

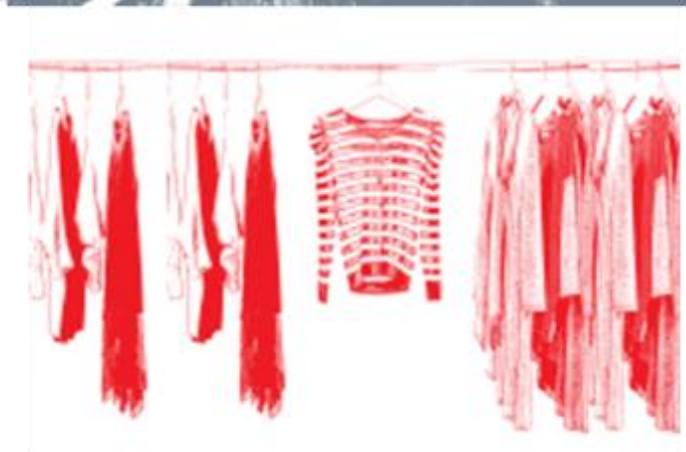
Clothing, textiles, footwear and leather sectors

A profile of the clothing, textiles, footwear and leather sub-sectors

December 2014

fp&m
seta

Fibre Processing & Manufacturing Sector Education and Training Authority



IQbusiness
Our team. Your advantage.

CONTENT

1. Executive Summary	2
2. Overview	2
3. Key features	3
3.1 Trends	3
3.2 Challenges	3
3.3 Drivers for Change	4
3.4 Standard industrial classification code	4
3.5 Trade unions active in the sector	5
3.6 Professional associations	5
4. Learner Profiles: CTFL	6
4.1 Learner Profile: Clothing sector	8
4.2 Learner Profile: Textiles sector	9
4.3 Learner Profile: Footwear sector	10
4.4 Learner Profile: Leather sector	11
Bibliography	12

1. Executive Summary

This sector profile provides a brief overview of clothing, textiles, footwear and leather (CTFL) sectors. It covers the key trends and challenges, the drivers of change and the key role players in the CTFL sectors. Profiles of FP&M SETA learners in the CTFL sectors are provided.

2. Overview

The South African clothing and textiles industry is a highly diverse and mature industry, with an important role to play as an employer in the country. Clothing, Textiles, Footwear and Leather (CTFL) form a natural grouping in the manufacturing industry due to the inter-related nature of their input materials and operations. Although the CTFL industry contributes only 1% to gross domestic product (GDP) (StatsSA, 2014), it is one of the most labour-intensive segments of South Africa's manufacturing industry. However with the technological developments in the local textile production has evolved into a capital intensive industry, producing synthetic fibres in increasing proportions. CTFL manufacturers are predominantly based in the Eastern Cape, Gauteng, KwaZulu-Natal and the Western Cape.

Figure 1 provides an overview of the annual value added by the CTFL industry and GDP at current prices for the period 2004 to 2013 (StatsSA, 2014). Growth was at a high level in 2005 and then decreased significantly in 2006, after which the market appears to have stabilised between 2007 and 2012. The growth spurt of 2013 could be attributed to government's commitment to strengthening the CTFL sector.

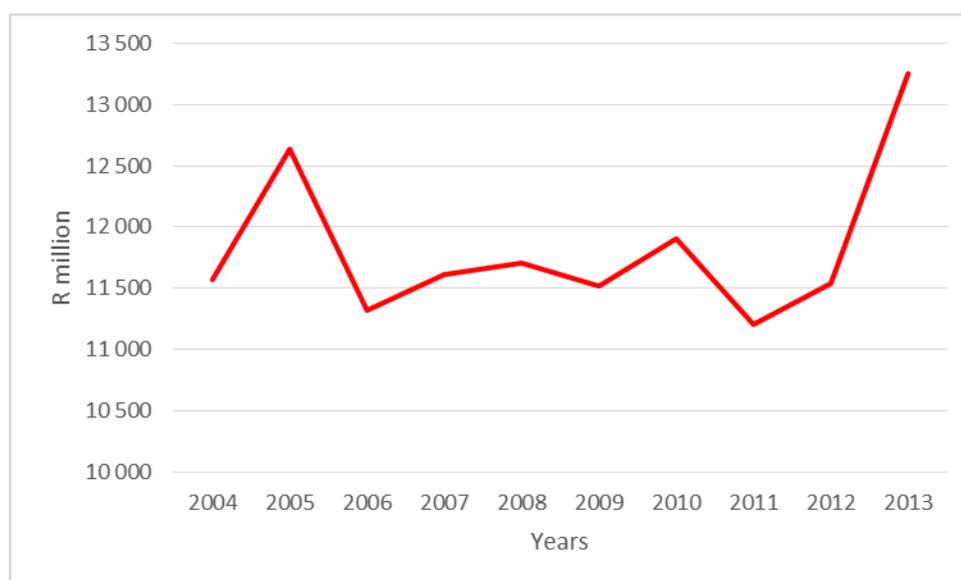


Figure 1: annual value added by the CTFL industry and GDP, 2004 to 2013

The CTFL sector has recovered to some extent as a result of government's Clothing and Textile Competitiveness Programme (CTCP). This programme has been responsible for the establishment of both horizontal and vertical clusters that involve the whole textiles and footwear value chain, from fibres and hides up to retailer outlets (The dti, 2013). Since its inception in 2010 over 63 000 jobs have been saved and more than 8 000 new jobs were created. Government has made R2.4 billion available for the CTCP to date, with 688 transactions approved and 362 companies receiving crucial support.

3. Key features

3.1 Trends

The recent turbulence in global markets has left the South African Clothing and Textiles industries particularly vulnerable. A substantial textiles and wearing apparel import basket, coupled with a weakened Rand, have put strain on the industries' trade balance, causing employment levels to suffer correspondingly. Given the sector's intensive employment of low-skilled labour as a factor of production and thus its importance to the South African economy, the present crisis is all the more pressing. (CCTC, 2014)

The use of locally manufactured products enables quicker delivery times, adds value to local economic development and therefore GDP, and allows retailers to capitalise on fashion trends more quickly. Retailers are currently sourcing almost a third of their inventories from local suppliers. (Mail & Guardian, 2014)

The Industrial Development Corporation (IDC) reports that the clothing and footwear sub-sectors remain focus areas for expansion opportunities. Within the clothing sub-sector specifically, the IDC will focus on increasing the industry's competitiveness by investing in fast fashion (quick turnaround times) and government's preferential procurement opportunities (IDC, 2012).

In April 2014 the Trade Core Investments Apparel clothing factory in Epping started the construction of their R25 million clothing design centre, the first of its kind in Africa. The centre aims to spot innovations in fashion and make South African clothing more competitive by increasing production and creating another 600 jobs. Clothing will be created for both sexes, and includes dresses, shirts, pants and bathing suits tailored for South Africans. The industry is relatively small but it is a large employer, some of its achievements include:

- Local yarn manufacturer Sans Fibres supplies 80% of the sewing thread used in the world's apparel sewing operations.
- Local fabric mill Gelvenor Textiles supplies more than 50% of the world's demand for parachute fabrics.
- Local suit manufacturer House of Monatic has delivered its one millionth suit to the UK market.

3.2 Challenges

A major challenge facing the CTFL industry is the indebtedness of households and the negative impact which this has on consumer spending, particularly in relation to clothing. Enterprising retailers have put initiatives in place to support responsible debt management by consumers, e.g. the facilitation of education and advocacy programmes in relation to financial preparedness.

On a global level the South African industry finds itself vulnerable to cheap imports from China and Asia. Key factors contributing to this are the cost of labour and the economic impact of strikes on the labour market. Furthermore, import taxes on certain fabrics can be as high as 22%, which is the biggest input cost for the clothing industry. (Mail & Guardian, 2014)

A further challenge relates to compliance with trade union and other industry standards in relation to workplace safety and minimum wages. Trade unions and professional associations active in the industry closely monitor compliance with standards and are implementing mechanisms to ensure that worker safety is not compromised. In recent years legal action has been taken against factories that have declined to register with the National Clothing Bargaining Council and business owners who have refused to pay the legalised minimum wages due to workers.

The Industrial Policy Action Plan 2014/15 identifies the following constraints across the CTFL sector:

- Recurrent periods of currency overvaluation and continuing volatility;
- The on-going surge of global imports that has been under way since the expiry of the Multi-fibre Agreement;
- Illegal imports and fraudulent under-invoicing;

- Inadequate compliance with ‘country of origin’ labelling legislation;
- Lack of skilled personnel to take over from ageing industrial executives and senior management, who generally did not leave behind succession plans;
- Historical failure to develop and implement skills development plans, particularly for critical areas of operations and in production;
- Outdated capital equipment and technology resulting from inadequate capital investment and technology upgrading; and
- A historical deficit with respect to innovation, research and development.

3.3 Drivers for Change

Government’s CTC Programme has been providing support to the industry in order to address product design, hardware and capital equipment needs for profitable operations. This influx of aid will aid to expand the growth of the CTFL industry. The availability of funding and support from the Programme has already resulted in several success stories for small and medium enterprises (The dti, 2013).

Another mechanism which government has employed to revitalise the CTFL sector includes the use of public procurement as a strategic instrument to enhance and smooth out certainty of demand over the years; promote competitive industrial capabilities with high employment and growth multipliers; diversify the economy towards more employment-intensive and value-adding activities and ensure value for money for the fiscus and society.

Sectors targeted for localisation and designation are aimed at leveraging public expenditure for industrial development. Designation is used in instances where government has carried out an in-depth analysis of the sector and there is local production capacity and public procurement opportunities (The dti, 2013). The CTFL sector has been selected as a designated sector to benefit from public procurement and has been assigned a 100% minimum threshold for local content, which is a strong indication of government’s commitment to stimulating trade in this sector (The dti, 2013).

Regrettably the CTFL industry is vulnerable to the illegal imports that continue to plague the country. Government and industry members have collaborated in the development and implementation of an illegal imports programme to eliminate this threat so that local manufacturers are able to compete with equal access. The CTFL forum, which oversees the illegal import programme, has created a platform through which stakeholders and government can interact to form collaborative strategies to combat illegal imports (The dti, 2013).

3.4 Standard industrial classification code

Table 1: Standard Industrial Classification codes for the CTFL sector

SIC code	Description	Category
Clothing		
31301	Garment and hosiery knitting mills	Manufacture of knitted and crocheted fabrics and articles
31309	Other knitting mills	
31401	Manufacture of men’s and boys’ clothing	Manufacture of wearing apparel (excl. fur)
31402	Manufacture of women’s, girls’ and infants’ clothing	
31403	Bespoke tailoring	
31404	Manufacture of hats, caps and ties	

Textiles		
31111	Preparatory activities in respect of animal fibres, including washing, combing and carding of wool	Manufacture of textiles
31112	Preparatory activities in respect of vegetable fibres	
31113	Spinning, weaving and finishing of yarns and fabrics predominantly of wool and other animal fibres	
31114	Spinning, weaving and finishing of yarns and fabrics predominantly of vegetable fibres	
31120	Finishing of purchased yarns and fabrics	Finishing of textiles
31211	Manufacture of blankets, made-up furnishing articles and stuffed articles	Manufacture of other textiles
31212	Manufacture of tents, tarpaulins, sails and other canvas goods	
31213	Manufacture of automotive textile goods (including safety belts, seat covers and upholstery)	
31219	Manufacture of other textile articles (except apparel)	
31220	Manufacture of carpets, rugs and mats	
31230	Manufacture of cordage, rope, twine and netting	
Leather, leather products and footwear		
31610	Tanning and dressing of leather	Manufacture of leather and leather products
31321	Travel goods and ladies' handbags	
31629	Manufacture of other general and small goods of leather and leather substitutes, including harness and saddlery.	
31700	Manufacture of footwear	Manufacture of footwear

3.5 Trade unions active in the sector

The Southern African Clothing and Textile Workers' Union (SACTWU) was founded in September 1989. It is the largest trade union in the CTFL industry in South Africa, with just more than 85 000 members as at the end of February 2013. The Union negotiates wages and terms of conditions of employment for the vast majority of workers in the CTFL industry. The largest membership region is Kwazulu-Natal (43% of total membership), followed by the Western Cape (32%), Gauteng (17%) and Eastern Cape (8%). SACTWU is affiliated to the Congress of South African Trade Unions (COSATU), and is the latter's tenth largest trade union member (SACTWU, 2014).

3.6 Professional associations

The National Clothing Retail Federation of South Africa (NCRF) was founded in 2007 and represents the interests of retailers in the clothing industry. The federation engages with government, consumer bodies and labour organisations on issues affecting sustainability of member operations and suppliers, and initiates research on challenges facing the sector. Members of the NCRF employ more than 80 000 people in their businesses (NCRF, 2014).

Formed in 1975, the Textile Federation (Texfed) acts as the voice and spokesman for its members on key industry issues. Its main focus areas are trade matters and legislative changes that affect the industry.

Separate structures have been created to deal with labour and bargaining issues (Textiles Federation, 2014). Texfed is comprised of five Constituent Trade Associations:

- The South African Cotton Textile Manufacturers' Association (SACTMA);
- The South African Worsted Manufacturers' Trade Association (SAWMTA);
- The National Fabric Knitters' Trade Association (NFKTA);
- The South African Technical Textile Manufacturers' Association (SATTMA); and
- The Fibre Group.

The Clean Clothes Campaign (CCC) is dedicated to improving working conditions and supporting the empowerment of workers in the global garment and sportswear industries. Since 1989, the CCC has worked to help ensure that the fundamental rights of workers are respected. The Campaign educates and mobilises consumers, lobbies companies and governments, and offer directs solidarity support to workers as they fight for their rights and demand better working conditions. The CCC relies on a partner network of more than 200 organisations and unions in garment-producing countries to identify local problems and objectives, and to develop campaign strategies to support workers in achieving their goals (Clean Clothes Campaign, 2014).

4. Learner Profiles: CTFL

IQ Business received MIS data from FP&M SETA regarding all learners the SETA has interacted with. The learner profile provides an overview of the FP&M SETA's learner who entered in financial years 2011/12, 2012/13 and 2013/14.

Fields of interest are the learners':

- **Equity distribution:** ethnic group of the learner.
- **Socio-economic status:** employed or unemployed.
- **Disability status:** being disabled, this includes sight, even with glasses.
- **Age at time of enrolment:** age was calculated off of the learner's ID number and worked back to reflect his/her age at the time they entered the course.
- **Home language.**
- **Gender.**
- **Geographical distribution.**
- **Intervention.**
- **Sub-sector.**

In this section a focus was placed on the sub-sectors, namely CTFL sectors. Data¹ is reported in the infographic² below per sub-sector.

The FP&M SETAs courses in these sectors are learnerships and apprenticeships, and learners in these sectors are mainly black South Africans. It can be seen that practically all CTFL sectors' are under the age of 40 and footwear and leather sectors do not have any disabled learners.

The clothing, footwear and textiles sectors are weighted toward female learners and leather has an almost equal distribution between male and female learners. The CRFL and textiles sectors take mostly unemployed into learnerships and apprenticeships, while clothing, footwear and leather learners are already employed. Learnerships and apprenticeships mostly occur in Gauteng and the Western Cape for the CTFL sectors.

¹ The data excludes missing data within the variables.

² A visual representation of information or data, e.g. as a chart or diagram.

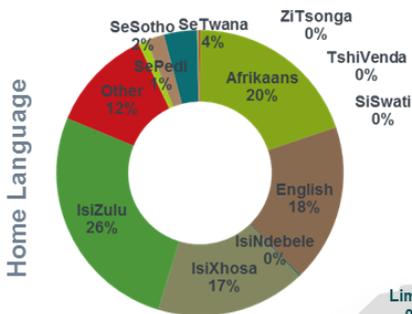
CTLF Sector

Learner Profile

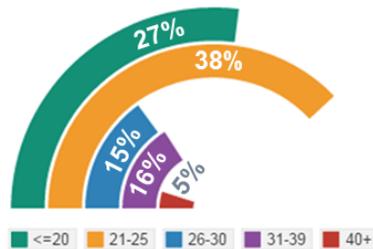
2011/12 – 2013/14



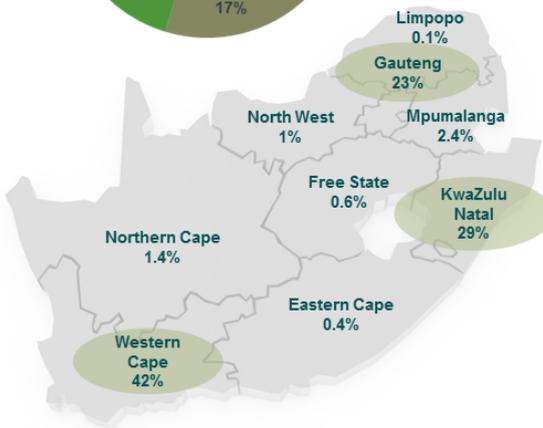
Disability Distribution



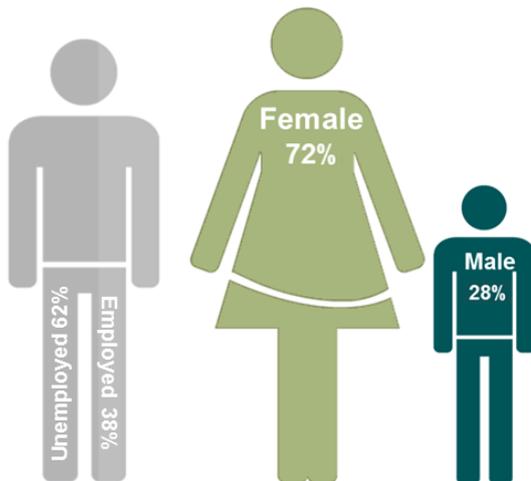
Age Distribution



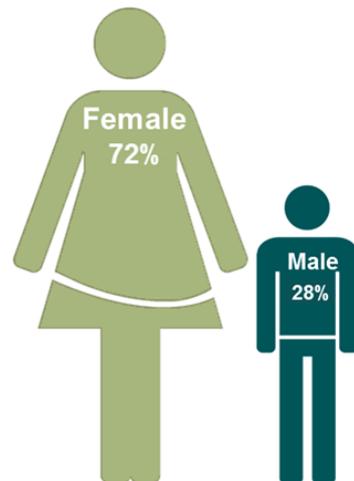
Provincial Distribution



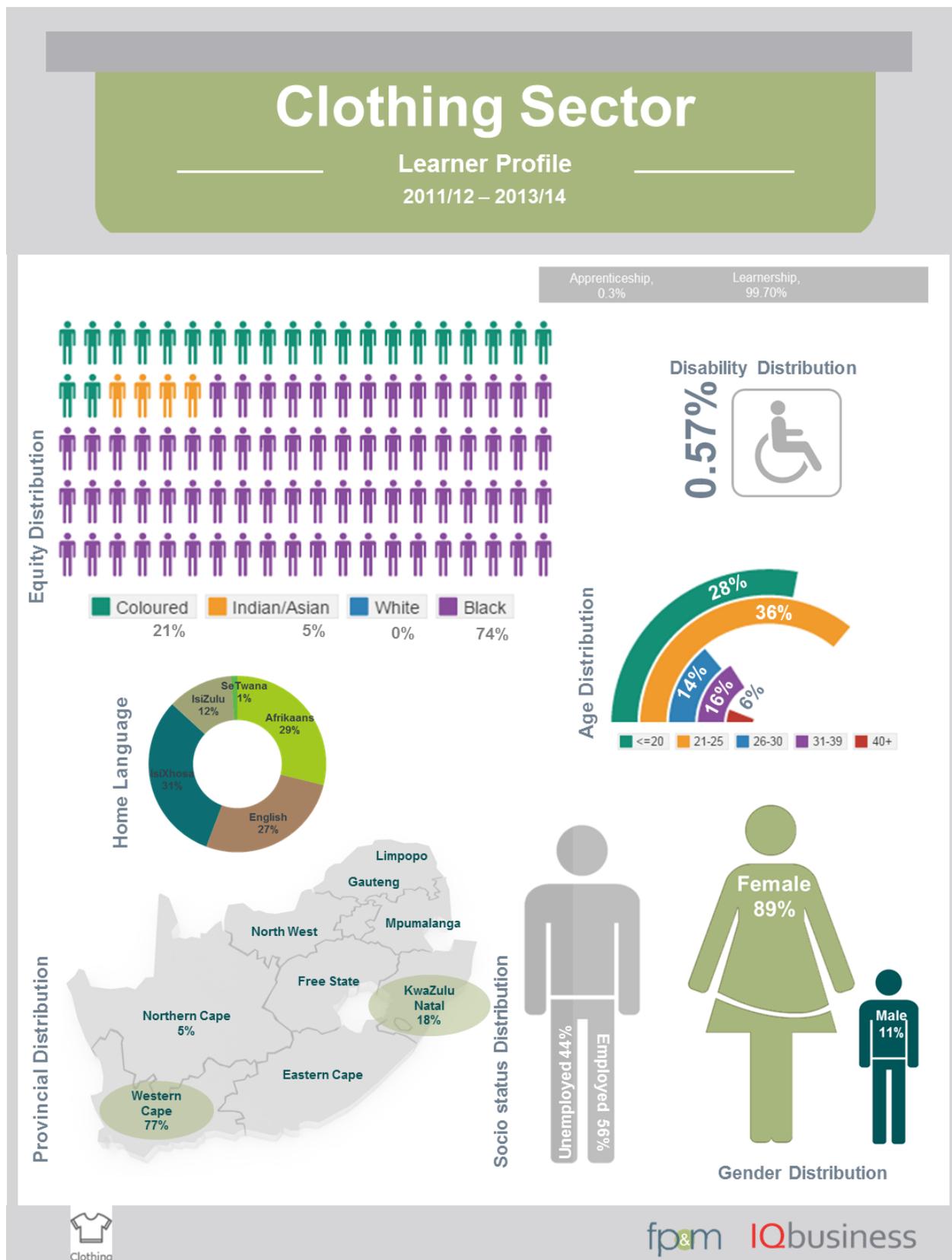
Socio status Distribution



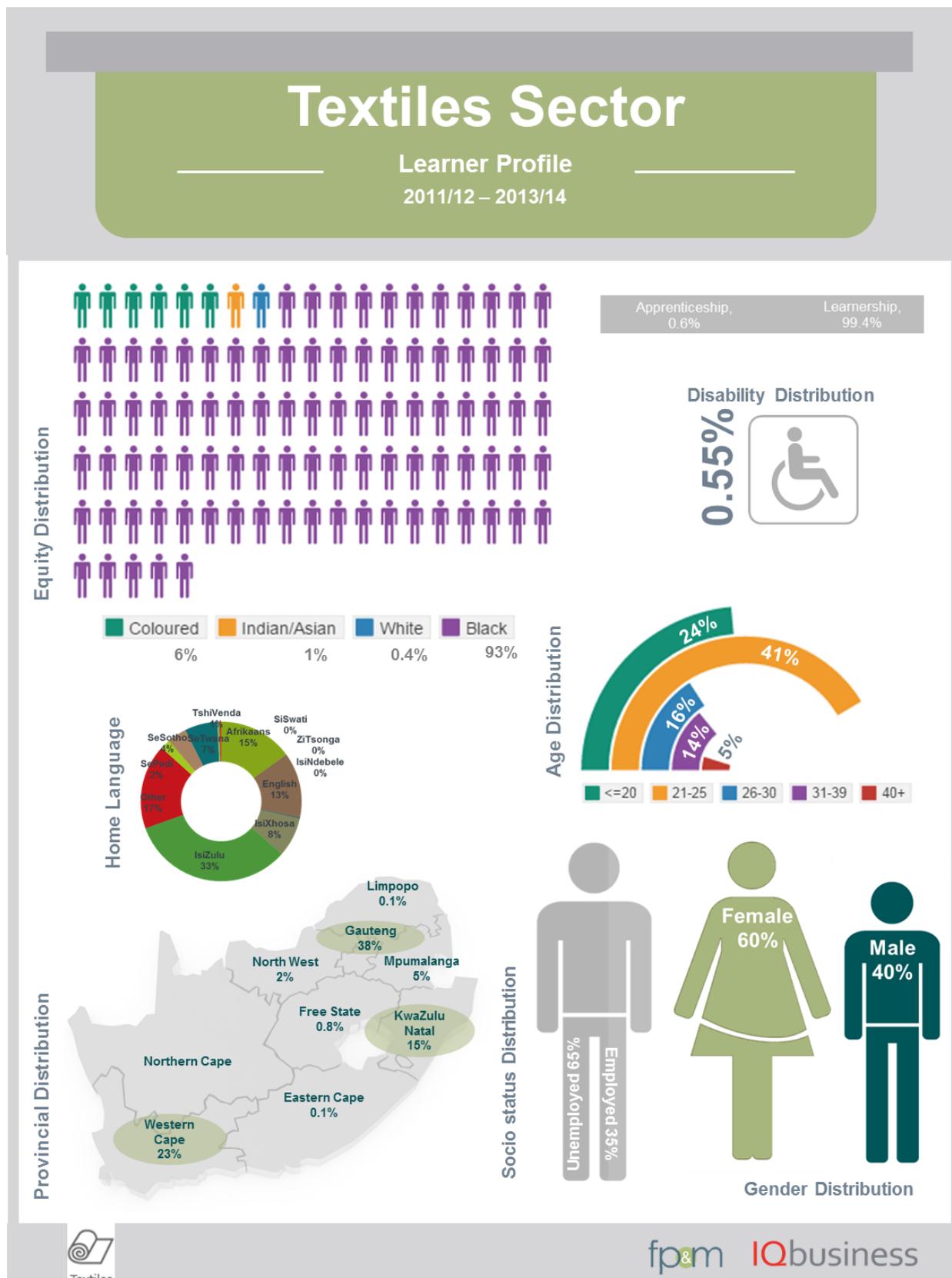
Gender Distribution



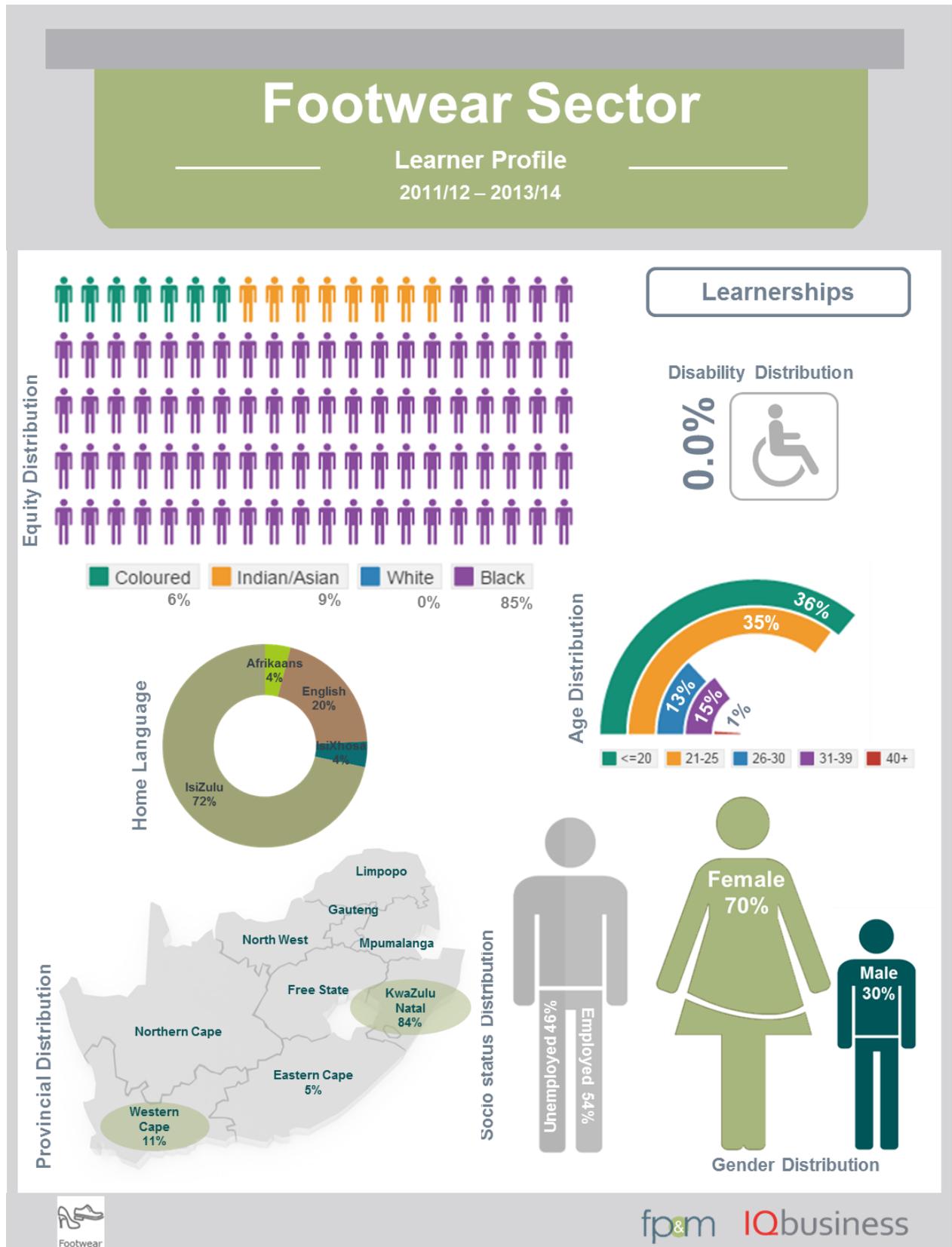
4.1 Learner Profile: Clothing sector



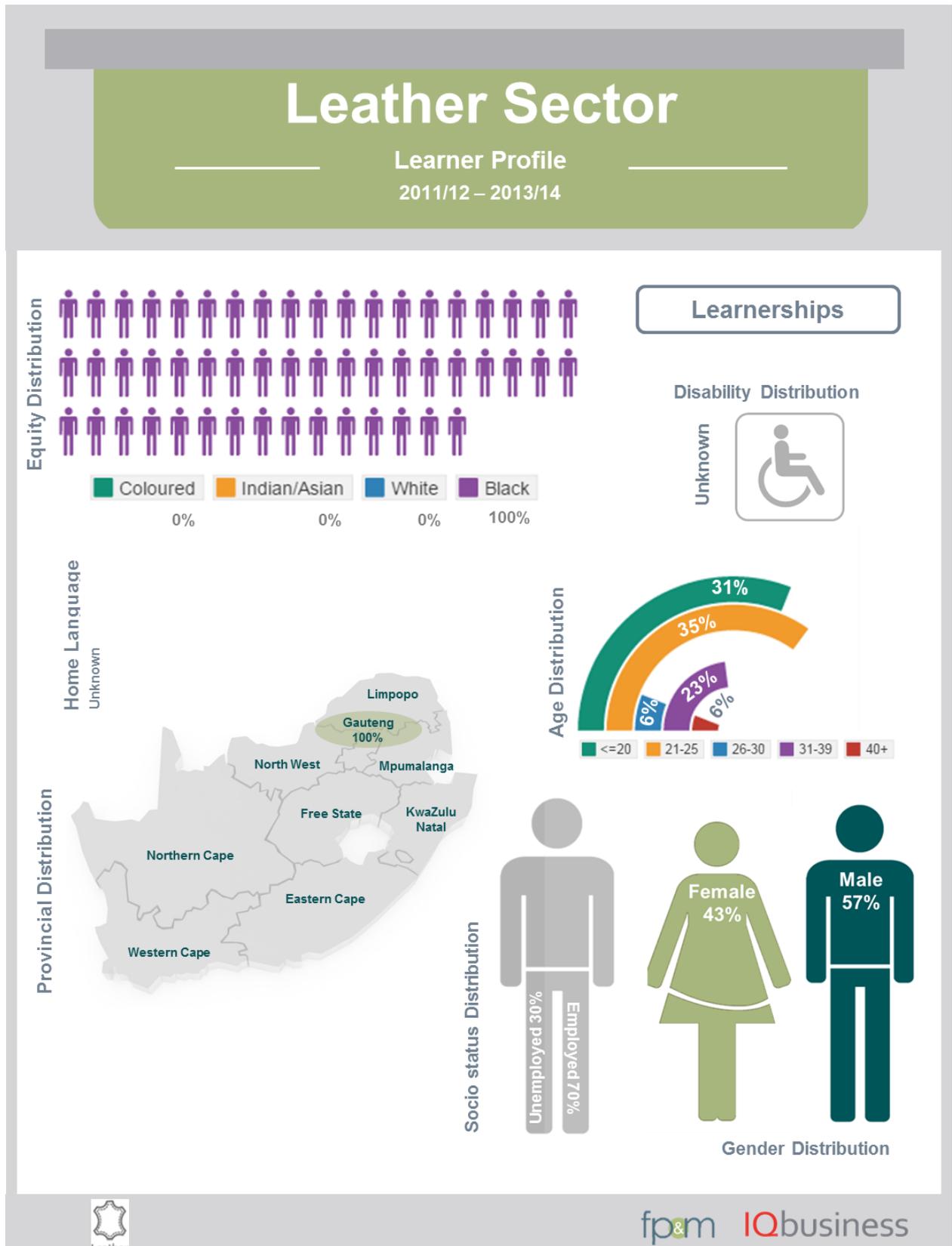
4.2 Learner Profile: Textiles sector



4.3 Learner Profile: Footwear sector



4.4 Learner Profile: Leather sector



Bibliography

- CCTC. (2014). *Cape Clothing & Textiles Cluster*. Retrieved from Sector Profile: http://www.capeclothingcluster.org.za/sector_profile
- Clean Clothes Campaign. (2014). *Improving working conditions in the global garment industry*. Retrieved November 2014, from www.cleanclothes.org/about/who-we-are
- IDC. (2012). *Integrated Annual Report*.
- Mail & Guardian. (2014, January 24). *SA cottons on to fast fashion*. Retrieved November 2014, from <http://mg.co.za/article/2014-01-24-00-sa-cottons-on-to-fast-fashion>
- NCRF. (2014). *The National Clothing Retail Federation of South Africa*. Retrieved November 2014, from <http://ncrfsa.org/>
- SACTWU. (2014). *Southern African Clothing & Textile Workers' Union* . Retrieved November 2014, from http://www.sactwu.org.za/index.php?option=com_content&view=article&id=115
- StatsSA. (2014, November 25). Retrieved November 2014, from www.statssa.gov.za
- Textiles Federation. (2014). Retrieved November 2014, from www.textfed.co.za
- The dti. (2013). *Industrial Policy Action Plan: Economic Sectors and Employment Cluster 2013/14 - 2015/16*. Retrieved November 2014, from The Department of Trade and Industry: http://www.thedti.gov.za/news2013/ipap_2013-2016.pdf
- The dti. (2013). *South Africa's top 10 investment projects*.