



A Study of the Footwear Sector in Pietermaritzburg: The Economic Impact

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In 2003 the Pietermaritzburg Agency for Christian Social Awareness (PACSA) commissioned a quick survey of the Pietermaritzburg footwear sector to identify the factors behind the severe job losses in Pietermaritzburg, more specifically within the shoe sector, and to also examine the factors behind the poor growth performance in the shoe industry. This sector had previously employed approximately 21% of the workforce in Pietermaritzburg.



Trade Liberalisation in South Africa: Background

South African Economy - early 1980's to early 1990's

By the early 1980s, international sanctions directed against apartheid policies isolated South Africa from global economic participation and international competition. This period of economic isolation significantly slowed down economic development in the country. This led to the

economy suffering in terms of skills development, productivity and international competitiveness.

In response, apartheid South Africa, for a long time relied on inward looking trade strategies, supported by a complex system of tariffs and other import restrictions to protect the local industries. Particularly for the footwear industry, apartheid and sanctions did not have an adverse impact. As a key player in job creation, the Pietermaritzburg shoe sector was doing very well in terms of production and growth until the beginning of the 1990s.



South African Economy after 1994

In 1994, South Africa was re-admitted into the world community. In 1995, after the first democratic elections, South Africa joined the World Trade Organisation (WTO). The government adopted and implemented international trade liberalisation policies, promoted by the WTO. This led to the removal of most international trade barriers and allowed products from other countries to be sold in South Africa mostly without being charged any duties or tariffs or being restricted by quotas. Where any

duties or taxes were levied, they were relatively low and the same thing applied to South African exports.


Why did South Africa join the WTO?


The new government assumed that this trade liberalization would help make South African industries grow and promote employment.

Why is the Shoe Industry in Pietermaritzburg Dying?


South Africa once made nearly 30 million pairs of shoes a year (about a third of the actual demand for about 80 to 90 million pairs) and Pietermaritzburg was once a major centre of the South African leather shoe industry. Unfortunately, trade liberalisation resulted in the retrenchment of 4500 (mainly Indian) leatherworkers, and the closing of most of the shoe factories in the city, over a period of 12 years.

Factors that directly led to this include the following:

 Leather tanneries in Pietermaritzburg and elsewhere in South Africa began to close down because they could not compete with the cheap hides from Brazil and India. Most of the shoes made locally were made of leather and now leather was not easily available because the local tannery had closed.

 Nike, Adidas and Reebok, through their advertising and marketing, began to destroy the local market.¹

 Cheap imports from Indonesia, China and India priced the South African made shoes out of the market. In 1990 South Africa imported shoes worth about R12 million; in 1995 R63 million (with a slump to R26 million in 1998 and then a rise again to R53 million in 2001).

 The government, which joined the World Trade Organisation in 1995, in obedience to the "free market" trade dictates of the major western industrial powers, lifted protective tariffs on the import of shoes in 1998.

How did this Affect the Footwear Industry?

In the footwear industry, both in Pietermaritzburg and the country as a whole, this led to *decreased growth* in terms of production and employment. This was largely because local industry had to compete with cheaper imports coming from countries where labour is exploited and often children and women work for slave wages. Most of the Pietermaritzburg footwear factories closed down or downsized, causing a massive and dramatic job loss within the greater Pietermaritzburg area. Some moved to places where cheaper labour was available.

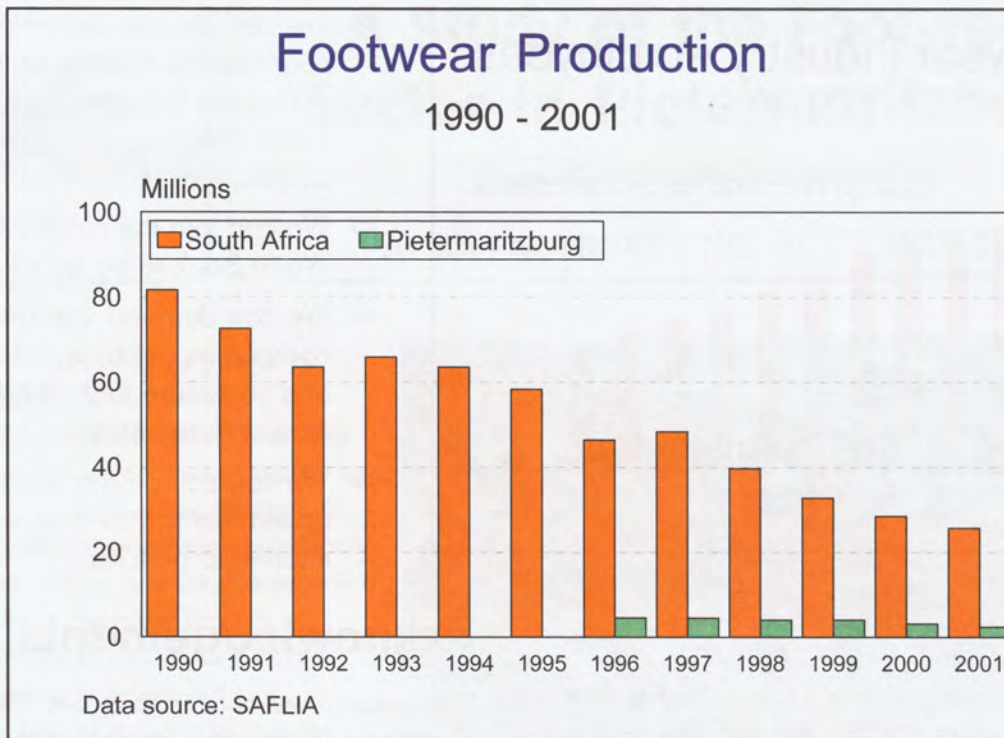
Response of management

Managers interviewed blamed 1) the influx of cheap imports from the Far East and 2) paying higher wages due to pressure exerted by the trade unions (grown stronger during the period of political struggle in the 1980s) for the problems that made the costs of their products less competitive in both the national and international markets. The management response was to close down or downsize. Management argued that the unions were over militant and unrealistic, given that the footwear producers from China, India, Hong Kong and Taiwan were not confronted with the same trade union pressures.

Response of SACTWU

SACTWU's response to this is that South Africa is a democratic country with a commitment to human rights. So asking for a living wage for an employee is embraced by the constitution. They say the union demanded a mere R500 per week for the general worker and a compromise could not be reached with employers. A living wage is a basic human right for workers who support their families.

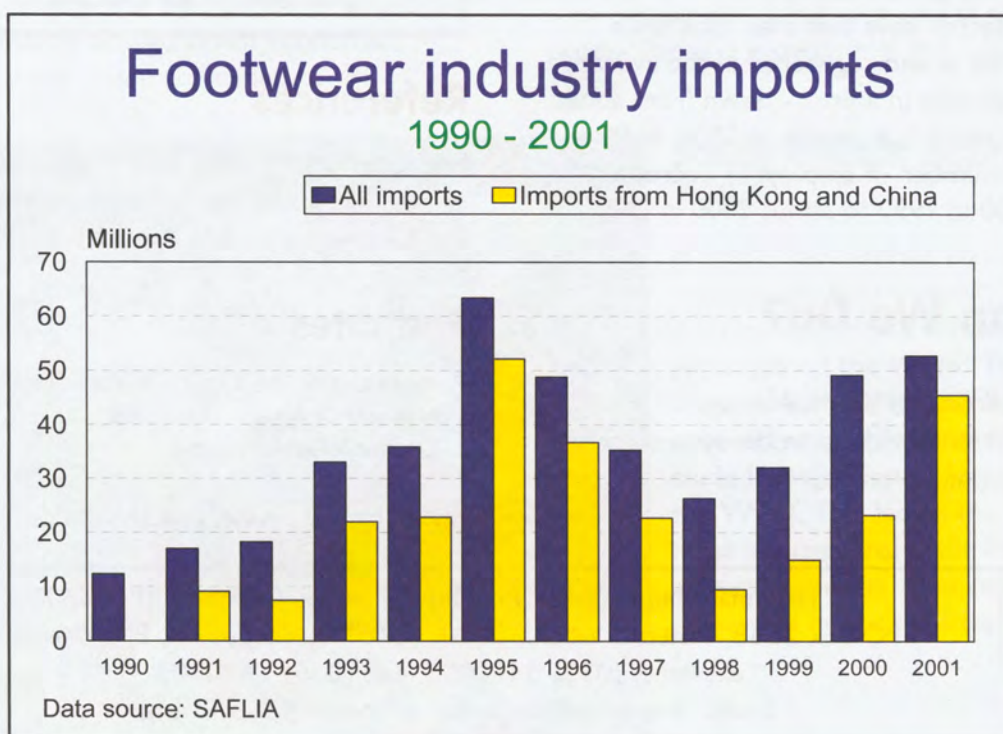
Through globalization, South African industries have chosen to compete with industries from all over the world. They opted to compete even with the most undemocratic governments of the world like China, who exploit rural women for cheap labour.

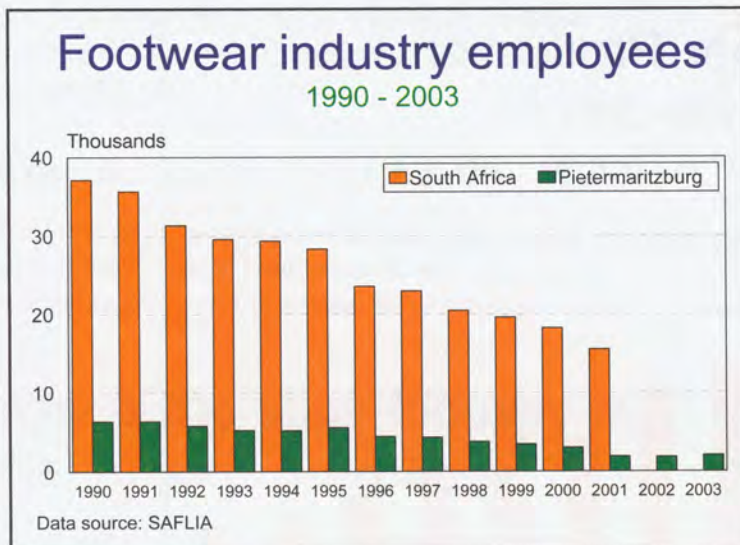


Shoe Use and Production in South Africa

In 1990 South Africa produced nearly 82 million pairs of shoes but by 2001 this had declined to less than 26 million pairs. Although in 2001 about 80 to 90 million pairs of shoes were sold, only 22.8 million of these pairs of shoes were formally made within South Africa (about 3.4 million pairs of which were exported). Another 4 million shoes

were produced in the informal economy. The graph above indicates the dramatic decline in South African footwear production in the 1990s under pressure from cheap imports. This trend also applied to the Pietermaritzburg footwear production (declining from 7.3 million pairs of shoes in 1990 to 5.2 million pairs in 1995.) Durban, Pinetown and Pietermaritzburg have had particularly heavy declines in production. Shoe producers in Pietermaritzburg decreased from 37 in 1991 to 26 in 1996.





In 1996 there was a huge inflow of imports from the Far East, and in 1997 SACTWU challenged the Department of Labour, leading to a reduction of imports in 1998. But by 2001, of a total shoe consumption of between 80 and 90 million pairs, an estimated 54 million pairs were imported.

The Decline of Employees in the Shoe Industry

Since 1995 there has been a rapid decline in the number of formal sector footwear producers in South Africa and by 2003 about half of producers in 1995 had ceased to exist. Naturally, employees were also affected and an estimated 58% of employees in the sector have lost their jobs since 1995. The decline is also registered in the average number of employees in a firm – down from about 133 in 1995 to about 108 people in 2001. In Pietermaritzburg the number of employees decreased from about 6500 in 1990 to about 2000 in 2003.

What Can We Do?

- ⇒ We can call on the South African government to introduce trade systems that put people before profits.

- ⇒ We can join the call of developing countries for trade rules that guarantee human dignity. The World Trade Organisation needs to be overhauled.
- ⇒ We can join the call for the IMF and World Bank to be shut down.
- ⇒ We can demand that pharmaceutical companies put people before profits and so ensure that all have equal access to treatment.
- ⇒ We can call on the South African government to re-evaluate its macro-economic policies.

Acknowledgements

The research was conducted by two Master of Commerce (Economics) students at the University of KwaZulu-Natal in Durban, Silindile Shezi, assisted by Thembele Njenga of PACSA. Silindile Shezi was responsible for the final report (Shezi, 2004). This factsheet was edited by Professor John Aitchison, Joan Kerchhoff and Thembele Njenga.

N.B. This factsheet is to be followed by a second one entitled:
“A Study of the Footwear Sector in Pietermaritzburg: The Social Impact”.
A full copy of the research report is available from PACSA.

References

Linde, D. (1999). Executive Director’s Review Annual Report of the Southern African Footwear and Leather Industries Association (SAFLIA).

Endnotes

1. “Nike and Adidas killed the South African shoe market.” National Organiser of the South African Clothing and Leather Workers Union.

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