reason for the low production levels in the CMT factory is an unskilled workforce and because the production capacity of workers are low, CMT owners believe this justifies the lower wages. According to Hart (1995), workers feel blatant resentment towards their employers and employers, on the other hand, complain that workers are unproductive.

There are certain periods in the year when the clothing industry is slow (i.e. fewer CMT orders). As such, either workers have to be retrenched or put on short-time. CMT employers feel a certain sense of loyalty and duty to their workers, who are largely women, and the sole breadwinners in their families. Due to these circumstances, CMT employers prefer to work short-time instead of letting go of these workers. However, this creates unexpected problems for the employers who are barely managing to meet wage deadlines for their workforce when they chose not to retrench workers. The main problem is serious limitations on productivity. Increased short-time due to a lack of CMT orders results in employees adopting what is known as the 'go-slow' method of working. This means that workers become exceedingly

unproductive in order to stretch the job till the end of the week so that they can receive a full weeks wage (Salinger *et al*, 1999). Looking at this from a broad perspective, CMTs survive on a weekly basis where a certain number of orders (quantity + pay) must be completed in order to meet wage deadlines and overhead costs where wage costs prove to be around sixty to eighty percent of total cost. If the CMT employer has an order that covers thirty percent of his/her wages for that week (short-time), and workers are taking the whole week to complete an order that could be completed in two days, the employer is left with more debt as he/she has to pay a full weeks wage for all workers and overhead costs on payment that only covers thirty percent of the wages. This is a major problem for these employers who try to help workers but end up doing more harm to the business and themselves (self-funded capital).

6.2.3.3. Most of the employees are unskilled to semi-skilled workers

The majority of subjects (46.7%), agreed that most of their workforce falls within the unskilled to semi-skilled bracket, 40% of the subjects strongly agreed while 13.3% of the subjects disagreed. In previously large factories, skills development occurred frequently, however, in the current environment large factories have shed the labour element as it is too costly. Therefore, CMTs are labour intensive instead of the previously large factories. As per the responses from this questionnaire, many CMT employers do not have the time or the money to invest in skills development. However, CMTs with their present skill levels cannot compete in either niche markets or mass production (Van der Westhuizen, 2006). This occurs because the older generation who were trained in 'proper' factories are becoming scarce and the skills that have previously made this country competitive are fading with them. Although, investment in skills were made in the clothing industry it has not yielded pleasing results as it did not produce a group of highly skilled technicians and workers. The importance of skills development cannot be emphasized enough as the South African clothing industry is labour intensive and its competitors have an edge; technology.

6.2.3.4. I have the time and money to invest in skills development

The majority of subjects, 80%, strongly disagreed in terms of having the time and money to invest in skills development; 16.7% subjects disagreed while 3.3% of the

subjects claimed to be uncertain as to whether or not they have the time or the money to participate in skills development. The nature of the CMT factory is such that every minute has to be a productive minute. Therefore, employers claim that they cannot send their employees on training as production will be lost. Also, CMTs have little or no capital available to invest in anything even though it might prove beneficial in the long run. As CMTs are undercapitalized they are unable to invest in skills upgrades and as such will not become competitive in the long run (Van Der Westhuizen, 2006).

6.2.3.5. Qualitative analysis

An open-ended question was posed at the end of this section to determine the reasons for the subject's choices in the above likert-scale questions. The subjects' response was as follows;

Many workers do not inform management, at a reasonable time, that they will not be attending work and this creates a multitude of problems. As a result of frequent and unplanned absenteeism, production is delayed. As a result, depending on which department is affected the most, workers are put on short-time. If the deadline date is unable to be met then overtime is required. Workers are informed and consent to overtime work, however, on many occasions workers do not honour their commitment resulting in further production delay. If overtime is scheduled for a Saturday and workers are paid on the Friday they do not come to work. As soon as workers are paid they do not come to work the next day. The workers do not care that CMTs operate on a week to week basis or that payment is only made upon the delivery of the completed garments.

6.2.4. CMT Distributors

A discussion concerning the following factors will follow; 1) the frequency of orders, 2) ability to cost garments, 3) costs covered by CMT distributors, 4) payments for orders and 5) the absence of minimum price regulation.

6.2.4.1. CMT orders are frequent throughout the year

Twenty-five (83.3%) of the subjects strongly disagreed with this statement and three (10%) subjects disagreed with two subjects (6.7%) strongly agreeing. According to

Salinger *et al*, (1999), the seasonal nature of the CMT operation means that, depending on the availability of orders, production can either be in boom periods or valley periods. However, there is no consistency to the availability of CMT orders throughout the year. According to respondents, a 'quiet' period is experienced usually during April, May and June which results in workers being put on short-time and employers struggling to cover overhead costs. It is beneficial to these employers to invest in technology as during these 'quiet' periods they would be able to save on labour costs.

6.2.4.2. I am able to cost garments enabling me to make a profit and cover overhead costs e.g. rent

The majority of subjects either strongly disagreed (50%) or disagreed (36.7%) with 13.3 % (4) subjects strongly agreeing that they are able to cost garments enabling them to make a profit and cover overhead costs e.g. rent. In this country, large retailers are extremely powerful as they set prices, deadline dates for garment orders and so on and as such they are in control. Manufacturers are highly dependent on these retailers for the majority of their orders which puts them in a submissive position forcing them to accept prices set by these retailers (Van der Westhuizen, 2006). Furthermore, intense competition among CMTs make orders difficult to come by and refusing an order because one knows that it is not profitable is unacceptable as it brings work to the factory. According to some firms it is preferable to do business with independent retailers as there is more flexibility in terms of the mark-up for the garments (Netshitomboni, 1995). Respondents feel that there should be a minimum price regulation when it comes to manufacturing garments and preference should not be given to the CMT factory that can produce garments at the lowest possible price, rather, it should be given to the factory that produces quality garments.

6.2.4.3. Cotton, packaging & delivery costs are covered by CMT distributors

Twenty-nine (96.7%) subjects strongly disagree that cotton, packaging and delivery costs are covered by CMT distributors with 3.3% (1) of the subjects strongly agreeing. The generally accepted idea is that the only major costs for CMTs are labour and trimmings, however, one does not consider overhead costs such as rent, machine repairs, transport costs, insurance etc. when costing garments (Harrison,

1997). As such, the profits made by CMTs (if any) are put back into the business to cover cotton, packaging, delivery, fuse, needles and machine costs. Therefore, it is difficult for CMTs, if they are unable to cost garments, as they need to cover costs incurred by the orders which the CMT distributors do not consider.

6.2.4.4. Payment for completed orders are received upon delivery of garments

Three (10%) subjects strongly disagreed and thirteen (43.3%) subjects disagree with ten (33.3%) of the subjects agreeing and four (13.3%) strongly agreeing that payment for completed orders are received upon delivery of garments. Presumably, the choice of who the orders are taken from is important. Although, firms prefer to subcontract orders from retailers as there is more flexibility with regards to the mark-up of the garments the problem with independent retailers is that payment for completed orders may not always be received upon delivery i.e. payment for completed garments may be late (Salinger *et al*, 1999). As we know, the nature of the CMT operation demands money on a weekly basis to cover wages and other costs. Late payments by retailers can prove problematic.

6.2.4.5. The absence of minimum price regulation on the cost of garments allows CMT Distributors to outsource orders to the cheapest CMT

All respondents claimed that an absence of minimum price regulation on the cost of garments allows CMT distributors to outsource orders to the cheapest CMT. Obstacles for CMTs are Chinese imports and other CMTs because if they refuse to accept an order because of the low unit price, distributors will either outsource to CMTs who are willing to accept their price or turn towards cheaper imported garments. CMTs are highly dependent on large firms and retailers. These distributors often take advantage of CMTs by pitting them against each other in a price race to the bottom. The CMT offering the lowest possible price for the garment will be given the job. Intense competition amongst CMTs, ineffective management and an unskilled workforce have put a downward pressure or decreased the unit price of garments to unsustainable levels (Soko, 2005). As such, it would be prudent to look into some sought of solution to this dilemma as it is affecting the viability of CMTs in the long run.

6.2.4.6. Qualitative analysis

An open-ended question was posed at the end of this section to determine the reasons for the subject's choices in the above likert-scale questions. The subjects' response was as follows;

There is a period between April, May and June where the clothing industry is 'quiet'. At this time workers are put on short-time, however, CMT subjects still have to pay overhead costs as normal. There should be a minimum price regulation on the price that CMT distributors have to pay CMTs for the garments to be made, thereafter, CMT distributors should outsource orders to CMTs based on quality and not on which factory can provide the lowest CMT price per garment. One subject claimed that if the price of the garment did not match his costing, he did not accept the order, however, not all CMT subjects have the luxury of turning down orders. When allocating the cost of the garment, CMT distributors don't factor in the wage bill, delivery costs, packaging costs, cotton price etc. of the CMT employer. Sometimes money is not received upon the delivery of the orders which is a major problem as CMTs are dependent on this money to cover costs such as wages. Furthermore, most of the profits made by CMTs are put back into the business to cover machine repairs, cotton, packaging, delivery etc. If CMTs complain that the CMT price is too low, the CMT distributor will either look towards Chinese imports or outsource the order to a factory that is willing to take the order.

6.2.5. Labour Regulation

A discussion concerning the following factors will follow; 1) membership and payments to the bargaining council, 2) impact of minimum wage regulation, 3) flexible workplace practices and 4) the impact of the main collective agreement.

6.2.5.1. I choose to be a member of the bargaining council

Twenty-one subjects (70%) strongly disagreed and five (16.7%) subjects disagreed while only four (13.3%) subjects claimed that they strongly agreed to joining the bargaining council. This means that the majority of respondents prefer not to be members of the bargaining council. As we know, CMTs and large firms are bound by the same regulations. CMT employers strongly believe that large firms are better equipped to pay minimum wage regulations as they often have their own distribution

outlets i.e. shops, while CMTs are dependent on the price of CMT garments alone and more importantly, the passing of these orders in order to cover expenses and make a profit (Van Der Westhuizen, 2006).

As such, CMTs are reluctant to add expenditure into their business in the form of the bargaining council who many believe are there to benefit only the employee. It is believed that the fees demanded by the bargaining council make it difficult for CMTs to join as such, many prefer that CMTs and larger firms should pay different bargaining council fees.

6.2.5.2. The payments demanded by the bargaining council are reasonable

The majority of subjects (73.3%) strongly disagreed that payments demanded by the bargaining council are reasonable and five (16.7%) subjects strongly agreed with three (10%) subjects recording an uncertain response. According to Soko (2005), business costs have inexorably risen due to difficulties associated with complying to tax regulations, labour pains, bargaining council accreditation and conditions of the Sector Education and Training Authorities (SETAs). However, this means much more for the clothing industry as many have to contend with compliance costs that are higher than the average requirements. This means that CMTs have to contend with costs approximately 8.3 percent of their total turnover (Soko, 2005).

If CMTs either choose to be or are forced to be members of the bargaining council they will have to commit to the following costs; provident fund levies, health care levies, and unemployment insurance fund for each employee, SETA levy, allow workers paid leave, paid public holidays, and ten days paid sick leave (Van Der Westhuizen, 2006). CMT employers believe these costs are too high to contend with considering the present costs of production, the payment for production being too low and the fact that CMT prices have not changed for a number of years yet other costs have.

6.2.5.3. Minimum wage regulation affects the business

The majority of subjects (53.3%) strongly agree and two (6.7%) subjects agree with eight (26.7%) subjects strongly disagreeing and four (13.3%) subjects disagreeing that minimum wage regulation affects the business. The majority of respondents,

53.3%, state that minimum wage regulation adversely affects the business. It can be said that most of the time wages for CMTs manufacturing for the lower-end of the market are higher than those manufacturing for other markets. Small firms in the clothing industry, CMTs, are reluctant to settle for higher wages during wage negotiations as their wage bills are approximately forty to fifty percent of total costs. Twenty-three respondents in this study claimed that their labour costs were higher than sixty-one percent of their total costs. To further substantiate the current wage levels are the premise that as productivity is low, low wages are justifiable (Netshitomboni, 1995). One of the reasons attributed to increased job loss in this industry are inflexible wage levels. In order to pay these wage levels, employers decrease their workforce resulting in a drastic fall in employment in this sector. As most CMTs in KZN manufacture for the lower-end of the market, they face a number of obstacles from lower wage areas, cheap imports and also low levels of efficiency (Harrison, 1997). CMTs feel that wages should be tied to productivity levels as minimum wage levels do not ensure a productive workforce.

6.2.5.4. I am unable to hire or fire employees based on my productivity needs

Seventeen (56.7%) subjects agreed and twelve (40%) subjects strongly agreed that they are unable to hire or fire employees based on their productivity needs with one (3.3%) subject strongly disagreeing. The current state of the CMT business is a high state of competitiveness be it with local firms or cheap imports. Competitiveness is simply higher productivity or greater quality and this is highly dependent on the workforce i.e. their ability to produce at acceptable levels or their ability to produce quality garments. In order for CMTs to compete they need a workforce that can meet the current demands, as such, employers need greater flexibility when handling their workforce. This translates to labour market flexibility, which is greater freedom in employment practices while still maintaining the established institutional arrangements for negotiating wages and other employment conditions (Salinger *et al*, 1999). Employers feel more strongly about hiring flexibility than independently determining wages as they feel that their inability to hire workers for greater than a three month contract basis goes against hiring flexibility. Furthermore, it is difficult to remain competitive if employers are unable to ask employees to produce a set number of garments or portions of garments on an hourly basis (Internet 3). Often, workers band together, to prove a point to employers by decreasing production. This

is unacceptable in the current clothing environment. If employers are unable to set targets their business cannot remain competitive.

The inflexibility in hiring practices is particularly difficult for CMT employers who are unable to acquire labour in line with production needs and requirements. Even though it is well known that the CMTs operate on a seasonal basis, employers are still required to maintain labour costs as normal throughout the year (Soko, 2005). Also, employers found the costs of dismissing employees based on poor performance or incapacity to be particularly high and infringes upon their need to hire or fire workers on the basis of productivity needs. According to Soko (2005), employers are willing to pay a 'good' wage, however; a major problem for them is their inability to practice greater autonomy within the existing labour legislation system surrounding the dismissal of employees who are performing below the acceptable standard. Employers felt that less strict workplace practices can lead to greater job opportunities.

The impact of labour regulation is that employers are forced to retain inefficient and unproductive workers even in 'loss periods' these workers cannot be laid off. The manufacturing side to the clothing industry is dependent on the needs of the market and are further subject to the needs of the dominant retail sector. Rigidity in labour regulation makes it problematic for employers to hire and fire workers according to the needs of the market (Salinger *et al*, 1999).

Respondents in this study agreed with the above statements as they claimed that the foundation of the CMT operation is high productivity and if workers are not productive then it negatively affects the survival of this business. They also claim that labour regulation makes it difficult to dismiss these unproductive workers. The CMT environment demands that all workers must be productive in order for this business to survive, compete and meet order deadlines. It is therefore, not beneficial for these employers to carry unproductive workers. Therefore, autonomy in hiring or firing practices is important to an extent when it comes to productivity.

6.2.5.5. The Main Collective agreement does not represent the interests of all CMT employers

The majority of respondents (76.7%) strongly agree and seven (23.3%) subjects agree that the main collective agreement does not represent the interests of all CMT employers. The criticism of the LRA is the non-representativeness of its agreements. The reason for this is that South African bargaining councils are mostly dominated by large businesses that together with the union and government determine minimum wage regulations for particular industries. CMTs, as small businesses, are unable to pay the wages set by these major players as they don't have the economies of scale and as such prefer to avoid these agreements (Gannon, 2002). The respondents in this study claimed that the bargaining council caters to large firms and that the regulations only reflect the input of a small group of CMT firms. If CMTs are members of the council but struggle to pay the required fees the council is not sympathetic as they force them to close. One respondent claimed that he closed his factory to escape the council and opened somewhere else. As can be seen, many CMTs prefer to avoid these regulations as they feel that their business needs are not considered.

6.2.5.6. It is not acceptable that CMTs are governed by the same regulations as large firms

Twenty-five (83.3%) subjects strongly agree and four (13.3%) subjects agree that it is not acceptable that CMTs are governed by the same regulations as large firms with the above statement with 3.3% (1) of the subjects disagreeing. The success of CMTs is in their ability to provide the flexibility that large firms are unable to. However, with the new regulations CMTs that employ over five workers are required to formalize their business by registering with the bargaining council. This means that these CMTs have to comply with the collective agreement on conditions of employment, the same as large firms (Van Der Westhuizen, 2006). CMTs are important to large firms in that they are able to complete orders that retailers identify are needed on short notice as stores are selling more of a certain garment type and large firms find it difficult to upset their production lines and therefore, outsource to CMTs.

In order to remain competitive many large firms restructured in order to outsource production or import. Large firms, therefore, outsource to CMTs. CMTs, on the other hand, are in direct competition with cheap imports from China, Malawi, India and Hong Kong without the advantage of technological investment, training, market knowledge, adequate management skills, and a steady policy environment and so on (Gannon, 2002).

Furthermore, large firms that are still manufacturing claim that their labour costs amounted to twenty percent to fifty percent of total costs while labour costs for CMTs amounted to forty-five percent to eighty percent of total costs (Salinger *et al*, 1999). As such, the type of operation demanded of a large firm and a CMT are different and should be governed by a different set of regulations.

6.2.5.7. Qualitative analysis

An open-ended question was posed at the end of this section to determine the reasons for the subject's choices in the above likert-scale questions. The subjects' response was as follows;

Large firms are able to pay minimum wages comfortably because of the structure of their organization i.e. they have their own distribution outlets, CMTs, however, are dependent on the CMT prices allocated by CMT distributors and payment which is usually received when orders are passed. There is a belief that large retailers have agents who outsource orders to the cheapest CMT factories. However, if these retailers forego the use of these agents then CMT prices would not be so low. One subject believed that Bargaining Council regulations only benefit the employee. The fees demanded by the council make it difficult for CMTs to voluntarily join. Therefore, separate fees should be charged to CMTs.

Many believe that the council caters to large firms and that the regulations only reflect the input of a small group of CMT firms. If CMTs struggle to pay the required fees the council is not sympathetic as they force them to close. One subject claimed that he closed his factory to escape the council and opened somewhere else. The CMT factory is based on high productivity; if workers are not productive then it negatively affects the survival of the business. Labour regulation makes it difficult to

fire a worker that is unproductive. The CMT environment demands all workers to be productive as production leads to completed orders and payment. Due to competition from Chinese imports and other CMT firms it is not beneficial to carry unproductive workers. One subject claimed that in the past the council bought shares in another industry i.e. Pepsi, and when this business left the country the workers suffered in the long run. He proposed that instead of the council supporting outside ventures, they should in fact invest in the clothing industry, more specifically, CMT firms.

6.2.6. Imports

A discussion concerning the following factors will follow; the impact of cheaper imports on: 1) the availability of orders for local factories, 2) the price of locally made garments and on 3) the future of CMTs.

6.2.6.1. Cheaper imports affect the availability of CMT orders

All subjects strongly agreed that cheaper imports decrease the number of orders for CMTs on a domestic level. Large manufacturers have restructured in order to engage in importation while others retain their manufacturing ability but augment their production with imports from Asia (Van der Westhuizen, 2006). Large manufacturers outsource to CMTs who can only profit if their total cost is low when compared to other local and international firms (Theron *et al*, 2007). However, the problem is the large retailers who determine the orders and prices. Although, these retailers firmly state that they support the local industry, 'visits to retail stores stacked with imported items from especially China show that retailers have been growing sales on the back of imports.' (Van Der Westhuizen, 2006: p 117), The major retail groups for the period 2002 to 2004 made a collective profit of R8.3 billion and these profits are perceived to be at least partly due to the increased sales of cheaper imported items (Internet 1).

6.2.6.2. Cheaper imports affect the pricing of CMT garments

All subjects claim that garment prices are affected by cheaper imports. The impact of increased imports of cheaper garments into the country is a price deflation in the local clothing industry. Direct competition for KZN comes in the form of China and other Asian low cost producers and if KZN hopes to compete with these producers then one would need to decrease production costs (Soko, 2005). Although,

production in KZN has decreased even more problematic or detrimental to the industry's survival at both the domestic and international level is the decrease in prices in combination with decreased production levels. At the domestic level, the absence of tariff protection allows direct competition with China which is largely taking over the market (Internet 2). The resulting price deflation has resulted in adjustments in the industry, especially manufacturers, as buyers now have access to cheaper imported goods (Van Der Westhuizen, 2006).

Considering the whole process of garment manufacturing and the sale of these garments, the power in this relationship lies with the retailers where, on the manufacturing of the garment, only four percent is made. The sale of the garment brings retailers around one hundred and fifty percent to two hundred and ten percent which could be higher when one takes into account the cheap imported garments that are being sold by these retailers (Salinger *et al*, 1999). Respondents claimed that retailers are importing large quantities of goods from China as these garments arrive in South Africa pre-packed with a cost price of R2.00 while the same garment will cost local manufacturers R4.50. Therefore, it is difficult to compete with these cheaper Chinese garments as it costs retailers approximately half of what they will spend to make the garments locally.

6.2.6.3. I can not maintain the business if illegal/cheaper imports continue to enter the market

All subjects claim that their business will not survive if illegal/cheaper imports continue to enter the market. It is difficult for CMTs that manufacture for the lower market end where price, instead of quality and service are the basis for competition as they face the most competition from cheaper and illegal imports. To add insult to injury these cheap imports have increased in flea markets, taxi ranks and in 'China' shops situated in small rural towns (Theron *et al*, 2007). There should be critical improvements made to improving the efficiency of customs procedures and reducing port delays as this will assist South Africa's ability to compete in profitable markets. To reduce the entry of illegal goods one needs to concentrate on our permeable borders and the under invoicing of the value of these imports (Soko: 2005).

It must be noted that South Africa's tariff liberalization program went further than what was required by the GATT agreement and WTO agreement and at a much faster pace. Something that should be considered is that with the prevalence of illegal and under voiced imports, the protection levels of the clothing industry are much lower than the tariff levels would suggest (Internet 2)

6.2.6.4. Qualitative analysis

An open-ended question was posed at the end of this section to determine the reasons for the subject's choices in the above likert-scale questions. The subjects' response was as follows;

Distributors and retailers are importing a large quantity of goods from China i.e. Garments (legal import) from China arrive in South Africa already pre-packed with a cost price of R2, 00 while the same garment will cost R4, 50 to make in South Africa. There is no possible way to compete with these imports due to the expenses incurred by CMTs, not to mention the illegal imports and also with the current state of the clothing industry, which is highly unproductive and inundated with rigid labour regulations, it proves a difficult challenge to meet. Some subjects allege that large firms import garments, change the labels (making it their own), and sell these garments cheaper than those made by domestic CMTs thereby affecting the availability of CMT orders. This means that by preferring to import these cheaper garments large firms and retailers are making exceptional profits but crippling the clothing industry by limiting the orders passed onto CMT manufacturers.

Subjects claimed that it is nearly impossible to compete with these imports (cheaper and illegal), when the following factors are holding back the industry; unproductive clothing environment, rigid labour regulations and expenses incurred by CMTs that are not considered by the parties involved. There has already been one subject who has closed down their CMT factory and although, many factors may contribute to this downfall, the one that the respondent claimed to be the main detriment to the business is cheaper or illegal imports making their way to our retail outlets.

6.2.7. Recommendations made by CMT employers

- Strict controls need to be adopted for illegal imports
- An audit needs to be carried out to determine the amount of imports large retailers are engaged in
- Imported garments need to have a price regulation
- The government needs to increase the duty fees on these Chinese imports
- An investigation into CMT prices needs to be conducted to determine a minimum price regulation that is fair
- Labour regulation needs to cover production needs. wages need to be performance based as this industry is dependent on high levels of production to remain competitive on a domestic and global scale

6.3. Conclusion

This chapter provided a discussion on the challenges that are faced by CMT employers. This analysis looks at the perceptions of CMT employers into the problem areas of the clothing industry as faced by these small business owners and the impact of these factors on the community at large. The next chapter provides recommendations and conclusions on the challenges facing these employers.

Chapter 7: Conclusion and Recommendations

7.1. Introduction

A holistic view of the clothing industry has been provided accompanied by an in-depth analysis of the CMT factory in Kwa-Zulu Natal. The main challenges facing the CMT employer was explored and these factors were utilized in the questionnaire as a basis for drawing out information from these employers. As such, the information gathered from both the literature review and the questionnaire will allow inferences to be made around improving the conditions faced by CMTs. It must be noted that due to the highly distrustful nature of the CMT employer (some within reason) it proved extremely difficult to obtain their input in this study and sometimes access to their premises was denied. However, the subjects in this study proved highly informative and vital information was gathered.

As cost cutting becomes a necessity many large firms have shed in-house production services in order to focus on the design and market placement areas of this industry and therefore, preferring to leave the labour aspect of this business to the CMTs (Salinger, 1999). The CMTs on the other hand 'walk a fine line' between trying to offer the lowest cost price of a garment to the CMT distributors and not going out of business. The CMT owner is faced with a hard choice as due to the small size of the firm he/she is tempted to avoid complying with wage guidelines set by the bargaining council. The government and trade unions are tempted to consider this a blatant disregard of economic principle and as such to implement new wage guidelines and strictly enforce it. It would be preferable in the interests of creating employment that zealously be moderated carefully (Salinger, 1999).

7.2. Conclusions

The following conclusions have been identified:

- The educational level of a CMT employer is important as this is a management role, however, it is not the deciding factor in terms of the successful running of the business as experience within this industry proves equally if not more important.
- Some CMTs are manufacturing their garments on the side, and prefer to continue this venture however finance is a major obstacle. Therefore, access

to finance is a must in terms of developing and sustaining a successful business.

- The literature review conducted allowed one to determine some of the reasons CTMs came into being i.e. why firms outsource to CMTs; to minimize labour costs and avoid labour problems. Also, a broader definition of a CMT factory can be made using the information gathered.
- CMTs are finding it difficult to compete with the increase in both legal and illegal imports into South Africa. The government is not doing enough to protect CMTs from this phenomenon. Imported garments are entering South Africa priced lower than the cost of the raw materials used to manufacture it. CMTs find it impossible to compete with this price. CMT distributors, as such, are able to pit CMTs against each other in order to get the cheapest price for the manufacturing of a garment. CMTs either have to price the garments lower or not have work.
- In addition to cheap imports, labour regulation proves to be a problem. There should not be a national agreement that has a 'one size fits all' policy. CMTs operate differently, as compared to large firms. The purpose of a CMT is different from that of a large firm. The resources available to a CMT are different from that of a large firm. It is difficult for a small business in any industry to exist on rules that apply to a large firm as well.
- The globally competitive environment of garment manufacturing requires workers to be committed, highly productive and possess the ability to produce quality garments. The current workforce do not possess most of these requirements as workers are frequently absent and produce at levels well below what is needed. Skills level of employees is an important biographical variable that impacts on the productivity of a CMT factory. Job-rotation is seen as an essential skill, especially in small firms, as employees are needed to adapt to new operations in the event of absenteeism. The skill levels of those in the CMT environment are not internationally competitive. As CMTs survive on high productivity and quality this does not bode well for its future.
- All firms conveyed a sense of concern that prices of garments are increasing more slowly when compared to the costs associated with production, thereby

eroding margins. Therefore, CMT distributors need to be regulated in terms of the prices offered to CMTs for manufacturing garments.

- As determined from this study, there are more costs involved in operating a CMT factory. Therefore, one needs to critically determine what CMT distributors are providing CMTs with and determine a cost price for the garment that will allow the CMT employer to comfortably run the business.
- Local machine industry is stagnant, not developed. Machines are imported and sold via agents which is costly for those who wish to purchase these machines. Therefore, automation or technological improvements becomes difficult for CMTs who need to compete on a global scale.
- A lack of technological development, low skill levels and the inability of the employer to run the business based on productivity needs makes it difficult for CMTs to remain competitive on a domestic and global scale.
- Employers, however, are unwilling to retrench their employees, especially in smaller firms, as they feel a strong sense of responsibility to their employees and their dependents. As such CMTs are often kept 'alive' even though most of the time these factories either run a loss or break even.

The situation facing the clothing industry, more especially CMTs, needs to be dealt with by the government. The idea that a 'one size fits all' policy needs to be extinguished as it is apparent that smaller firms experience different challenges and constraints than larger firms. Often the needs of the smaller firms are not considered in national bargaining forums. If policy aims to take a constructive role, then it must take into consideration the rich diversity of experience within this industry, and develop a strategy that takes this into consideration (Salinger, 1999).

7.3. Recommendations

The following recommendations have been made utilizing all information gathered in this study;

- Firms are experiencing downward pressure in prices and as a survival strategy some firms are trying to establish themselves in niche markets. Therefore, increase the dissemination of knowledge to all in the

manufacturing chain regarding export market potential or entry into niche markets whether it is a large or small firm

- National policy is supposed to introduce the national economy into the global market in a way that lessens vulnerability and risk
- Retail stores and CMT distributors need to improve their relationship with CMTs and increase the price offered to CMTs for garment production
- Critically evaluate the amount of imports that retailers are engaging in and determine if garments claiming to be ‘proudly South African’ are actually manufactured in South Africa
- A minimum price regulation on specific garments needs to be put into place in order to stop retailers and distributors from taking advantage of CMTs as CMT prices cover the following costs in a factory: delivery costs, packaging costs (boxes, plastic bags & hangers), cotton, wages, rent, water and electricity, binding/fuse, machine repairs, needles, trade union fees, bargaining council fees, holiday pay, and cutting the order.
- Relax labour regulation until the industry is stable or tailor make regulations for CMTs as large business needs and CMT needs are different and should not follow the same set of regulations
- Nurture relationships with major banks and other finance leading agencies to help CMTs that meet certain criteria, to access funds through banks or agencies. This will allow CMTs to purchase machinery that will increase productivity and decrease the need for certain roles within the factory e.g. person to cut threads as threads will be cut by the machine.
- Asian countries are globally competitive because industrial wages are subsidized by other forms of social and economic security which the South African government should look into seriously.
- During the slow part of the CMT year, the Sector Education and Training Authority (SETA) should step in with a program to reskill the current workforce of an employer in the skills required for that factory to become more productive and for participating, these employers will be compensated.
- Cheap legal imports, significantly cheaper illegal imports and dumping creates intense competition among local manufacturers therefore tariff

protections need to be at a level that can protect this industry. This is put aptly by Raymond Ackerman (Prichard, 2005: p117);

‘It is important to point out that I do not advocate government control over the free movement of goods in anyway whatsoever. I do believe, however, that the present government needs to put in place some red robots. Of course, many people will contend that restrictions curtail freedom, that they are synonymous with the rigidly controlled society from which South Africa has so lately emerged. I would argue that if you travel down a road and see a red traffic sign that prevents fatal accidents and mayhem, you understand that you are living in a well-regulated society-one that takes preventative measures.’

The costs of legal imports should also be evaluated to ensure that garment prices are not below the price of the raw materials needed to manufacture these garments.

- The clothing industry is not globally price competitive and a lack of knowledge (not in wage rates), especially regarding CMTs, is a reason for the inability of all those concerned to critically understand this industry and what is needed.
- Unions and bargaining councils need to expand their role from just ensuring that regulations are followed to assisting workers to develop themselves so that they can become valuable members to the industry. It is vital that the skill levels of employees improve (productivity and quality) as competition is at a domestic and global level.
- Bargaining council officials or those that create these laws must be able to understand or experience what is required to maintain a CMT factory instead of having an ‘idea’ of how it is run. This will allow them to determine if certain regulations do not take into account the small business needs.

7.4. Conclusion

This research study was largely based on the perception of CMT employers and their understanding of what is positive and negative in their environment. It would however be beneficial if a holistic study is conducted with all parties involved i.e. employers (large and small enterprises), employees and government, in order to determine the best way forward. The collapse of the clothing industry will not only affect workers and employers but it would also affect the textile industry. It is in the

best interests of this country to think about a long term strategy that will ensure the survival of CMTs (which is the labour aspect of the industry). The need of large manufacturers to shed the labour aspect shows that there is a problem in the industry be it low production, rigid labour laws or lack of skill, this needs to be looked at seriously.

A failure to help this industry will put pressure on communities as it will absorb the impact of unemployment. As unemployment levels are high in South Africa the government's aim should be to encourage business development and not to create ultimatums and legislation that does not facilitate the development of small business.

Although it is easy to blame the CMT employer for not complying with regulations, there is more to this situation than government is willing to consider. Legislation within this industry is based on a 'one size fits all strategy', bargaining councils are not concerned with the underlying aspects of the CMT factory and fail to understand what is required to successfully run it. Government should look at who is benefiting in the clothing pipeline, question it and investigate it.

In order for CMTs to survive and be successful in this environment all major players need to focus on one goal i.e. what will it take to make this work? The strategy that comes into being needs to be simple yet effective i.e. job creation and take into account the impact it will have on all concerned.

Finally, this research study was meant to create an understanding of what CMT employers are facing in the current South African environment and hopefully this perspective has come across clearly. This study has shown that it is not one factor that is to be held accountable for the poor performance of the CMT factory e.g. cheap imports, rather it is a multitude of factors i.e. low skills levels, inability to upgrade technology, labour regulation, impact of CMT distributors, lack of financial assistance etc. that come together and hinder the performance of CMTs. Further research must be conducted to find a way for all factors to come together in order to preserve the CMT factory.

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Appendix A

Questionnaire

The information gathered here will be used in a Masters Dissertation.

This questionnaire is conducted on a voluntary basis and is aimed at gathering information concerning the challenges faced by CMT employers. The respondent's privacy is guaranteed therefore it would be helpful if ones response is as honest as possible.

If there are any questions or you have completed the questionnaire please **contact Katrina** on 072 133 1375 or email me at katzchetty@hotmail.com.

If possible please pass this questionnaire to other CMTs as this will only help you in the long run.

Section A: Biographical Details

Please tick the appropriate response for the following questions:

1) What is your age?

1	20 - 35	
2	36 - 50	
3	51 - 65	
4	Over 65	

2) What is your gender?

1	Male	
2	Female	

3) What is your highest completed level of education?

1	Primary School	
2	High School	
3	Technikon	
4	University (Undergrad)	
5	University (Postgrad)	

4) Have you previously worked in the clothing industry?

1	Yes	
2	No	

4.1) If yes, what was your role?

5) How many full-time employees do you have?

1	0 - 10	
2	11 - 20	
3	21 - 30	
4	31 - 40	
5	41 - 50	
6	Over 51	

6) How many part-time/ casual employees do you have?

1	0 - 10	
2	11 - 20	
3	21 - 30	
4	Over 31	

7) The majority of my workers are:

1	Black	
2	Indian	
3	White	
4	Coloured	
5	Other	

8) The majority of my workers are:

1	Male	
2	Female	

Section B: General

1) My business is based at;

Home		Industrial Area		Other	
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1.1.) If other, please elaborate.....

2) I was able to obtain start-up capital for my business from the;

Bank		Personal Funds		Other	
------	--	----------------	--	-------	--

2.1) If other, please specify.....

3) I am able to invest in new machinery

Yes		No	
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3.1) Elaborate

4) What percentage of the total cost amounts to labour cost?

0%-20%		21%-40%		41%-60%		61% & over	
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5) How long has your CMT Factory been operational?

0-2 years		3-5 years		Greater than 5 years	
-----------	--	-----------	--	----------------------	--

6) Have you had any management training?

Yes		No	
-----	--	----	--

7) I manufacture garments for the....

Lower market end		Middle Market end		Higher Market end	
------------------	--	-------------------	--	-------------------	--

The following questions are related to the factors that impact on your business. Please follow the rating provided below and answer the questions that follow by writing down the corresponding number next to the statement provided. At the end of each section a question will be provided which will allow you to add reasons or examples for your choices in that section.

Strongly agree	Agree	Uncertain	Disagree	Strongly Disagree
5	4	3	2	1

Example

1)	Reality TV programs are exciting.	1
----	-----------------------------------	---

I put (1) because I do not like reality TV programs

Section C: Workforce

1)	Absenteeism affects my production levels	
2)	Output per employee is consistent and acceptable	
3)	Most of the employees are unskilled to semi-skilled workers	
4)	I have the time and money to invest in skills development	

5) Please provide reasons for your above choices and if possible use examples to illustrate your response so that you can provide an insight into your workforce.

(E.g. Do the skill levels of the employees affect competitiveness or profitability)

Section D: CMT Distributors

1)	CMT orders are frequent throughout the year	
2)	I am able to cost garments enabling me to make a profit and cover overhead costs e.g. rent	
3)	Cotton, packaging & delivery costs are covered by CMT distributors	
4)	Payment for completed orders are received upon delivery of garments	

5)	The absence of minimum price regulation on the cost of garments allows CMT Distributors to outsource orders to the cheapest CMT	
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6) Please provide reasons for your above choices and if possible use examples to illustrate your response.

Section E: Labour Regulation

1)	I choose to be a member of the bargaining council	
2)	The payments demanded by the bargaining council are reasonable	
3)	Minimum wage regulation affects the business	
4)	I am unable to hire or fire employees based on my productivity needs	
5)	The Main Collective agreement does not represent the interests of all CMT employers	
6)	It is not acceptable that CMTs are governed by the same regulations as large firms	

5) Please provide reasons for your above choices and if possible use examples to illustrate your response.

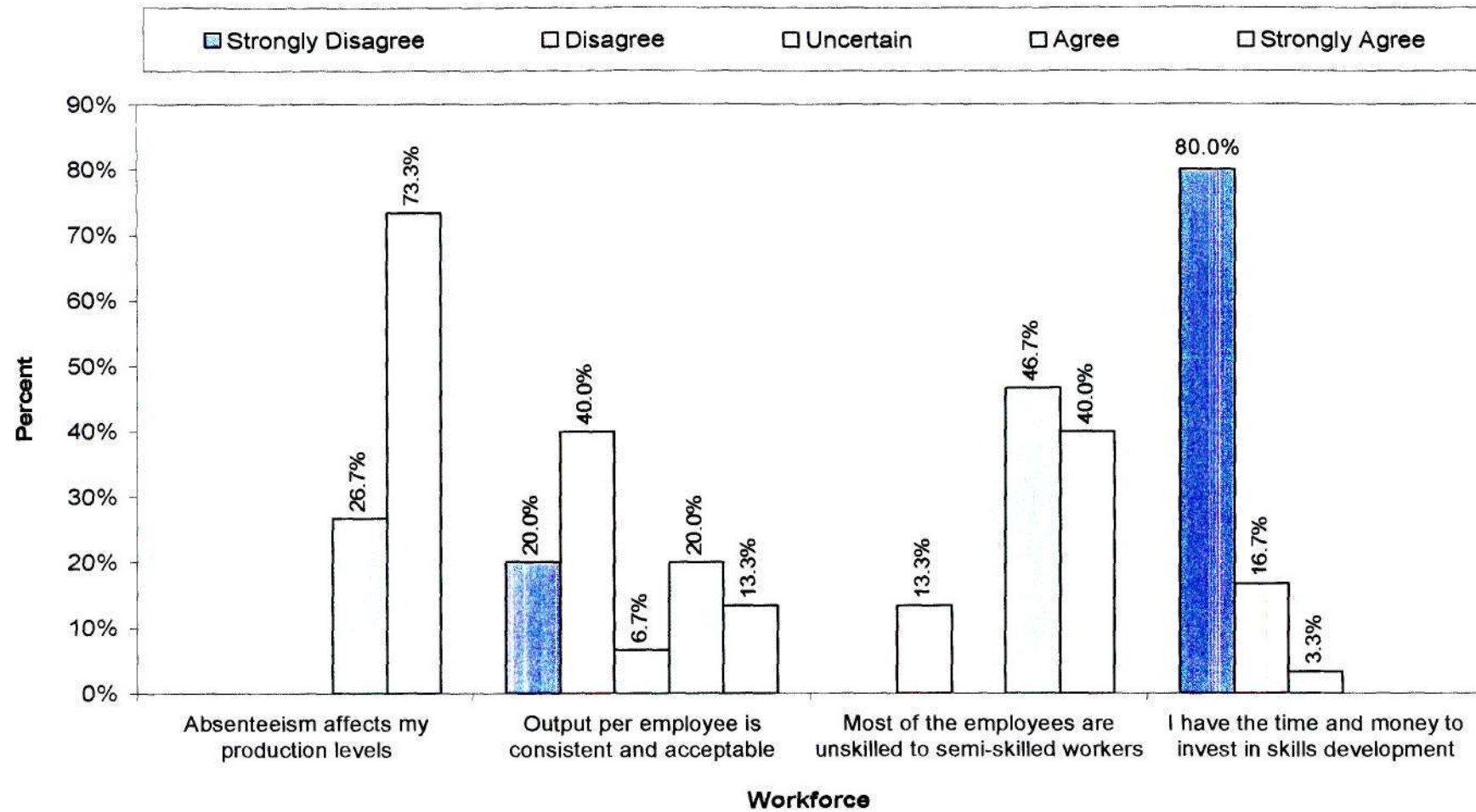
Section F: Imports

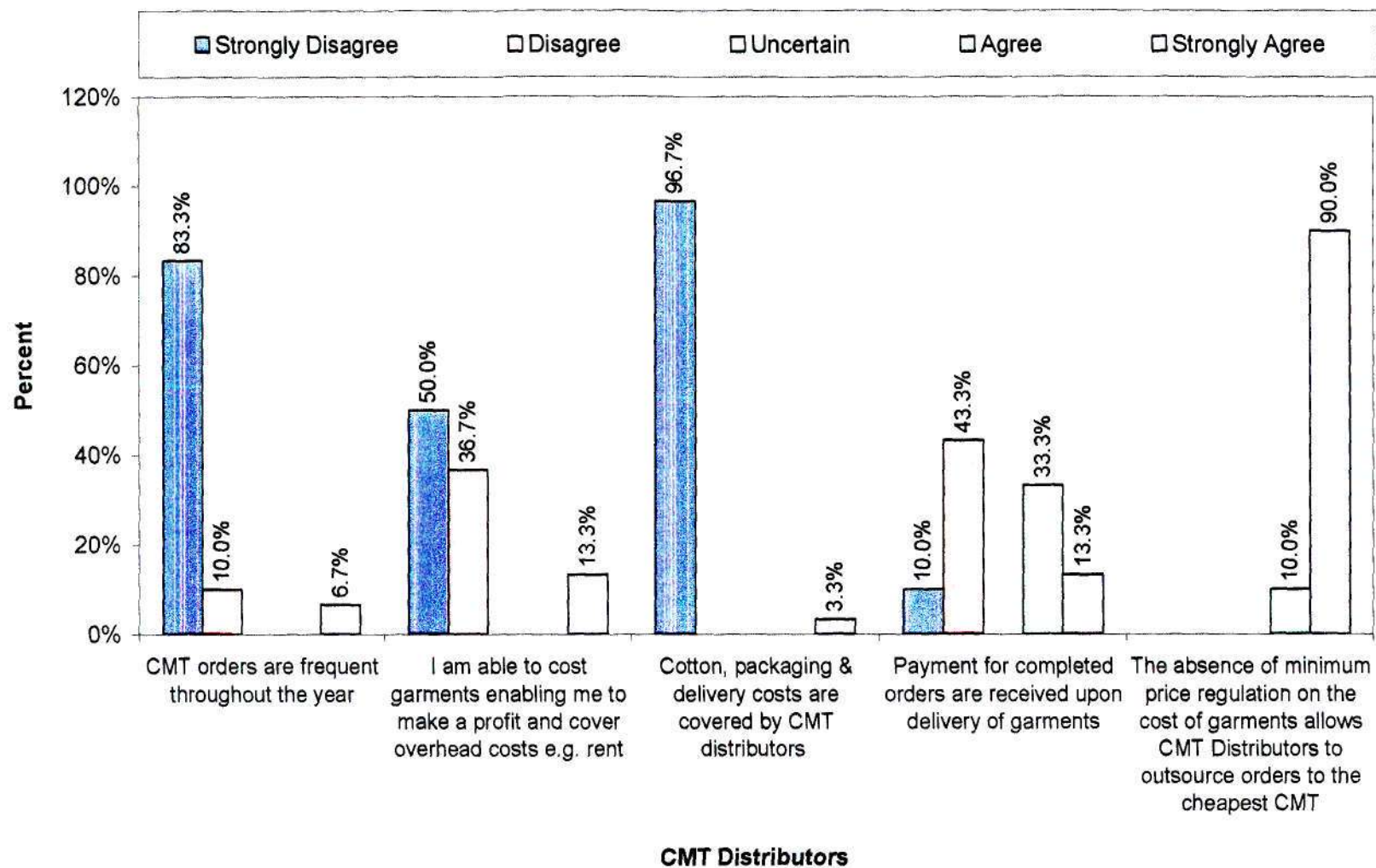
1)	Cheaper imports affect the availability of CMT orders	
2)	Cheaper imports affect the pricing of CMT garments	
3)	I can not maintain the business if illegal/cheaper imports continue to enter the market	

5) Please provide reasons for your above choices and if possible use examples to illustrate your response.

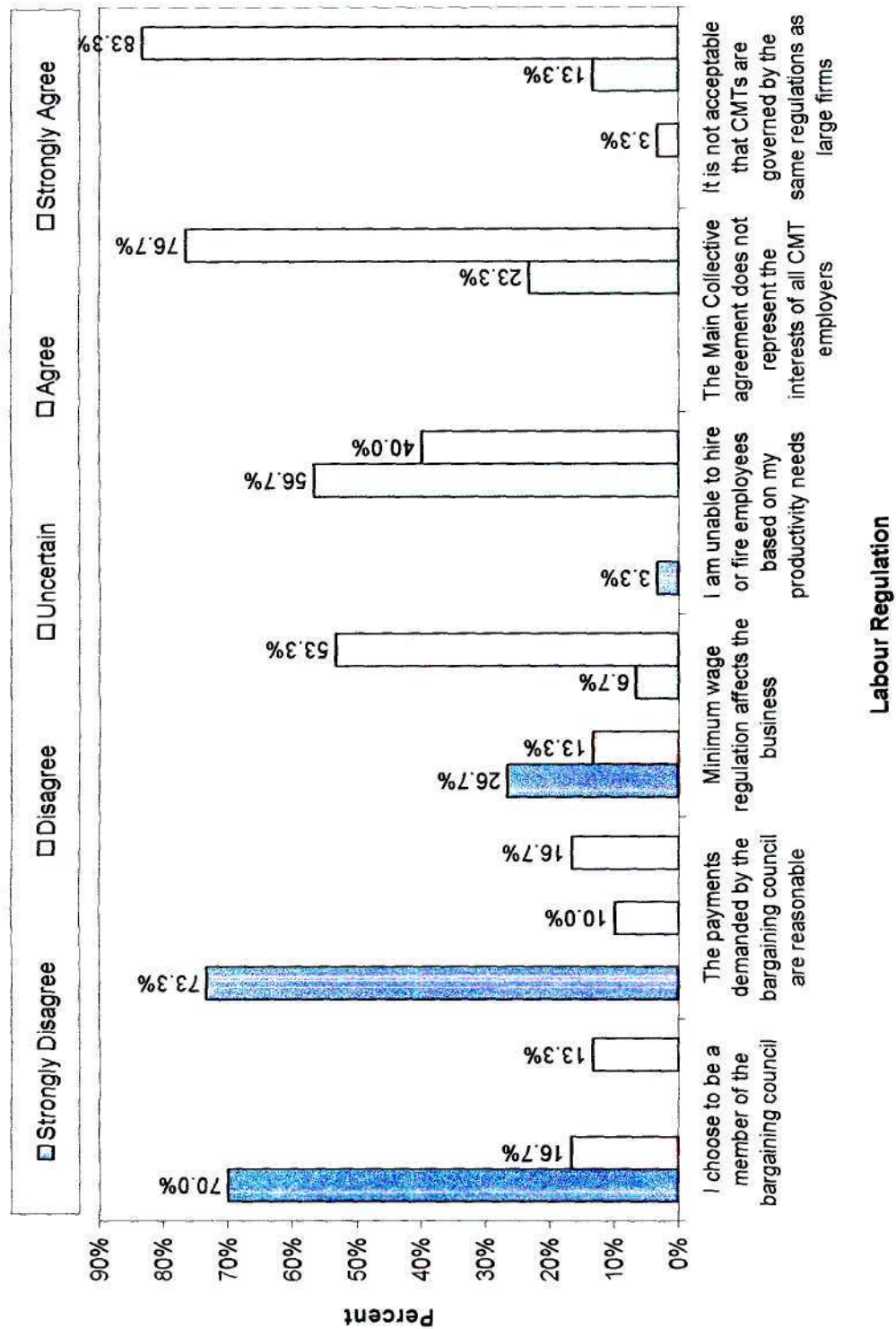
Section G: Recommendations

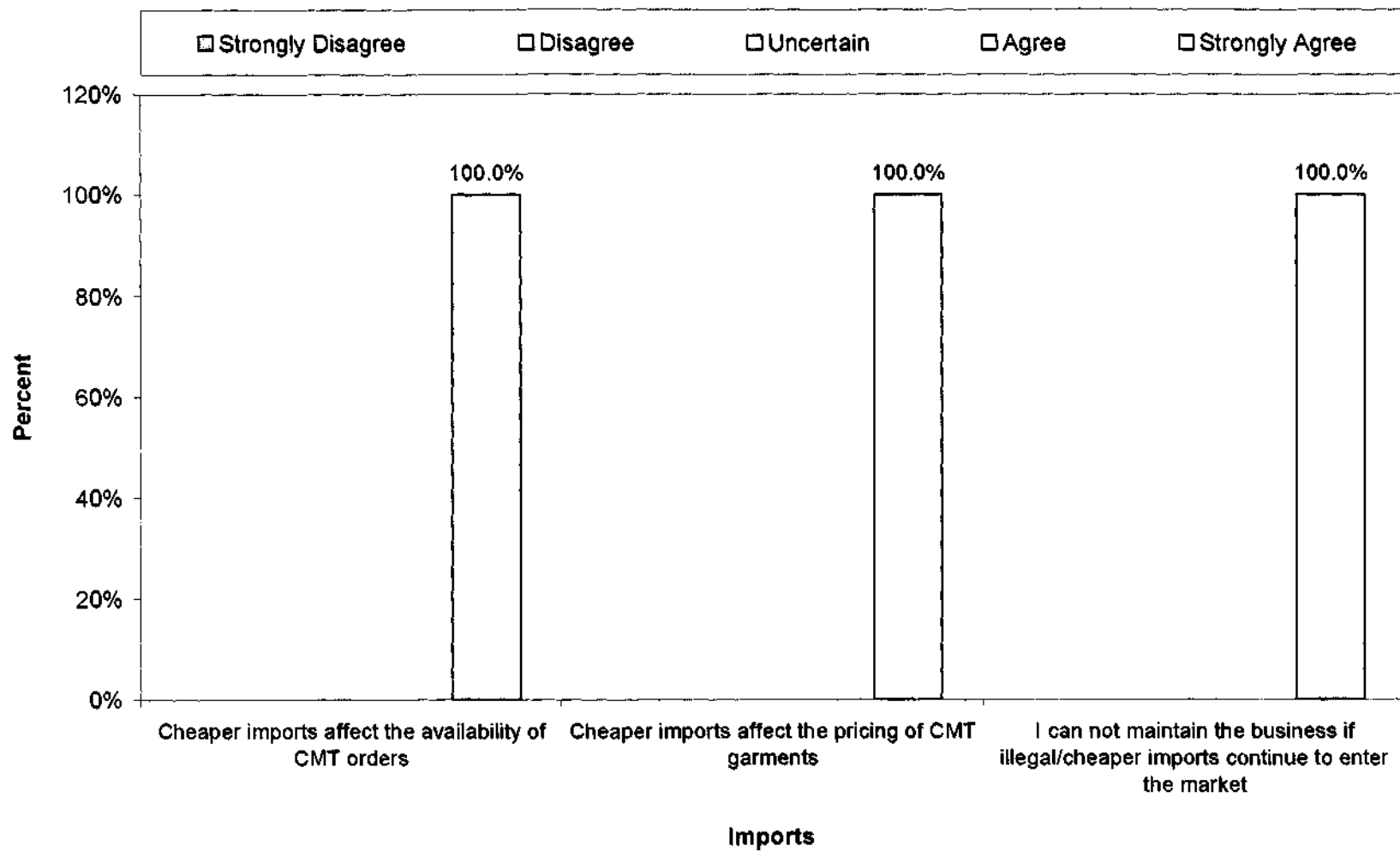
1) Please provide ways in which you believe CMT factories can remain profitable and competitive in KZN.





Appendix D: Labour Regulation







RESEARCH OFFICE (GOVAN MBEKI CENTRE)
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02 SEPTEMBER 2008

MS. K CHETTY (202511190)
MANAGEMENT

Dear Ms. Chetty

ETHICAL CLEARANCE APPROVAL NUMBER: HSS/0437/08M

I wish to confirm that ethical clearance has been approved for the following project:

"The challenges faced by CMT Employers"

PLEASE NOTE: Research data should be securely stored in the school/department for a period of 5 years

Yours faithfully


.....
MS. PHUMELELE XIMBA

cc. Supervisor (Dr Ramdial)
cc. Ms. J Mazibuko