Clothing industry - D-day for decent work

By Claire Bisseker

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A major confrontation is brewing in the clothing industry, in which business and labour must choose between higher wages or more employment.

D-day for decent work. 47% of clothing firms are noncompliant.

Come the end of March, 450 clothing factories, which have for years been paying only about half of the legislated minimum wage, will face closure by the National Clothing Bargaining Council (NCBC) unless they begin to pay 70% of these wage rates.

At least 250 factories - in Durban, Newcastle, QwaQwa and Botshabelo - say they will not be able to do so and warn that their closure will mean the loss of 28000 jobs.

This flies in the face of government's decision to make job creation the nation's number one priority, but unless government intervenes, the council confirms that it will execute writs against noncompliant firms after 31 March.

Phasing in

This date for phasing in compliance was agreed to between employers and the SA Clothing & Textile Workers' Union (Sactwu) last year following the intervention of economic development minister Ebrahim Patel.

The issue has been building since the council embarked on a compliance drive more than a year ago. The problem is that almost half (47%) of the clothing industry is failing to pay the minimum wage.

The solution, facilitated by Patel, is that firms have to be 70% compliant by the end of March 2011, 90% compliant by 1 January 2012 and 100% compliant by April 30 2012.

The council hasn't decided whether firms must also pay back the R140m owed to workers - the shortfall between what they earned and the minimum wage in the year to September 2009. But the amounts owed exceed the assets of many factories.

The UCTA

Dismayed at the council's phase-in policy, about 250 noncompliant firms have formed a new body, the United Clothing & Textile Association (UCTA), and engaged legal counsel. It is requesting an urgent meeting with the council.

"If we cannot persuade it to abandon the phase-in policy we will seek an order from the labour court to stay its implementation," says UCTA chairman Ahmed Paruk.

At stake is the notion of "decent work" - a goal the ruling party has placed at the centre of its economic policies but is living to regret. For if there was ever any doubt that a trade-off exists between higher wages and employment, the mass destruction of livelihoods looming in the clothing industry should dispel it once and for all.

The stand-off forces a choice to be made between upholding decent wage rates and making thousands more people unemployed. This would include not just unskilled people, but qualified machinists who would rather work for a pittance than not at all.

The legislated minimum wage for the clothing sector is R740/week in a metropolitan area and R449/week in a nonmetropolitan area. According to UCTA, noncompliant firms typically pay R450/week and R280/week respectively.

Compliant firms, represented by Apparel Manufacturers of SA (Amsa), are using the crisis to push for a new wage dispensation for the entire industry.

"With almost half the industry noncompliant, it is clear that as an industry we have priced ourselves out of the market," says Amsa executive director Johann Baard.

"Noncompliance reflects that the industry wage model has been overtaken by competitive global market realities."

And he doesn't just mean import competition from China. Increasingly, compliant SA firms are relocating to Lesotho, where a qualified machinist earns only about R200/week.

UCTA says 40% of SA's clothing demand is being met out of Swaziland and Lesotho. Amsa believes that employment in Lesotho's clothing industry has grown by 60000 over the past seven years and now stands at around 70000.

Job shedding

By contrast, SA's clothing industry has shed over 16000 jobs since 2007 to stand at just over 56000 at the start of 2011.

"Those 70000 jobs could be in SA," says Baard. "I have many members who are shrinking their SA operations and putting expansion into Lesotho. Some are just waiting till the end of the month to see what happens at the council."

Baard says Amsa agreed to the phase-in policy "reluctantly and under protest", never believing it was a sustainable solution but only to give the unions "one last throw of the dice".

Amsa believes the majority of noncompliant firms will not be able to meet the 70% benchmark "because we know what it costs to run a factory and the industry's cost structure does not match the prices that retailers want".

Proposal

Instead of responding by closing down firms, UCTA and Amsa are proposing that the council agree to a new entry-wage model in which new employees only are paid the lower wage rates currently paid by most noncompliant firms. Existing workers would not be affected.

Sactwu has rejected the proposal out of hand. The notion of a dual wage market, where entrants or younger workers get paid less, is anathema to the labour movement, which fears that employers will attempt to shift the structure of their entire work force down to the lower wage rate over time.

But Amsa and the National Clothing Retailers' Federation (NCRF) point out that if the entry-wage model is adopted, retailers will have a huge incentive to switch from importing clothing to buying from local manufacturers.

Amsa's preliminary modelling suggests that hundreds of thousands of lost clothing units would be repatriated to SA, generating a potential 100000 new jobs in a 12-18 month period.

While these job creation estimates seem optimistic, the Industrial Development Corp's Willie Fourie says "it's not unlikely that many jobs will be created".

NCRF executive director Michael Lawrence cannot substantiate these estimates either but says commitments are being made on a company-to-company basis. "If there is improved price competitiveness in the local supply chain then ... retailers will find local sources very attractive," says Lawrence.

The end of the month is D-day for the bargaining council. What it decides could determine the long-term sustainability of SA's clothing industry.

Source: Financial Mail