https://dspace.org/

The relationship between economic and social upgrading: a case study of the Western Cape textiles and clothing industry

Pike, Vuyolwethu

2020
https://hdl.handle.net/10539/31480

Downloaded from a DSpace repository. https://dspace.org/

The relationship between economic and social upgrading: A Case Study of the Western Cape textile and clothing industry.

Vuyolwethu Pike

Student number: 1705231

Supervisor: Mr. Sibulele Nkunzi

UNIVERSITY OF THE WITWATERSRAND, JOHANNESBURG

Submitted in partial fulfilment of the requirements for the degree:

Master of Commerce in Applied Development Economics

DECLARATION

I declare that the work submitted is my own unaided work. This research work has not been submitted anywhere else for any degree and all sources have been acknowledged.

Name: Vuyolwethu Pike

Signature: V.Pike

Date: 20 April 2020

Acknowledgements

I would like to thank my supervisor for his unwavering support and guidance during this period. I would also like to thank all the DTP lecturers who have assisted me in my journey as a student.

I would also like to thank my mother and my siblings for their support and love.

Lastly, I would like to thank all the participants in my research. I could not have done this without you.

ABSTRACT

Economic and social upgrading have been eminent concepts in GVC research, especially in the textile and clothing industry due to its immense global fragmentation. These two concepts have risen to be analysing tools in the examination of the gains distribution throughout the value chain for firms and workers. Empirical researcher has revealed that there is economic upgrading for high road firms and economic downgrading for low-road firms in S.A's T&C industry. The results of social upgrading have however been mixed. South African research on the relationship between these two concepts has not been wide; this has left a gap on the literature available on this topic. The South African industry has been in decline since the late 20th century, this has led to various firm-relocations, closures, job shedding and greater informalisation. This research provides a case study approach on three firms, all with different forms of ownership and one in the informal market. This research has shown that there has been a noticeable impact of process and product up/downgrading on the social up/downgrading of workers. While functional upgrading has provided social upgrading for a group of workers while simultaneously exposing others to social downgrading.

ACRONYMS AND ABBREVIATIONS

- AGOA- Africa Growth Opportunities Act
- CCTC -Cape Clothing and Textiles Cluster
- CIP- Competitiveness Incentive Programme
- CTCP- Clothing and Textiles Competitiveness Programme
- CTFL -Clothing, Textiles, Footwear and Leather
- CSP -Customised Sector Plan
- CMTs- Cut-Make and Trims
- DCCS- Duty Credit Certificate Scheme
- EOI- Export-Oriented industrialisation
- GATT -General Agreement of Trade and Tariffs
- GSP -Generalised System of Preferences
- GVCs- Global Value Chains
- IMF -International Monetary Fund
- ILO -International Labour Organization
- IPAP- Industrial Policy Action Plan
- ISI -Import Substitution Industrialisation
- ODM -Original Design Manufacturing
- MFA- Multi-Fibre Agreement
- MNCs- Multinational Corporations
- TNCs- Transnational Corporations
- NBC- National Bargaining Council
- SACTWU- Southern Africa Clothing and Textiles Workers Union
- SALRI-Southern African Labour Research Institute

TABLE OF CONTENTS

DECLARATION……2

ACKNOWLEDGEMENTS ……..3

ABSTRACT……4

ACRONYMS AND ABREVIATIONS…….5

CHAPTER 1: INTRODUCTION

1.1 Background 9

1.2 Research Problem 10

1.3 Hypothesis 11

1.4.Methodology 11

15.1 Ethical Considerations 12

15.2 Limitations of Study 13

CHAPTER 2: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1 Introduction 14

2.2. Global Value Chains 14

2.3. Economic and Social upgrading 17

CHAPTER 3: INTERNATIONAL AND DOMESTIC CHANGES IN THE CLOTHING AND TEXTILE INDUSTRY

3.1 An overview of the changes in the global textile and clothing industry 22

3.2The South African Textile and Clothing Industry 29

CHAPTER 4: EMPIRICAL STUDY: RESULTS AND ANALYSIS

4. Introduction

4.1. The South African clothing value chain in the domestic market 34

4.2. Production and Employment in the Industry 37

4.3. Case Studies

- Cape Mohair (Textile firm) 46
- Thandi Fashions Factory 51
- TCI Apparel 56

4.4Analysis of case studies 61

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS FOR FUTURE RESEARCH

Conclusion and Recommendations for future research 65

Reference list 67

Appendix A

Tables and Figures

Table 1: Top 10 international exporters of clothing 23

Table 2: Top 10 international exporters of textiles 24

Table 3: U.S. imports under AGOA, by source markets, 2010–16 26

Table 4: Operational performance of CCTC and KZNCTC combined 31

Table 5: Types of Manufacturing enterprises and common working conditions for each in T&C 37

Table 6: Number of NBC complaint firms 40

Table 7: Minimum Wages in metro and non-metro areas 41

Table 8: Financial sustainability of firms in the automotive, clothing and textile industry 42

Table 9: Performance Improvement of CCTC firms (2014-2018) 44

Table 10: Workers interviewed in Cape Mohair 46

Table 11: Thandi Fashions' Employment Structure 52

Table 12: Summary of findings 58

Figure 1: The Clothing Commodity/Value Chain 16

Figure 2: Value Creation depicted by 'The Smiling Curve' 18

Figure 3: SSA Apparel Export Market 25

Figure 4: Market shares of SSA in Major Import Markets 25

Figure 5: AGOA Apparel Exports 27

Figure 6: Textile/ Apparel Export Ratio 28

Figure 7: Apparel Import/Export Ratio 28

Figure 8: SA's T&C Exports and Imports in 2009 30

Figure 9: S.A's T&C Exports and Imports in 2017 32

Figure 10: The South African Clothing value chain 36

Figure 11: Production in Textile and Clothing 38

Figure 12: Quarterly employment in S.A's T&C industry 39

Figure 13: The South African Mohair Value Chain 48

CHAPTER 1: INTRODUCTION

1.1 Background

The textile and clothing (T&C) industry is a significant contributor to national development and has for several years been a common industry starter for countries involved in export-oriented industrialisation (EOI) (Gereffi, 2013). The global expansion of this industry has allowed firms and workers across the globe to co-operatively partake in the production processes. Due to the low-cost and labour-intensive nature of the industry it has provided a significant amount of employment across the globe, particularly for women (Barrientos, Gereffi and Rossi, 2011). This fragmentation of production is understood and analysed through the theory of Global Commodity /Global Value Chains (GCC/GVC) which is a framework that details the structure of the global production (Gereffi, 2013).The structure of global production is dominated by lead firms who exercise their control in value chains by retaining their highest value added activities in a specific GVC (Barrientos et al., 2011).

In this case, the access of suppliers' and benefits in the value chain are determined by the lead firm. The participation of firms in GVCs has been promoted as a lucrative path for economic upgrading and value chain repositioning. In some cases, the moving of firms to a higher value added position in the value chain has been found to also benefit or worsen conditions for workers depending on the distribution of the GVC benefits between firms and workers. Various authors (Rossi, 2011; Bernhardt and Milberg, 2011) have presented cases where the economic upgrading of firms has resulted in workers experiencing social downgrading. Most GVC and T&C research has been dominated by a "firm-focus" approach which consistently limited labour to merely being a factor of production and avoids the social embeddedness trait of labour as a human being with capabilities and entitlements (Sen, 2000; Barrientos et al., 2011). According to Gemici (2008) embeddedness for Karl Polanyi, means that the economy is immersed in social relations, i.e., it cannot be a separate, autonomous sphere vis-à-vis. This research will highlight labour as productive and social agents in the changing dynamics in the industry (Barrientos, et al., 2011).

The focus on this research will be on the South African T&C industry which has been experiencing a decline since the late 20th century and resulted in various liquidations, firm relocations, job shedding and increased informalisation (Takala-Greenish, 2015; Morris and Barnes, 2014). This decline has been attributed to various factors, from international competition to the cost structure (wages) and lack of skilled labour (Takala-Greenish, 2015; Nattrass and Seekings, 2014). The reviving of the industry has been taken up by the Department of Trade and Industry (DTI) and its stakeholders through the establishment and implementation of policies and funding programmes that seek to deal with these problems. The significant start of this was in 2005, upon the establishment of the Customised Sector Plan (CSP) for the industry. This programme has introduced various funding

opportunities, assisted the establishment and maintenance of clusters resulting in saving certain firms from liquidations and retaining certain jobs (IPAP, 2019).

This research aims to build on preceding research by Rossi *Arianna "Economic and Social upgrading in Global Production Networks: The Case of the Garment Industry in Morocco"* and locally on research by Alex Mashilo titled *"Economic and Social Upgrading in Global Production Networks: The Auto Components Sector in Gauteng"* and Vika Lutho *"Gender Dynamics in the South African apparel value chain: A case study on the Western Cape Province."* These studies have been central in investigating the economic and social upgrading in labour intensive manufacturing industries and have provided the need to further understand the relationship between these two concepts in S.A's T&C industry.

This paper seeks to examine the economic performances (economic up/downgrading) of different firms in the Western Cape T&C industry and how these impact social up/downgrading (working conditions and employment) for their workers. It finds that the decline in the industry has impacted firms in more or less the same manner; there are certain firms that have experienced improved economic performance through government funding and private investments while others have deteriorated and informalised. In these different cases, workers have been exposed to both social upgrading and social downgrading. Furthermore, the research showed that gender segregation in technical jobs is still persistent in the observed firms; however there are a growing number of young male workers performing previously female dominated jobs.

This research paper is organised into five chapters, Chapter 2 will focus on the theoretical framework and literature review of the GVC theory. Chapter 3 gives an overview of the global and domestic changes in trade agreements, economic policies and trade. Chapter 4 provides the empirical study of this paper; this section will firstly provide an overview of the dynamics in the industry, followed by the case studies (Cape Mohair, Thandis Fashions and TCI Apparel) and finally provide the findings and an analysis on the findings. Chapter 5 will conclude the study and provide future research recommendations.

1.2. Research Problem

GVC participation has provided firms in developing countries with linkages to global buyers, exposing them to greater demand and potential economic upgrading. Many researchers have examined the relationship between economic and social upgrading, and they have shown how the former does not always translate to the latter. There has been growing body of literature on the relationship between economic and social upgrading and also under what conditions these two take place. In S.A, well-documented research in the T&C industry has focused on the decline of the industry and the economic struggles of firms and workers. As times change, firms in the industry have also changed from the influence and facilitation of trade liberalisation and the trade agreements that

come with it. A few factors that have been persistent in this industry are labour-intensive work, low-wages, exploitation and low-skilled labour.

Research by Morris and Barnes (2014) Vika (2016) and Christie (2016) comprise of similar conclusions on economic and social upgrading in the T&C industry and more specifically in the Western Cape. However, all three of these studies have predominantly relied on formal firms and ones that belong to the clothing clusters. This does not reflect on the entire industry, the S.A T&C industry has experienced one of the greatest levels of informalisation in the world and there are different forms of ownership in the industry. The research on economic and social upgrading needs to represent workers from all spheres. Therefore this research seeks to examine the working conditions in these different firms, while contrasting these conditions with the economic performance of these companies.

1.3. Hypotheses

There has been economic upgrading in firms that have received government incentives and subsidies in the formal Western Cape textile and clothing industry, but these gains have not resulted in any social upgrading for workers, especially female workers.

Informal firms in the Western Cape's textile and clothing industry have experienced economic downgrading and this has also resulted in social downgrading for the workers.

1.4. Methodology

The methodology of this research has been carried out through mostly qualitative methods, with the use of semi-structured interviews, qualitative questionnaires and secondary data. The aim of this research method was to gain a deeper understanding of operations in the value chain and the employment conditions of female workers in the most natural real-life context. Research on economic and social upgrading has been mostly been based on a macro and meso level, undertaking a micro level approach will allow me to get a more in-depth analysis. The main presentation and conduct of this research is on a case study basis, this approach carries a number of advantages and disadvantages. A case study preserves and reports more information about that case than a statistical study covering the same case, by definition. Fuller reporting makes it more likely that readers will construct alternative interpretations of the same events and generate new hypotheses (Odell, 2001). Additionally, a case study that claims no explicit theoretical implications always conveys a much fuller understanding of the instance studied, with richer evidence and reasoning about process and context, than is possible with statistical methods. However, qualitative methods provide lesser precision in their descriptions, claims about magnitudes of causal effects, and claims about the relative importance of different causes, than statistical methods (Odell, 2001). The case study

approach limits the ability for research findings to be generalised to the rest of the population and may limit the impact of this research.

With this approach I have been able to observe the different workplaces that I had access to; this exposed me to the day-to-day factors that workers and employers deal with. I have also used secondary data from National Bargaining Council and survey data provided on the DTI and IDC websites. Qualitative questionnaires were conducted with employees; questions are based on working conditions, skills and employee specific standard of living. The aim of the questionnaires was to get a deeper understanding of the employee's standard of living, working conditions and how economic upgrading in the firm has affected their level of social upgrading. Semi-structured interviews were conducted with employers, these focused on their economic performances in the last five years, by questioning the types of upgrading that they have introduced for their employees and their position in the clothing and textile value chain. Semi-structured interviews are more flexible, each interview may reveal certain points that may lead to a variety of other questions and not limit the interview process. This method has provided the platform to get a greater understanding of the social reality by interpreting and analysing the different viewpoints of subjects and personal experiences.

Semi-structured interviews were also conducted with people from the following organisations: SACTWU-researcher (Simon Eppel), the Southern African Labour Research Institute (SALRI) researcher, Department of Trade and Industry –Western Cape. These interviews were conducted with the purpose of giving the research exposure to the different institutions that assist in shaping the industry in different ways (labour and policy processes).

The main interviews for this research have been carried out in three distinct firms that have been chosen based on their production focus (clothing or textile) and their position in the value chain in order to provide a more representable study for the industry.

1. Cape Mohair, textile niche firm that can be considered to medium sized.

2. Thandi Fashion Clothing Factory, small CMT informal firm.

3. TCI Apparel, clothing firm, considerably large with a vertical integration operation.

5.2. Ethical Considerations

The nature of this research has the potential to create discomfort due to some of the sensitive questions that workers will be asked regarding their working conditions, especially because these will be conducted in their workplace. I was able to seek informed consent from workers through face to face approach and respected their response should they chose not to take part in the research. I made sure to provide sufficient information and assurances about taking part to allow individuals to understand the implications of participation and to reach a fully informed, considered and freely given

decision about whether or not to do so, without the exercise of any pressure or coercion. I respected the confidentiality and anonymity of my research respondents and ensured that my participants participated in my study voluntarily. Due to the sensitivity of this research, I tried to avoid any harm to my participants in terms of their job by protecting their identity and having private interviews separate from other workers and the respective manager. This was to ensure that the results of my research are independent and impartial. Additionally, I tried to minimise potential risks to participants of research by keeping any recordings from the workers secured and private from managers as workers may feel that this will threaten their employment. This also ensured that the information provided by workers is true and honest, increasing the validity and reliability of my findings. Privacy and anonymity or respondents was of a paramount importance throughput the study and in my reporting. In order to protect the company's reputation I suggested the use pseudonym for each company but the managers interviewed agreed to have their real name used. I tried to maintain the highest level of objectivity in discussions and analyses throughout the research.

5.3 Limitations of the study

Choosing firms from the same geographical location (Western Cape) will limit my ability of getting a nationally representative view on the impact of the programme as certain areas may have very significant experiences which would bring challenging views to the study. There is also a limited assurance that workers will be completely honest about their personal experiences, being interviewed in their workplace may force workers to only say good things about their work experience. Interviewing workers presents varied views that are influenced by various factors that neither I nor the employer may be aware of and this may have a negative impact on the answers I received. There may be a limited amount of information that firms may have on their skills development programmes.

The sample in this research is extremely small to make sweeping generalisations, but it is possible to draw some interpretations from the case studies above. The research was intended to show the different conditions that exist in an informal, privately owned and trade union owned firm. I was unable to get access to TCI Apparel's factory as the firm has been undergoing restructuring for over a year. The write up for TCI Apparel has therefore relied on public information, interviews with SACTWU and SALRI researchers and newspaper articles.

CHAPTER 2: THEORETICAL FRAMEWORK AND LITERATURE REVIEW

This chapter will focus on the theoretical framework which outlines the foundations of this research. Firstly, it will outline the economic history that has shaped the GVC framework and further introduce the origination and existing theoretical concepts and the various conceptual tools that are used to describe and understand global fragmentation. In line with the research question, this chapter will provide a broad introduction to the concepts of economic and social upgrading. Since this research is centred on labour not only being regarded as a factor of production, this chapter will briefly discuss the limitations that the GVC framework provides for workers.

2.1. Global Value Chains

The most unparalleled change in global integration occurred in the 20th century subsequent the modest global integration of the late 19th century. Prior to the emergence of globalisation each country depended on domestic production (Baldwin, 2012). The early move of industrialisation was the steam revolution in the late 19th century which allowed the spatial separation of production and consumption. The operation of globalisation highlights a key aspect of classical theory, namely comparative advantage (Ricardo,1817) .The fragmentation of production is guided by this, as labour-intensive operations have been dominant developing countries with significant labour supply, while capital-intensive operations have been mainly been preserved by developed countries.

These developments were able to create dominant developed economies for mainly the United States of America (USA), Britain and Europe. At the end of World War II and great depression, the Bretton Woods Institutions were established namely the International Monetary Fund (IMF) and World Bank (WB) (Stiglitz, 2002). In addition to this, the General Agreement on Tariffs and Trade (GATT) came into effect in 1948, this agreement aimed to promote international trade by limiting trade barriers. These were aimed at restoring the Europe economy and to decrease the likelihood of another global calamity reoccurrence (Stiglitz, 2002). In the late 20th century, transnational corporations (TNCs) in developed economies became dominant in international industries as the developed world embraced the free market. However, production and trade in most developing countries such as those in Latin America and Asia was guided by import-substituting industrialization (ISI) policies since the 1950s.

The oil shock of the 1970s significantly weakened credibility of the ISI, especially in Latin America which fell into a severe debt crisis. As the late 20th century years persisted so did the influence of the developing economies orthodoxy, the neoliberal push by the governments in the United States (US) and the United Kingdom (UK) for export-oriented development became central in various developing economies. Consequently many developing countries, under pressure from IMF and WB, made the transition from ISI to EOI during the 1980s (Gereffi and Wyman, 1990).This was also coupled with the coining of the ‘Washington consensus’ (WC) by John Williamson in 1989; the WC introduced

neoliberal economic policies which promoted the minimal role of the state. The WC policies agreed on by the IMF, WB and US Treasury and were imposed on developing countries especially Latin American countries.

The strong emergence and persistence of international trade, resulted in the institutional formation of the World Trade Organisation (WTO) in 1995, a geopolitical organisation solely focused on enforcing the rules of international trade amongst countries. In both ideological terms and in operational objectives, the IMF and World Bank loan conditions have coincided with WTO membership consequently leading to the joint-promotion of trade liberalisation across the globe (Cavanagh and Mander, 2003).Structural adjustment programs (SAPs) and other liberalization reforms have been widely promoted as a vehicle for economic growth especially in poor countries. This has led to the broadening of the globalisation of the international economy through decreased trade barriers and financial liberalisation (Cavanagh and Mander, 2003). This has enabled multinational corporations (MNCs) to enjoy unprecedented freedoms in the process of deepening and broadening the globalization of the international economy. One significant effect of trade liberalisation has been the fragmentation/ outsourcing of production by MNCs with strategies focused on outsourcing standardized operations to lower-cost nations (Kim and Milner, 2019).

All these developments have led to the intensified global integration across industries and its operations can be further understood and analysed through the GVC theory. The GVC concept can be traced back to the end of the 1970s, its literature was developed through the global commodity chain (GCC) and orthodox world systems approach (Bair, 2005). “The world systems theory was introduced as an enhancement of the dependency theory founded on the concept division of labour within a global system, between developed and developing countries” Wallerstein (1974:374). The theory of commodity chains was introduced by Hopkins and Wallerstein (1986) through outlining all the inputs, transformations actions that take place in the producing a final consumable product. Subsequently, the GCC theory was introduced by Gary Gereffi (1994) with the use of an example from the clothing commodity chain which included raw material such as cotton to the final product.

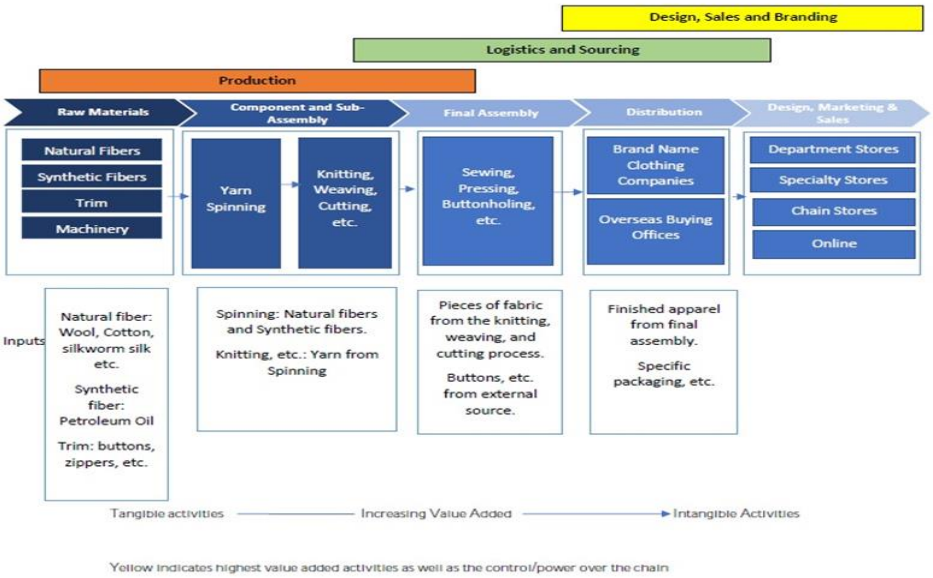
Each global commodity chain must have: an input-output structure “the process of transforming raw materials into final products”, a territoriality “spatial dispersion or concentration of production, distribution and networks”, a governance structure “power relations that determine allocations within the chain” Gereffi (1994:97).These dimensions are strongly determined by the governance structure of a specific chain, Gereffi (1994) identified these as the “buyer-driven” and “producer-driven” chains. These two governance structures give insight into the relationship between firms in a chain which can be pre-determined by the type of industry a firm is in. The buyer-driven commodity chain (BDCC) normally exists in industries where large firms and international brands set up global sourcing

network for the labour-intensive operational activities in their value chain (Barrientos et al., 2011). Examples of these chains are industries such as clothing and footwear (Gereffi, 1994; 2001).

Producer-driven commodity chains (PDCC) normally exist in industries which are dominated by TNCs/MNCs and other large integrated industrial enterprises (Gereffi, 1994). PDCC exist in capital and technology intensive industries such as automobiles and computers. During the early 2000s, the was a shift from GCC to GVC, the theoretical significance in this shift was aimed at highlighting the "role of power relations" between firms in the chain which has been shown through governance structures (Godfrey,2015:493). A value chain displays all the different actions that firms take part in to ensure a product reaches the market, from the production stage to its final use (Gereffi and Stark, 2011). Due to the fragmentation of global production, different firms are able to take part in different activities for the same final product. Power relations in GVC have primarily been predetermined by lead firms, overtime the concept of power has broadened from a focus on buyer power to include how key suppliers in some industries have been able to establish more powerful positions by following paths and strategies that not only create value but also retain it (Kaplinsky, 2005).

In the figure below, it shows the different activities and the incremental value added in each activity.

Figure 1: The Clothing Commodity/Value Chain



Source: (Leslie, 2002) https://sites.duke.edu/sociol342d_01d_s2017_team-7/2-global-value-chain/

An important concept in the functioning of value chains is governance; governance centres on the key actors in the chains that control the inter-firm division of labour, and shape the capacities of participants to upgrade their activities (Gereffi, 2001). Alongside the shift to GVC, there was a shift from the BDCC and PDCC as these were limited in terms of fully represent the GVC governance

structures (Gereffi, 2005). The current forms of governance are titled as market, hierarchy (i.e. vertical integration) and three network forms; captive, modular, relational (Gereffi, 2013). The market and hierarchy mode of governance are the two extremes and polar opposites, in the former relations and product needs are simple, this offers a balanced operation of power between firms. The latter can be explained through vertical integration as the lead firm plays a significant role across the value chain (Gereffi, Humphrey and Sturgeon, 2005).

Firms that operate under modular network modes produce products according to the lead firm's specifications; these firms are often extremely experienced and take accountability for certain stages in manufacturing (Wad, 2008). Relational network mode offers an environment that is organised by social relationships and mutual standards; information is often complex and not simply transferable. The last mode is captive; as the title suggests, firms in this mode are highly powerless and dependent on the lead firm's conditions, lead firms constantly monitoring and exercise control on them (Gereffi et al., 2005).Technological, institutional, organisational innovations and regulatory environment changes transform the governance structures of industries and the power of the leading firms within them. Governance structures in GVCs therefore evolve in conjunction with the forces that shape industry structures. "Thus, in any particular time period or within a given industry, new governance structures co-exist and interact with earlier forms of governance" (Gereffi, 2001:30).

Each governance mode carries various opportunities and potentials for upgrading and the mode of governance between firms can change over time depending on the capabilities and resources that lower-value chain firms are exposed to (Humphrey and Schmitz, 2002). According to Humphrey and Schmitz (2002) often firms in developing countries are exposed to high-end buyer demands that require competencies above their current capabilities. This generates a gap between the competences needed for the national market and those necessary for the global market, investment in the firms' capabilities and resources will close this gap (Humphrey and Schmitz, 2002). For example in a developing country such as South Africa that mostly specialises in low-skilled production, growth in the demand for high value clothing coupled with investments that focus on adhering to this demand could lead to an increase in the production of higher value clothing.

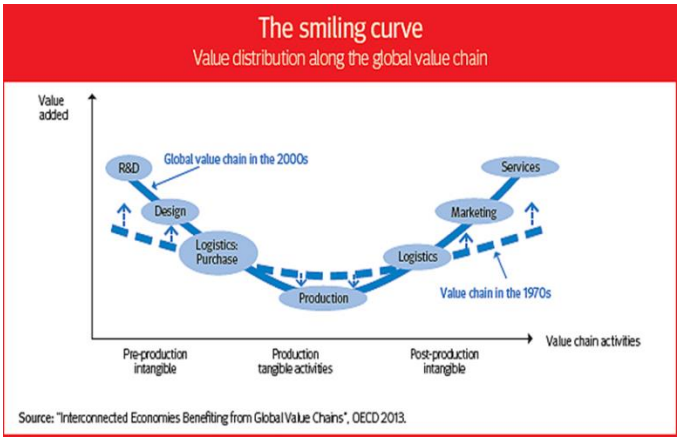
2.2. Economic and social up/downgrading

Upgrading is defined as the result of firms maximising their benefits through their insertion into GVCs, this occurs when a firm partakes in higher value added operations in a specific GVC (Gereffi, 2005; Bair, 2005). Value creation along the GVC is mostly unevenly distributed among activities; this is exacerbated by the heterogeneous nature of the apparel industry (Barrientos et al., 2011). The ability of firms to develop within chains is understood through value upgrading/creation, which is seen to take place through the capture of greater value added sections of the chain (Humphrey,

2004).The utmost level of value creation, can be found in pre and post-production intangible activities as shown by the "smiling curve" below in Figure 2.

The production tangible activities are mostly dominated by emerging and developing economies, these activities are normally labour-intensive and require a modest skill-level and also the value-add is low (Gereffi, 2013). The curve also shows the different eras in terms of value chain addition, showing how value chain addition has increased in the downstream activities from 1970 to the 2000s and the upstream activities. However, the production stage value addition has decreased from 1970 to the 2000s (OECD, 2013).

Figure 2: Value Creation depicted by 'The Smiling Curve'



GVC has been seen by firms and countries as a path to improve their position in certain industry value chains in order to create and retain more value (UNIDO, 2015). This procedure is called economic upgrading (Gereffi, 1999).The concept of upgrading was first introduced in the GVC analysis with focus on industrial upgrading of firms (Gereffi, 2013; Humphrey and Schmitz, 2002). Economic upgrading occurs when firms take on higher value-added activities along the value chain, through improving technology, knowledge and skills which increase the benefits of GVC participation (Barrientos et al., 2011). "Each type of economic upgrading carries forth a capital and labour dimension; the capital dimension refers to new machinery and innovation while the latter refers to skills development" (Barrientos et al., 2011:324). Labour is simply regarded as a productive factor in line with conventional theory, which also determines the quantity and type of employment (Barrientos et al., 2011).

According to Kaplinsky and Morris (2003) below are the four routes for economic upgrading that firms may partake in:

- Process upgrading: Improving efficiency of the production process through re-organising the production system and using advanced technology. The introduction of advanced technology has the ability to stimulate demand for skilled labour (Barrientos et al., 2011).

- Product upgrading: Improving old products or moving to higher value chain products, this will require skilled workers.
- Functional upgrading: Occupying more profitable functional nodes in the value chain. This could be done through including activities such design and logistics, these new activities would require new workforce skill sets (Barrientos et al., 2011).
- Chain upgrading: Expanding to a new and technologically advanced chain, this is usually in a new industry or product market. For the labour dimension, this may require a different workforce and different skill set (Barrientos et al., 2011).

GCC/GVC research has been mostly upheld a firm-centric approach, the introduction of the social upgrading concept has been solution to this (Selwyn, 2013). Social upgrading is more concerned with the improvement of worker's rights and entitlements and any other gains that may enrich their employment conditions in the value chain (Rossi, 2011; Sen, 1999 and 2000). Social upgrading carries the principle of inclusive growth as promoted by different international organisations. The concept of social upgrading is outlined by the International Labour's Organisation's (ILO) Decent Work Agenda, which incorporates "employment, standards and rights at work, social protection and social dialogue" (Barrientos, et al.,2011:324). "This agenda promotes work performed under conditions of freedom, equity, security and human dignity, in which rights are protected and adequate remuneration and social coverage are provided" (ILO, 1999:1). Social upgrading is identified in measurable and un-measurable terms, in terms of GVC analysis it can be measured through gains captured by workers in a firm, industry and an economy. According to Barrientos et al. (2011) in measurable terms this can be identified through increase in total employment, wages and female share of employment and wages. In un-measurable terms, this includes the improvement in labour conditions and enabling rights.

The Decent Work Agenda is based on an institutionalist political economy framework, with a clear conclusion on how capital gains do not necessarily translate to gains for workers (Selwyn, 2013). A Selwyn (2013:79) states that "social upgrading does not assume that firm-level upgrading (which has been the dominant focus of most GCC/GVC research) automatically leads to improvements for workers." It therefore centres and problematizes the relationship between increased firm-level competitiveness and workers' conditions (Selwyn, 2013). This point is central to this research as it highlights the problematic relationship that exists between economic upgrading and social upgrading. In furthering his critique, Selwyn (2013:75) identifies the existing "analytical and political ambiguities and weaknesses" that exist in the social upgrading concept. The "primary analytical weakness is its inability to comprehend the nature of capitalist exploitation and indecent work" (Selwyn, 2013:76). The political weakness of the theory is on the argument that upgrading of working conditions can only be achieved through the collaboration elite institutions (firms, international

organisations). “This represents the current ‘top-down’ conception of social upgrading” (Selwyn, 2013:76).

In addition to this these authors have emphasised how governance can be used to correct market failures in partnership with development agencies. These arguments convey the belief that economic upgrading automatically translates to social upgrading which has been proven by various authors to not be the case (Barrientos et al., 2011; Selwyn, 2016; Gereffi, 2013). Selwyn (2016) views the GVC analysis a useful contribution to understanding the global politically economy, however it currently presents a rather misleading formation of development under capitalism. “The GVC analysis suffers from a firm-centrism which de-links underlying social (class) relations from the formation, functioning and developmental outcomes associated with GVCs.” This has been promoted by publications such as the *UNCTAD’s World Investment Report 2013* which introduces a structure meant to help developing countries and agencies connect with lead firms to encourage regional development (Selwyn, 2016). These promote “strategic coupling” which is defined as “the dynamic processes through which actors in cities and/or regions coordinate, mediate, and arbitrage strategic interests between local actors and their counterparts in the global economy’’(Selwyn,2016:71).

Strategic coupling ignores the problem social and class conflicts, the firm-centric nature of this concept disregards how these conflicts specifically those wages by states and firms against workers can generate or worsen the existence of exploitable workers (Selwyn, 2016). Additionally, this approach often invalidates other forms of human development that depart from this firm-centric view (Selwyn, 2016). In the path of easing the process of global integration, upgrading and expansion; firms and global and domestic institutions may collaborate in creating and imposing working conditions that suit their needs. However, collective fights by workers can help create paths towards social upgrading and more progressive forms of development (Selwyn, 2016). GVC participation is a form of capitalist expansion more than it is a path for human development, consequently the often intertwined paths present “complex and contradictory processes that are rooted in evolving (often conflictive) class relations” (Selwyn, 2016:81).

Significant literature by Rossi (2011) evaluates the possibility of a business case for social upgrading to provide the basis of a reverse causality (i.e. could social upgrading lead to firm-level upgrading). Empirically, the role of wages and compensation has also been widely debated in terms of its potential to create profitability for the firm. Akerlof (1986) shows that workers that are paid higher wages will as a consequence acquire a sentiment of loyalty for the firm and these feelings may lead them to become more motivated and productive. Additionally, workers can be encouraged to perform well as a result of the potential cost of job loss which is more relevant in S.A with its high unemployment rate and the deteriorating state of the T&C industry (Rossi, 2011). According to Rossi(2011) the business case for ethical sourcing and labour standards is still not sufficiently solid to ensure sustained

commitment from global buyers. “This is strictly connected to the tension that underlies the Global Production Networks (GPN)/GVC between commercial pressures to lower costs and increase efficiency, and social demands to improve labour standards” (Rossi, 2011:69).

In summary, much of the world’s production and trade is coordination through value chains which is explained by the GVC framework. The functioning of GVCs is pre-determined by the governance structure and value chain position a firm operates under. The lead firm dominates the local and global value chain, setting the type of relationship that firms have with their suppliers and the upgrading opportunities firms/suppliers are exposed to. The highlight in this chapter is how economic upgrading does not always translate to social upgrading. The relationship between these two centres on a firm-centric approach to human development which can be defined as ‘strategic coupling’; this ignored the limitations that come from the class conflicts in capital expansion.

CHAPTER 3: INTERNATIONAL AND DOMESTIC CHANGES IN THE TEXTILE AND CLOTHING INDUSTRY

The T&C industry is non-homogeneous in terms of products, firms and workers and all these depend on the nature of the value chain and location of the respective firm. The global production structure varies from low value-add functions normally performed by Cut-Make and Trim (CMT) firms and those in higher value chain operations such as Original Design Manufacturing (ODM). The functioning of these operations is shaped and determined by the on-going changes in the international and domestic markets. Consequently, this chapter will review the various international and domestic changes that have significantly contributed to the changes in the T&C industry and the different actions that have contributed to the fragmentation in this industry. The chapter will also highlight the past and current trends in the industry on a global and local spectrum.

An overview of the changes in the global textile and clothing industry

Structural changes in the T&C industry have been shaped trade agreements, economic policies, technology and the needs of firms in the GVC. "The global dispersion of production within the developing world was further aided by the added imposition of a global regulatory regime, the Multi-Fibre Arrangement (MFA)" (Morris and Barnes, 2014:3). In the early 1970s, the US led the negotiations toward an international agreement on textile and clothing trade. The Arrangement Regarding International Trade in Textiles was reached in 1973, MFA extended restrictions which consisted of individual country quotas applied almost exclusively to imports from developing countries (Francois, Glissman and Spinanger, 2000).The MFA combined all of the previous bilateral agreements and additionally introduced a set of common rules which departed from the basic rules of the GATT of non-discriminatory behaviour towards countries (Morris and Barnes, 2008).

The MFA resulted in various unintentional and trade-distorting effects such as the significant shift of T &C industry production from constrained countries to ones that were temporarily unconstrained during that period (Morris and Barnes, 2008). East Asian firms accelerated in quota-hopping foreign investment extensively aimed to many developing countries' export processing zones (EPZs). These investments were significant in South Asia, Africa and Latin America, several firms from developing countries that had depleted their quotas invested in certain countries to benefit from their quotas (Morris and Barnes, 2008). Foreign direct investment (FDI) significantly contributed to the development to the export-oriented T &C industries in all these countries. In addition to this, the MFA regime has been acclaimed to have contributed to quality upgrading in certain countries (Evans and Harrigan, 2004).

With the entrance of WTO in the space of international trade, in 1994 the MFA was phased-out. Post the MFA phase-out, the T&C industry experienced a decline in production, exports, employment and a various firms extracted their investment and closed production in most SSA apparel export countries (Kaplinsky and Morris, 2006). The global financial crisis (GFC) in 2008/9 accelerated this through the downturn in global demand (Morris and Barnes, 2014). The phase out of the MFA led to the new

regulation of the Agreement on Textile and Clothing (ATC) which was designed to gradually integrate T&C into GATT rules by 2005 by phasing out MFA quotas (Morris and Barnes, 2008). The WTO was officially launched in 1995 under the Marrakesh Agreement replacing the GATT. One country that has created much threat towards developed and developing countries is China, the country has dominated the global T&C sector (Morris and Barnes, 2008). Its dominance has been fought against through various control measures since it joined the WTO in 2001 (WTO, 2001).

Table 1: Top 10 international exporters of clothing

Exporters 2017	Value 2017	Share in world Exports 2010	Share in world exports 2017	Annual percentage change : 2010-2017	Annual percentage change : 2017
China	158	36.7	34.9	3	0
European Union(EU)	130	28.4	28.6	4	11
Extra-EU exports	31	6.2	6.8	5	12
Bangladesh	29	4.2	6.5	10	2
Vietnam	27	2.9	5.9	14	9
India	18	3.2	4.1	7	2
Turkey	15	3.6	3.3	2	0
Hong Kong, China	14	..	..	-7	-8
Domestic exports	0	0.1	0.0	-28	-40
Re-exports	14	..	..	-7	-7
Indonesia	8	1.9	1.8	3	10
Cambodia	7	0.9	1.6	13	8
USA	6	1.3	1.2	3	1
Above 10	**399**	**83.2**	**87.8**	..	..

Source: Extracted WTO, (2018).

The control measures against China's exports were termed the China containment agreements, these set the terms of country's membership into the WTO (Morris and Barnes, 2008). Despite, these attempts to limit Asian countries' penetration into the global T &C market, China and most Asian countries currently dominate the top ten exporters in the world. China is the dominant producer and exporter in the T&C industry; this is mostly attributed to their low wages and excessive labour supply (Morris and Barnes, 2014). Europe and the USA still export a significant level of textile and clothing despite the relatively higher cost of labour. China, the European Union (EU) and India remained the

world's top exporters of textile in 2017, while the clothing industry was continued to be dominated by China, EU and Bangladesh and Vietnam.

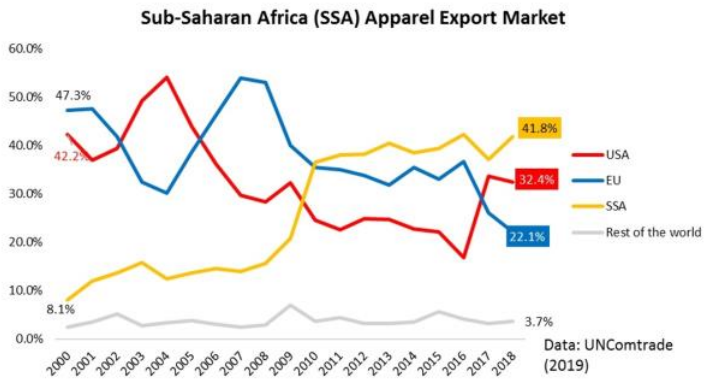
Table 2: Top 10 international exporters of textiles

Exporters 2017	Value 2017	Share in world Exports 2010	Share in world exports 2017	Annual percentage change : 2010-2017	Annual percentage change : 2017
China	110	30.5	37.1	5	5
European Union(EU)	69	27.6	23.4	0	6
Extra-EU exports	21	8.1	7.1	0	5
India	17	5.1	5.8	4	6
United States of America	14	4.8	4.6	2	5
Turkey	11	3.6	3.9	4	5
Korea, Republic of	10	4.4	3.3	-2	-2
Chinese, Taipei	9	3.9	3.1	-1	3
Pakistan	8	3.1	2.7	0	4
Hong Kong, China	8	..	..	-6	-4
Domestic exports	0	0.1	0.0	-15	7
Re-exports	8	..	..	-5	-4
Vietnam	7	1.2	2.5	13	18
Above 10	**256**	**83.7**	**86.4**	..	..

Source: Extracted WTO, (2018).

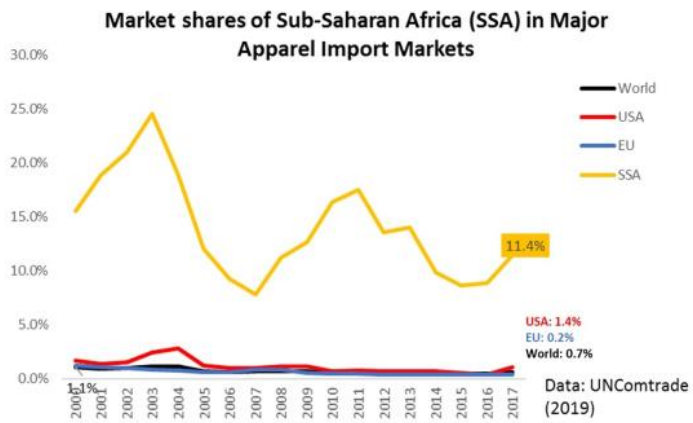
Sub-Saharan Africa (SSA) region is not significant actor in the global T&C industry; however the region has showed low growth but unstable growth throughout years in the global T&C market. The USA has been and continues to be one of the main export partners for the SSA region. Throughout the years as shown in Figure 3 the export market within the SSA region has shown significant growth.

Figure 3: SSA Apparel Export Market



SSA market shares in major import markets has been relatively low throughout the years, the global market imports are largely dominated by imports from countries such as China and Bangladesh. The SSA region however has substantial market share in the SSA import market. The SSA T&C products face intense competition, except for the regional SSA market, SSA countries account for merely 1.4% and 0.2% of total U.S. and EU textile and apparel imports in 2017 respectively.

Figure 4: Market shares of SSA in Major Import Markets



Data source: UNComtrade (2019)

Sub-Saharan Africa (SSA) region is not significant actor in the global T&C industry; however there has been substantial increase in exports resulting from introduction of the African Growth and Opportunity Act (AGOA) in 2000 (Tralac,2019). AGOA is founded on the Generalised System of Preferences (GSP) scheme as it provides certain SSA countries with duty-free access to the U.S market. “The Rules of Origin (RoO) require that clothing has to be made from US fabric, yarn and thread or else from fabric, yarn and thread that is produced in AGOA-beneficiary SSA countries” (Morris and Barnes, 2008:38). The biggest suppliers of U.S. imports from SSA under AGOA during 2010–16 were Kenya, Madagascar, Mauritius, and Ethiopia (Table 3).

All of the countries who currently recorded as the leading exporters in the U.S (table below) are eligible for the classification of the 3rd Country Fabric Rule for Lesser Developed Countries (LDCs). Unlike all AGOA-beneficiary SSA countries, South Africa does not qualify for the 3rd Country Fabric Rule for LDCs ,U.S. apparel imports from SSA are uneven across export countries. "Kenya, Lesotho, Mauritius, and Madagascar accounted for over 90 percent of all apparel imports from SSA in 2016" (TRALAC, 2019:1). Ethiopia and Tanzania experienced the fastest growth rates during this period, recorded at 44.0 percent and 64.7 percent respectively.

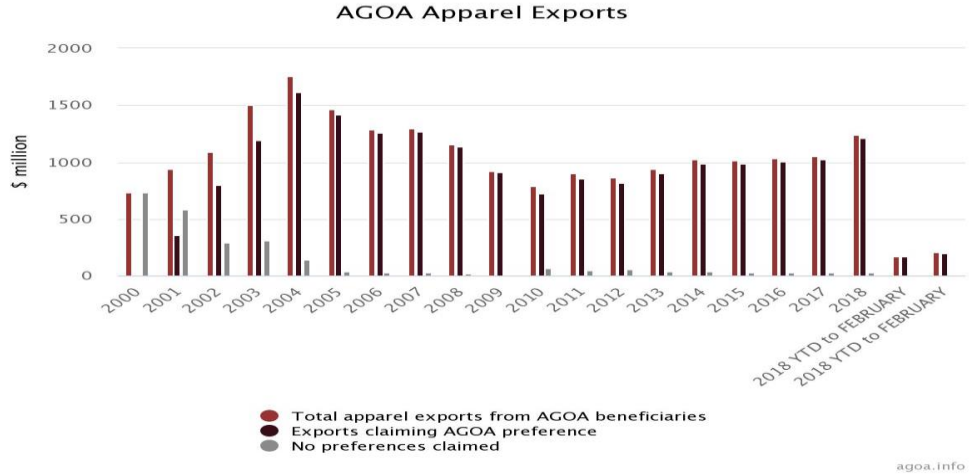
Table 3: U.S. imports under AGOA, by source markets, 2010–16

Country	2010	2016	Absolute change 2010–16	Compound annual growth rate (CAGR) 2010–16
	Millions	$		Percent %
Kenya	221	391	170	10.0
Madagascar	0	94	94	**
Mauritius	118	188	70	8.1
Ethiopia	7	61	55	44.0
Tanzania	2	37	35	64.7
Ghana	2	30	28	56.1
Mauritania	26	48	21	10.4
Lesotho	280	295	15	0.9
Mozambique	*	1	1	**
Rwanda	*	1	1	**
All other SSA	38,024	8,304	-29,719	-22.4
Total	38,680	9,451	-29,229	-20.9

*Source: USITC, (2018). "** CAGR not provided because 2010 value was zero or near zero.*Less than $500,000."*

According to TRALAC (2019) the trade data reveals that clothing exports under AGOA peaked in 2004, the upward trajectory is considered to reveal two important dynamics: "the relative advantage that African producers had over exporters in Asian countries, many of who were subject to apparel quotas under WTO regulations" (Morris and Barnes, 2008:39). However, some of the leading exporters under AGOA experienced competitive advantages brought about through local currency movements, making local products particularly competitive. The GFC in 2008/9 introduced pressure to US imports; this included those sourced from African producers (TRALAC, 2019). However, exports have since stabilised as shown in the chart below, clothing exports under AGOA preference today account for virtually all US-bound apparel exports from AGOA beneficiaries within this sector (TRALAC, 2019). Leading exporters utilising these trade preferences include Lesotho, Kenya and Mauritius. The US is Africa's third-biggest trade partner after the EU and China while Africa attracts only about 1% of all US foreign investment (Business Day, 2019).

Figure 5: AGOA Apparel Exports

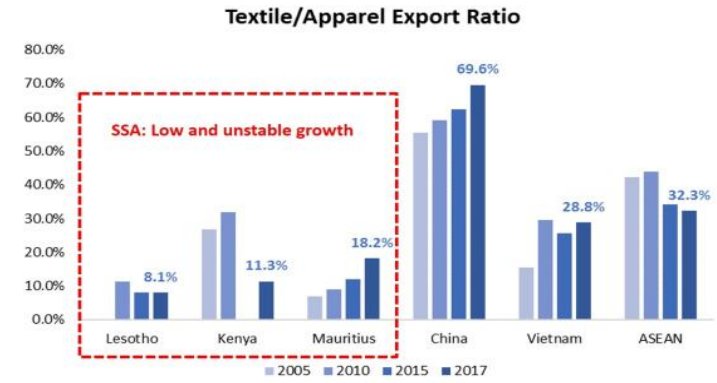


Source: TRALAC, (2019).

A number of countries who have preferential access to the US market have increased employment in economic sectors that benefit from duty-free treatment under AGOA (Morris and Barnes, 2008). Lesotho for example is one of the highest clothing exporters under AGOA; the AGOA benefits have attracted various global firms, resulting to an increase in employment especially for women (Morris, Barnes and Kao, 2016). Despite the positive changes that AGOA has brought upon these SSA countries there is heavy doubt on whether these preferences have been properly translated into transformative change for the country's manufacturing capabilities and overall competitiveness (Morris et al., 2016). While the T&C industry has been recognised for its industrialisation advantages for developing countries, the T&C industries in various AGOA beneficiary countries remain highly under-developed. The production fragmentation in these beneficiary countries has been narrowly focused on the lowest skills with inadequate knowledge transfer to domestic workers and the competitive advantage of AGOA exporters continues to depend on their preferential treatment (Goger, Hull, Barrientos, Gereffi and Godfrey, 2014).

In theory, as a country's economy progresses, there should be a form of upgrading that occurs through producing and exporting more capital and technology-intensive T&C and less labour-intensive products. This has been seen in many Asian countries (such as China and Vietnam), where the textile/apparel export ratio has risen steadily between 2005 and 2017 as shown in Figure 6. In comparison to the low textile /apparel export ratio in SSA it is clear that upgrading has been stagnant , including in Lesotho, Kenya, and Mauritius, the top three largest apparel exporters in the SSA region.

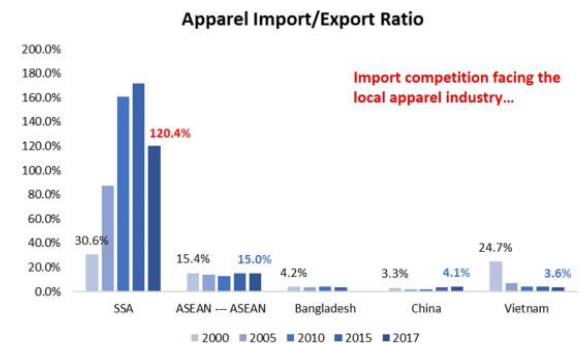
Figure 6: Textile/ Apparel Export Ratio



Data source: UNComtrade (2019)

The SSA region also faces challenges of export diversification and import competition in the both in key export markets and domestic market as shown in Figure 7. The T&C industry in SSA countries is facing growing competition in the domestic market with cheap imports, mostly from Asia. Particularly, SSA countries import more T&C products than they export, a phenomenon seldom seen among developing countries in a similar stage of economic development.

Figure 7: Apparel Import/Export Ratio



Source: UN Comtrade data, (2019).

The most important part of this section is on understanding the impact of global changes and how they have shaped the production and positions of firms in the GVC. This provides a clear view of the SSA region's position in the global market and ultimately S.A's position. In the next section, the focus will be on the changes in the South African T&C industry which should be understood in conjunction with global changes.

The South African Textile and Clothing Industry

The origins of the South African T&C industry can be traced back in Cape Town which later evolved towards the Witwatersrand at the turn of the century through its growth during the 1920s and 30s. The growth in the industry was supported by government's strong protection against imports which resulted in an estimated employment of 50,000 workers in the late 1950s (Nattrass and Seekings, 2012).

In the late 20th century, the S.A government claimed that its "T&C industries suffered from an anti-export bias brought upon by the high import duties on raw material, which hardened the ability of manufacturers to compete internationally" (Breitenbach, 2007:32).In an effort to rectify this, the S.A government introduced the Structural Adjustment Programme (SAP) in the 1980s to stimulate growth in the T&C industry. "The SAP provided tradable duty-free import permits on the basis of export success as a means of reducing input costs" (Breitenbach,2007:32). In 1990, the General Export Incentive Scheme (GEIS) was introduced which "offered textile manufacturers an export incentive based on export value" (Breitenbach,2007:33) This scheme aimed at encouraging exporters of T&C products by attempting to offset the price disadvantage that came with international competition (Breitenbach, 2007).

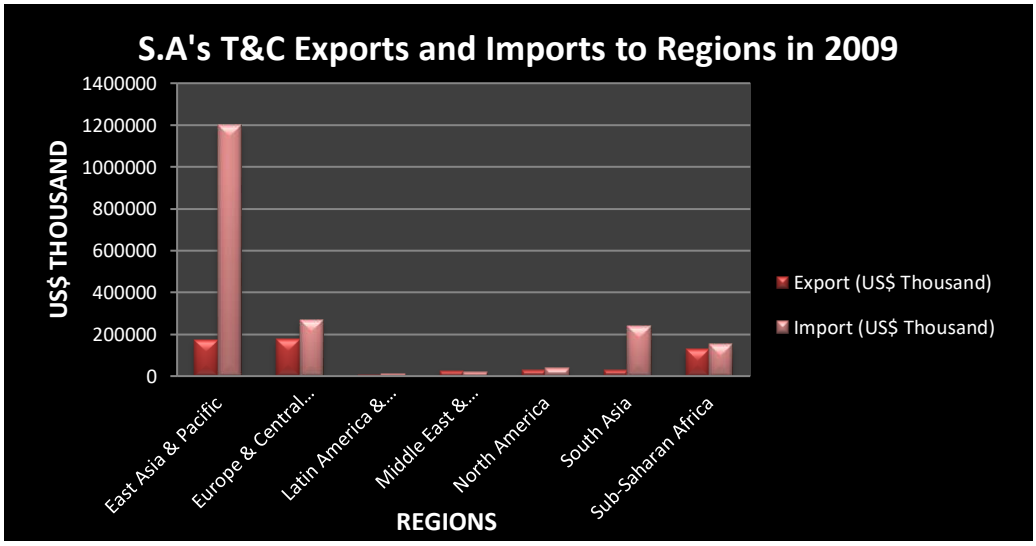
The SAP compensated value added while GEIS compensated beneficiation, these export incentive schemes promoted exports however they still had limitations (Breitenbach, 2007). The GEIS was abolished in 1997 after the SAP which was replaced the Duty Credit Certificate Scheme (DCCS) in 1993 (Barnes,2005).The DCCS was introduced to act as a joining measure post SAP; the objective of this programme "was aimed at boosting manufacturers' export production through providing customs duty rebates on imported inputs" (Barnes,2005:9). Since the rebates could alternatively be traded to any other importer of T&C, this resulted in a majority of the credits being traded to retailers who benefited from discounts and simultaneously imported T&C products (Zalk, 2014). Consequently this led to a decrease in domestic demand which negatively impacted domestic firms worsened by the 2003 Rand depreciation which made most domestic firms uncompetitive. Subsequent to the expiration of the DCCS in 2005 the T&C industries proposed that the Department of Trade and Industry (DTI) should put in place a two-year Interim Development Programme for the two industries, with this programme having the same benefits as the DCCS (Barnes, 2005).

In the same period a new scheme was being formulated as part of the government's Customised Sector Plan (CSP). The significance of the CSP was a public and private partnership which brought together all industry and government stakeholders to recommend, develop and ensure the implementation of the various interventions (Barnes, 2005; Morris and Barnes, 2014). However, according to (Reed, 2012) the CSP procedure had two essential weaknesses. Firstly, it was based on a sectoral view rather than a value chain driven process. "It implicitly assumed global value chains were

driving the industry and hence implied that the key to achieving international competitiveness was successful exporting" (Reed, 2012:116). This point is made in regards to how the country's T&C industry was and to some extent still is largely domestic oriented (Reed,2012;Morris,2011). The procedure of the CSP was affected by various conflicting interests, mostly from business and South African Clothing and Textile Workers Union (SACTWU). The final outcome of the CSP was supported by government and the union but industry stakeholders responded with a lack of enthusiasm (Reed, 2012; Takala-Greenish, 2015).

Additional government interventions conveyed strong support for the union through a two year Chinese quota plan (the China Restraint Agreement of 2007-8) which restricted various clothing and fabric items (Morris and Reed 2008). The main aim here was to promote technological upgrading in the industry operations during this period in order to enable firms to compete with China's imported clothing (Morris and Barnes, 2014). However, this led to more import diversion from other countries that were competitive global producers of clothing (Reed 2012). As it can be seen below, in the year 2009 with a more globalised T&C market and after the GFC; S.A's T&C industry largely imported and exported from the East Asia &Pacific (EAP) and Europe & Central Asia (ECA) regions. The main export destinations countries were China, Italy and the United Kingdom (UK) and the import countries in 2009 were China, India and Pakistan (WITS, 2017).

Figure 8: SA's T&C Exports and Imports



Source: World Integrated Trade Solution (WITS), (2018).

Due to the conflicts surrounding the CSP, it was never adopted and after the 2008 GFC was replaced by the Clothing and Textiles Competitiveness Programme (CTCP) in 2010 (Zalk, 2014). "The CTCP's main objective is to assist industry in upgrading equipment, process, products and people, re-positioning South Africa to compete effectively against other low cost producing countries"(DTI, 2010:1). The CTCP programme carries two policy components, namely, the "Competitiveness

Improvement Programme (CIP), and the core funding mechanism, the Production Incentive Programme" (Morris and Barnes, 2014:17). "The CIP provides 65% grants to individual companies and 75% grants to company clusters. In an effort to achieve higher levels of World Class Manufacturing (WCM) through the cluster approach, the DTI provides competitiveness improvement interventions through the CIP. The PI makes grants pegged at 7.5% of individual company manufacturing value addition" (DTI, 2010:1).

WCM practices and "Quick Response" (QR) have become a global strategy for economic upgrading for firms, in S.A these practices have been widely implemented through the consolidation of the two provincial clusters (Cape and KZN Clothing and Textiles Clusters – CCTC and KZN CTC). "The clusters are aimed at supporting local firms access domestic and certain export markets by promoting globally competitive ,sustainable clothing and textile value chains" (CCTC,2018:3). This is done through the development of WCM capabilities, optimised supply chains and advanced Quick Response capabilities which adhere to market-led requirements and clear commercial business propositions" (CCTC, 2018:3).

According to research by Morris and Barnes (2014) through these interventions firms have been able to upgrade their production processes and retain employment. Based on data of both clusters combined, Morris and Barnes (2014) show the changes in the operational performance between the 2006 and 2012 period. This specifically highlighted in the table below, showing a 28% improvement in the average work-in progress of firms, the reduction of finished goods inventory by 34% which resulted in not only lower costs but also greater operating flexibility (Morris and Barnes, 2014). In addition to this the quality which is calculated based on customer return rates improved by almost 50%. The Cape and KZNCTC has been claimed to have the potential to "sustain 110,697 formal sector jobs by 2022 on the condition of S.A retailers shifting 40% of their total purchases to the QR model" (Morris and Barnes, 2014:16).

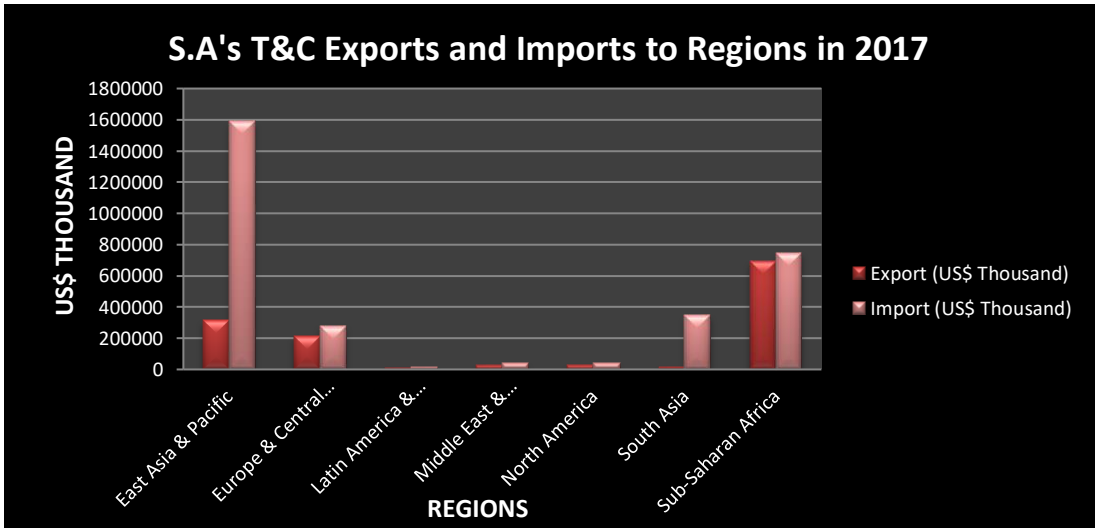
Table 4: Operational performance of CCTC and KZNCTC combined

	2006	**2012**	**%Change 2006-2012**
Total Inventory (operating days)	37.56	30.58	18.58
Work in Progress (operating days)	6.90	4.98	27.74
Finished Goods (operating days)	11.76	7.76	34.07
Customer Return Rate (%)	2.68	1.39	48.04
Lost production time to Style Changeovers (%)	8.36	5.85	30.05

Source: Extracted from Morris and Barnes (2014) based on B&M Analysts' database, (2012.)

According to research by (TIPS) Trade and Industrial Policy Strategies (2017) on average, textiles provided a quarter of employment in CTFL from 2008 to the third quarter of 2017, while clothing accounted for just under two thirds. Based on their data, employment in CTFL decreased by 2 percent from 2008 to 2017 even in years when the industry had reported a growth in production (TIPS, 2017). From the year 2015 to the third quarter of 2017, employment in clothing showed improvement while the other subsectors experience more job shedding. The industry's trade with the rest of the world has seen changes in trading partners but still imports more than it exports. Trade with SSA has increased significantly, while imports from EAP region continue to take lead with a slight increase in exports when compared to data in Figure 9. As of 2017, S.A main T&C export destinations are mostly in SSA in these countries Namibia, Botswana and Lesotho and in the EAP in China. The most dominant import sourcing countries for S.A are in the EAP region from China, in SSA from Eswatini Lesotho and Mauritius, South Asia which is worth the mention as currently an only import partner of India, Pakistan and Bangladesh (WITS, 2017).

Figure 9: S.A's T&C Exports and Imports in 2017



Source: World Integrated Trade Solution (WITS), (2018).

S.A's export growth has been low and unstable; employment in the industry has jointly been unstable over the years with extreme levels of unemployment. These factors clearly highlight a scenario of economic downgrading at a macro level. From the literature explored above, it can be concluded that there are various instances where the relationship between economic upgrading and social upgrading can have a positive and a negative outcome. This was additionally supported through evidence from Capturing the Gains (CTG) national- sectoral research by Goger, Hull, Barrientos, Gereffi and Godfrey (2014) economic upgrading in high road firms was found to be occurring and focused on upgrading to fast fashion, while low road firms were found to be downgrading. QR practices are extremely significant in fast fashion, in S.A high-road firms are able to adhere to the demand of fast

fashion while low-road firms experience further informalisation and liquidations. Social upgrading on the other hand was found to be mixed, those in formal firms have experienced social upgrading while other have been exposed to social downgrading through low wages and poor working conditions (Goger et al., 2014), this will be explored more in the next chapter.

CHAPTER 4: EMPIRICAL STUDY: RESULTS AND ANALYSIS

This chapter will focus on addressing the main research question on the relationship between economic and social upgrading in the Western Cape T&C industry. This will begin with an overview of the dynamics in the T&C industry, highlighting the nature of the industry's value chain and the different conditions firms and workers operate in. This chapter will also through case studies provide more clarity on the following sub-questions: (1) the interaction between GVC and cluster forces in the Western Cape and how this it affect economic/social upgrading (2) the type of economic and social up/downgrading experienced in the selected firms and lastly (3) whether there is pervasive gendered job segregation and whether there are any gender-specific impacts of economic upgrading.

4.1. The South African clothing value chain in the domestic market

The evolution of S.A policy to full liberalisation has exposed the T&C industry to various dynamics that have shaped the structure and functioning of the domestic market. The S.A T&C industry encompasses multifaceted dynamic linkages between producers (who source their products in the domestic and global market) and retail outlets (Nattrass and Seekings, 2013). As previously discussed in Chapter 2, the clothing commodity chain is a classic case of a buyer driven value chain, which gives retailers dominant power over producers in a market highly characterised by increasing competition around production differentiation and branding (Gibbon and Ponte,2005). "Buyers are able to optimise their comparative advantage and where different production locations" (Gibbon, 2008: 185). S.A's domestic clothing market is similar as it is controlled by a powerful retail sector whose market power effectively subordinates the producers (Nattrass and Seekings, 2013; TIPS, 2017).

The roles and functions of different firms in the T&C industry are guided largely by the differentiation in the industry. As research has highlighted, the more complex clothing items which require skilled labour and modern machinery is often manufactured in S.A's metro-areas (Nattrass and Seekings,2013). In these areas, communication between suppliers and retailers is easier and turn-around times are potentially faster. Large S.A retailers such as The Foschini Group (TFG) have in-house design capacity; they have ownership over every single function of their value chain with the ownership of Prestige Clothing factory (metro and non-metro area) and the relationships with a number of CMTs in different regions. Nattrass and Seekings (2013) interviews from industry sources found that metro-based CMT firms normally enter contracts to manufacture high quality items for the top-end market where quick-response manufacturing is required.

Production of comparatively simpler items such as jerseys is usually dominant in non-metro areas where CMT firms use less modern machinery; the workers have low skills and consequently paid lower wages (Nattrass and Seekings, 2013). Simpler clothing items may also gravitate to even lower-

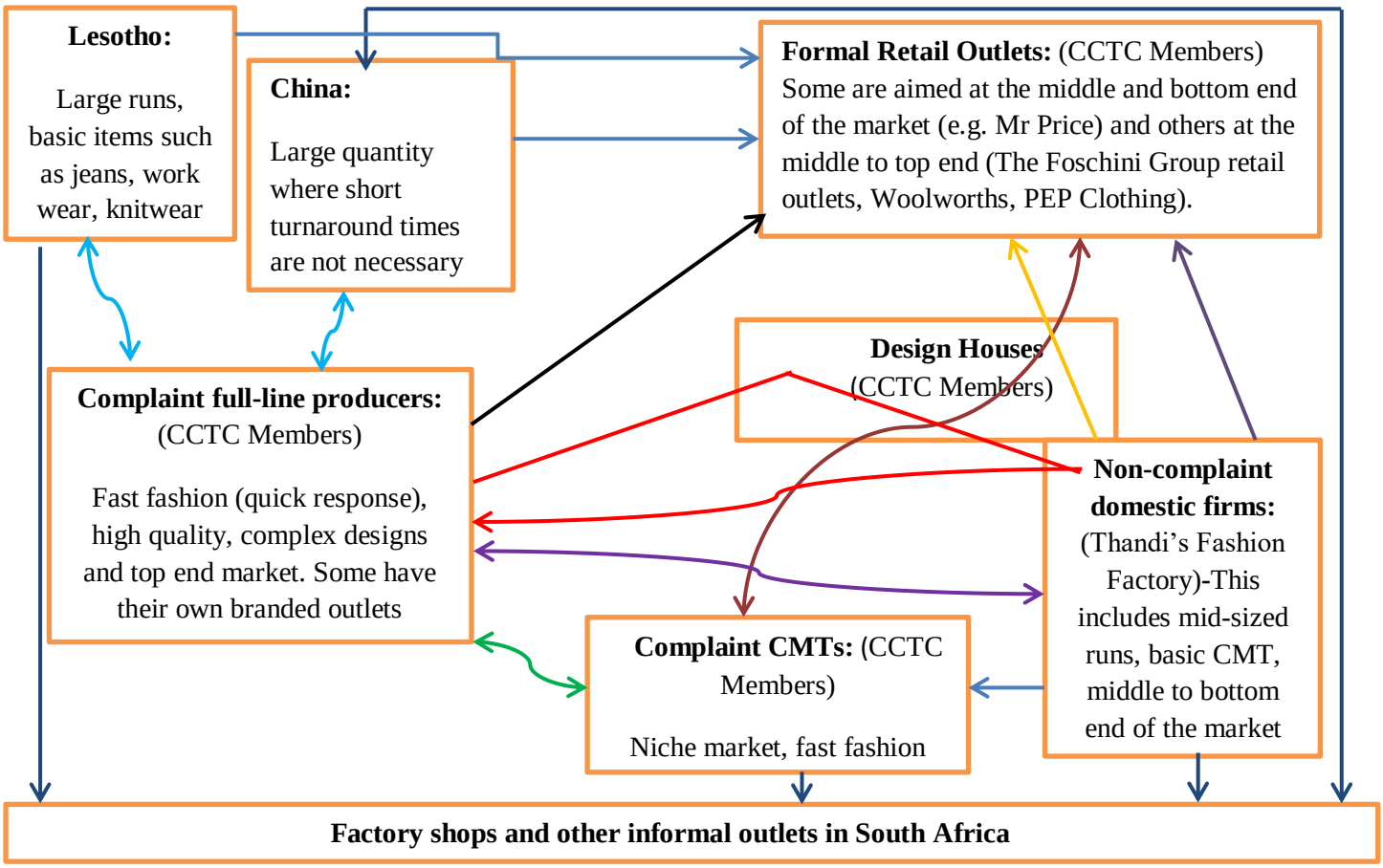
wage neighbouring countries like Lesotho and Swaziland, all these firms supply mostly middle and bottom end of the market where global competition is extreme (Morris, Barnes and Kao,2016;Godfrey,2015). Large clothing companies with full-line production (source materials, in-house design, factory production and retail outlet/branded products) take advantage of regional differentiation through their plant locations (low-wage locations) and purchasing decisions(cheaper imports) (Nattrass and Seekings,2013;Godfrey,2015; TIPS ,2017;Morris and Barnes,2014).

As shown in Figure 10 below, the intermediary between low-wage (often non-compliant) and large retailers was identified by Nattrass and Seekings (2013) to be Design Houses in KZN. Design Houses obtain their designs from global or domestic retailers; they purchase materials and distribute the work to low-wage CMT firms. In my interviews, the owner of an informal CMT, revealed the existence of this relationship, in most instances she was approached by larger firms directly. Research on Design Houses in Cape Town revealed that the relationship between Design Houses and informal firms is oppressive and allows informal owners little bargaining power (Zimba, 2008). However, unlike Manufacturers; Design Houses are not completely powerless against retailers as they have access to pricing knowledge in the industry.

Empirical research presented by Dedeoglu (2010) has revealed the often hidden subcontracting that smaller CMT operations are given by clothing firms. This research has highlighted the cost benefits that large firms receive from this, with the dependence on small CMT operations and home-based work by women (Dedeoglu, 2010). Interviews by Nattrass and Seeking in KZN during 2011 and 2012 revealed that numerous large firms that comply with NBC minimum wages in their factories also subcontract to low-wage firms in non-metro areas such as Newcastle where non-compliant firms pay wages that are lower than the NBC minima (Nattrass and Seekings, 2013). Through interviews I found that the same exists in the Western Cape, as large firms and compliant CMT firms sub-contract CMT operations in Eerste River and Khayelistha to name a few.

Essentially all clothing manufacturers sell their products mostly through major retail chains, with many linked to just one or two value chains (TIPS, 2017).Researchers have observed how large retailers and international brands have significant market power in the clothing industry (Nattrass and Seekings,2012). Consequently, these retailers can significantly hold down prices to local manufacturers, both by shifting to foreign suppliers and by using their dominance of local distribution networks (TIPS, 2017). The figure below gives an overview of the distribution of power between firms (compliant, CCTC (Cape Clothing and Textile Cluster) members, on-compliant firms and Lesotho and China firms. The operation of firms in the value chain further highlights the distribution of upgrading opportunities different firms have access to as these are determined by the resources (human and capital) and networks firms have access to (Kalipsnky,2005).

Figure 10: The South African Clothing value chain



Source: Natrass and Seekings, (2012);Godfrey, (2015).

Retail stores hold a significant amount of power in the value chain, they normally exercise this through the links they have with different manufacturers. Due to the differentiation between manufacturers, they operate under different conditions in the chain. Additionally, due to this differentiation workers are exposed to different working conditions, which are shown by the level of job insecurity workers experience at different levels. The "decent work deficit" is the result of the flexibility retailers having in sourcing clothing through various local, regional and GVCs, these are jobs that lack the characteristics of decent work as defined by the ILO in Chapter 2.As shown in Table 7 below, each type of enterprise offers a certain level of job security for workers (a factor for social up/downgrading), as shown job insecurity normally increases the more firms are detached from the formal chain of product such as Survivalist CMTs (Joynt and Webster, 2011).

Table 5: Types of Manufacturing enterprises and common working conditions for each in T&C

Types of enterprise	Links to the value chain	Workers	Decent Work Deficit
1. Full Package Manufacturers (FPMs)	▪ Connected to value chain ▪ Receive regular orders from large retail chains, branding houses, designers and corporate companies ▪ Registered and regulated ▪ Likely to be CCTC Member	▪ Bargaining Council wages ▪ Regular working hours ▪ Unionised ▪ Mostly local workers ▪ Standard Employment Relationships (SER)	Increasing Insecurity ↓
2.Complaint CMTs(Medium-size and small CMTs)	▪ Linked to a design house, designer or subcontracted by a larger FPM ▪ Usually registered ▪ Operating in smaller traditional factories (often renting space in/close to FPMs) ▪ Likely to be a CCTC member	▪ Bargaining Council wages ▪ Regular working hours ▪ Unionized ▪ Local and foreign workers ▪ Standard employment ▪ relationships (SERs)	
3. Home-based and piecework CMTs	▪ Rely on contracts offers ▪ Registered/unregistered ▪ Supply designers, small retail chains and corporate companies ▪ Operating from private homes/smaller rented premises (far away from FPMs)	▪ Paid per piece (piecework) ▪ Irregular hours ▪ Not unionised ▪ Local and foreign workers ▪ Atypical employment	
4.Survivalist CMTs and microenterprises	▪ Disconnected from formal value chain ▪ Supply small retail stores, street traders and single customers ▪ Unregistered and unregulated ▪ Struggles to access loans or tenders	▪ Low irregular wages ▪ Irregular hours ▪ Not unionised ▪ Moslty foreign workers or old ▪ Atypical employment, often with close-knit ties (family or friends)	

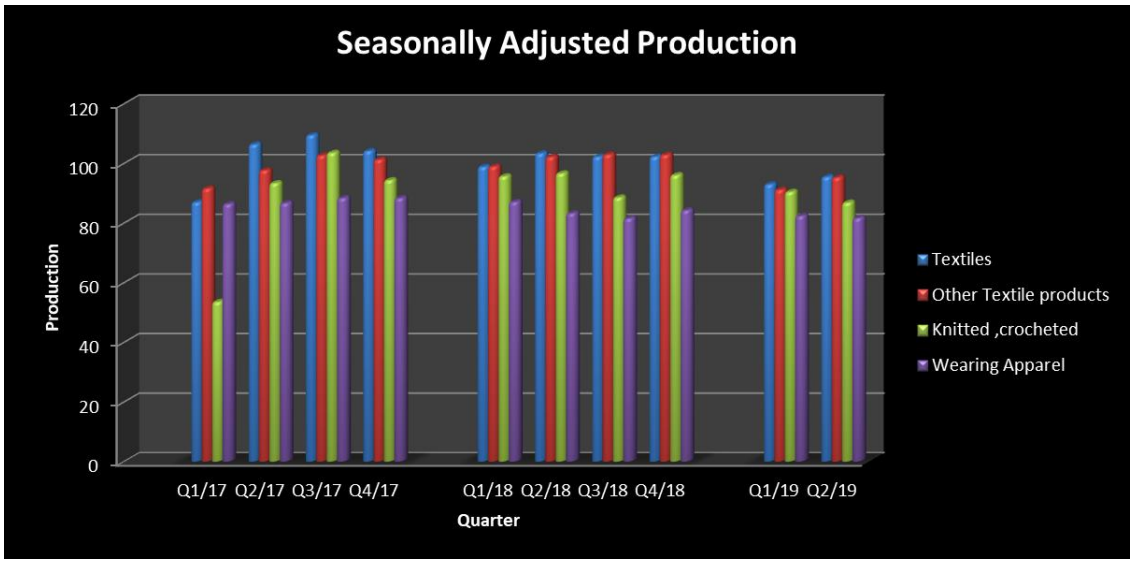
Source: Extracted from Webster and Joynt (2011)

4.2. Production and Employment in the Industry

In South Africa just like in the rest of the world, clothing production is a major employer of women, it is estimated that about 70% of the CTFL (Clothing, Textile, Footwear and Leather) labour force in South Africa are women, more than twice the share in the rest of manufacturing (TIPS, 2017). The contribution of CTFL to GDP has declined since 1994; this also means that the value added of the industry has decreased in the past 20 years, as it decreased from 7% in 1994 to around 3% from 2011

and 2016 (TIPS, 2017). Production in the industry has been unstable for years, as shown in the figure below production in the T&C industry has shown an improvement since the second quarter of 2017. The highest improvement in production was achieved in knitted and crocheted apparel while wearing apparel has been mostly stayed at the same level of production throughout the period from 2017 till the second quarter of 2019. Textile production has also been unstable; as it can be seen from the second and third quarter of 2017 there was an increase in production and subsequently from the fourth quarter of 2017 till the first quarter of 2019 there has been mostly an on-going decrease in the textiles production. The data presented below is only 2.5years and therefore whilst Q2 2017 shows and improvement and the level is similar across 2017-2019, seeking further years of data would expand the validity of the study.

Figure 11: Production in Textile and Clothing by volume



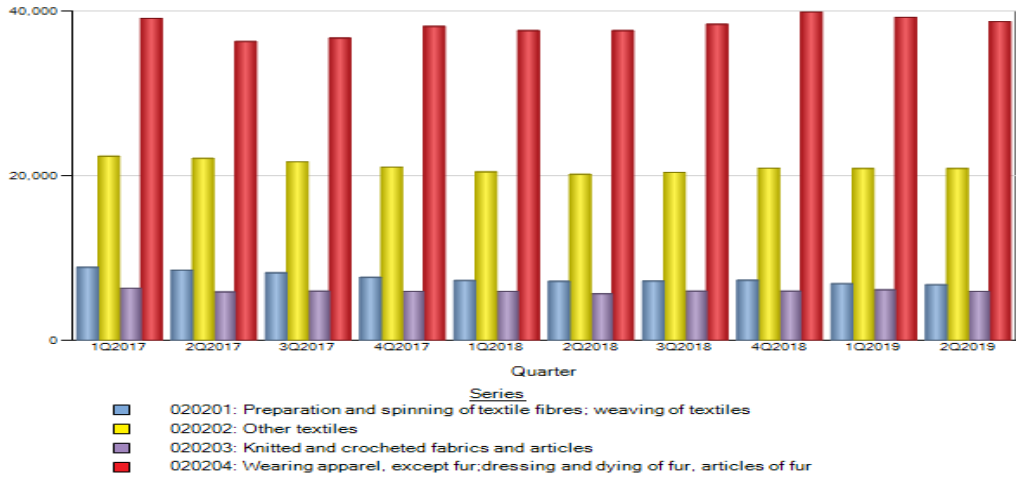
Source: Own tabulation based on Statistics South Africa-Manufacturing: Production and sales reports of relevant year.

Statistics SA's publishes monthly reports on *Production Capacity utilisation in Manufacturing by large enterprises*, these offer insights into the various causes of underutilisation of production capacity in the industry. The underutilisation in Textiles production was recorded to be over 30 percent from 2017 till 2019, the biggest factor of this was attributed to insufficient demand and the shortage of raw materials (StatsSA, 2019). Wearing apparel production output currently holds a production capacity underutilisation of 24, 8 percent. The underutilisation in this division has been mainly attributed to insufficient demand and shortage of skilled labour (StatsSA, 2019). Insufficient demand is a significant factor in the utilisation of production capacity; this may be attributed to lower consumer spending or the influx of cheap imports in the domestic market. The shortage of skilled labour is a significant problem for the Wearing apparel companies; in the interviews conducted during

this research most workers were found to be performing the same job (machinist, knitter) for more than 20 years without any access to skills development. The insufficient skills development in the industry limits social upgrading opportunities for workers but also impacts the industry's production capacity utilisation. Globally, women in manufacturing are underrepresented in high skilled jobs and tend to be over-represented in low and semi-skilled roles (UNIDO, 2019).Workers that were found to have access to skills development programmes were mostly men however, young female workers in larger companies (TFG) have been able to have access to skills development programmes.

Empirical evidence has found that in most female dominated sectors such as T&C "women seem to be preferred as semiskilled assembly operators, but not in any other role" i.e. examiners, machinist (UNIDO, 2019:24). This is referred to as 'gender-typing' which is extremely persistent, however in other instances in my interviews men and women performed the same job (knitters) and possessed the same skills. In the rare case that high-skilled workers were interviewed, they were men i.e. clothing technician, knitting technician. The T&C industry continues to play a significant role in providing female employment; however as shown below the industry has experienced a significant amount of job losses along the years.

Figure12: Quarterly employment in S.A's T&C industry



Source: The DTI based on Statistics SA Quarterly Employment Survey (QES).

According to TIPS (2017), the CTFL industry employment decreased by 2 percent from 2008 to 2017 even in years where the industry reported an increase in production. This can be seen on the production and employment figures from the first and second quarter of 2017, where production from wearing apparel stayed more or less at the same level, while employment decreased in the division, additionally the knitted and crocheted division experienced a significant increase in production but there was a decrease in employment. This could possibly be explained by an increase in sub-

contracting to informal CMT operations, the use of casual labour or a significant increase in overtime by workers.

As shown above, the majority of employment and job losses in the T&C industry are in the wearing apparel division. Clothing production happens in formal and informal settings (micro and home production); employment in the informal sector is underrepresented in official statistics. This has also been confirmed by Simon Eppel, as he claims that most people who lose their jobs usually end up working in home production (behind someone's garage or in their home).According to Godfrey (2015) informal employment is normally characterised by numerous factors of social downgrading (i.e. lower wages, unsafe working environment, intense job insecurity). SACTWU has been set on decreasing the existence of this kind of operations and drive compliance to the minimum wage with the help of the National Bargaining Council (NBC) since its establishment in 2002. According to Natrass and Seekings (2013), this has led to the closure of firms resulting in a destruction of labour-intensive jobs in the industry, especially in non-metro based areas which cannot afford to pay the NBC minimum wage.

Metro-based firms are mostly described as skills and capital intensive, as shown in the table above metro based firms are assigned higher minimum wages than non-metro based firms. Comparing the number of compliant companies on the 2018 and 2020 NBC list has shown that there has been a decrease in total number of national compliant firms; they decreased from 347 to 340 between September 2018 and February 2020. As shown in the table below, KZN is the only province that has had an increase in the number of compliant firms while the Western Cape has experienced the most significant decrease. Since majority of clothing firms are in metro areas, this may imply that there has been an increase in non-complaint metro-based clothing firms or more liquidations in the industry. Shane Godfrey (2018) research on the T&C industry highlights an improvement in compliance levels when comparing it to September 2004 figures. This was also unfortunately accompanied by a significant decrease in the workers employed in these firms. This supports the arguments of job losses by Nattrass and Seekings (2013).

Table 6: Number of NBC complaint firms

	September 2018	**February 2020**
Western Cape	125	112
KwaZulu-Natal	104	121
Northern Cape	108	103
Eastern Cape	10	4
National	**347**	**340**

**These figures reflect only establishments known to council inspectors, irrespective of compliancy.*

Source: National Bargaining Council for Clothing,(2018);(2020)

A Southern African Labour Research Institute (SALRI) researcher interviewed claimed that firms that claim to be unable to pay the minimum wage are sometimes not being completely transparent; firms have access to exemptions through the Department of Labour (DOL). These exemptions will allow the firm to pay wages below the legal minimum wage if the DOL can confirm that the firm cannot afford to pay the wage and workers also agree. Additionally Godfrey (2018) highlighted in his research how there was a large amount of KZN firms who did not apply for exemptions and would rather risk operating illegally. Arguments from Nattrass and Seekings (2013) oppose the enforcement of minimum wage compliance on non-metro based firms as they produce for the lower-end market and provide the much desired employment by low-skilled and poor workers.

Table 7: Minimum Wages in metro and non-metro areas

Wage Category(per week, unless otherwise stated) by location and profession	***Metro Areas**	***Non-Metro Areas**
National Bargaining Council Minimum Wage Clothing	R2462.37	R1863.37
Minimum Wage Textiles (Grade 1 workers)	R21.38/hour	R21.12/hour
Cape Town - Clothing		
➢ **Cutting Department**		
• Pattern Maker	R2433.50	R1841.00
• Pattern Grader	R1963.00	R1521.00
➢ **Factory Operatives**		
• Clothing machine mechanic	R2433.50	R1841.00
• Clothing technician	R2433.50	
➢ **Clerical employees**		
• Despatch packer	R1219.50	R1005.50
• General Worker	R1141.50	R 950.00
Cape Town -Knitting		
• Store man	R2315.00	
• Mechanic /Dyer	R2405.40	
• Final Examiner of fully- fashioned garments	R1546.30	
• Knitting Machine Operator	R1514.20	
• Sewing Machinist	R1321.20	
• Seamer, Examiner of knitted fabrics and articles, Former	R1261.60	
• General Worker	R1085.90	

*Wages for employees on the 0.5% Productivity Incentive (PI) Scheme

Source: National Bargaining Council (NBC) for the Clothing Manufacturing Industry, (2019).

The financial performance of firms in the industry is always used as one of the main arguments for the non-compliance of firms. As it can be seen in the below table, the industry was considerably stable during 2006-8 , however 2009 came in with a significant decline more specifically in sales which decreased by 20 percent and employment 15 percent (Morris et al.,2011). Consequently, Capital expenditure (Capex) and Research and Development (R&D) spend was reduced in 2009.According to

Morris et al., 2011 even though training expenditure stayed consistent total remuneration decreased in line with decreasing employment.

Table 8: Financial sustainability of firms in the automotive, clothing and textile industry

Component Manufacturers	**n**	**2005**	**2006**	**2007**	**2008**	**2009**	**Avg. 05-8**	**Avg. 06-9**
Sales(indexed, inflation adjusted)	61		100	107.69	105.43	85.03		
Value added (indexed, inflation adjusted)	59		100	97.64	98.25	94.61		
Employment	65		100	104.42	100.51	87.92		
Operating profit (% of sales)	57		10.89	9.21	9.29	8.83		9.55
ROI %	47		20.09	18.05	14.24	18.67		17.76
Capex (% of sales)	61		4.98	5.55	4.88	3.25		4.67
Training spend (% remuneration)	60		1.72	1.92	1.82	1.89		1.84
R&D expenditure (% of sales)	52		0.58	0.57	0.73	0.67		0.64
Clothing Manufactures								
Sales(indexed, inflation adjusted)	24		100	100.06	93.47	75.19		
Value added (indexed, inflation adjusted)	21		100	115.41	93.83	86.90		
Employment	24		100	100.96	97.26	82.39		
Operating profit (% of sales)	23		6.00	6.06	5.54	4.08		5.42
ROI %	15		5.08	9.28	9.64	2.98		6.74
Capex (% of sales)	23		1.45	2.54	0.97	0.35		1.33
Training spend (% remuneration)	22		1.60	1.47	1.41	1.17		1.41
Product development spend (% of sales)	20		1.76	2.07	2.10	1.81		1.93
Cut Make and Trim operators								
Sales(indexed, inflation adjusted)	19		100	99.90	99.22	93.08		
Employment	20		100	95.74	98.17	106.82		
Operating profit (%)	16		11.27	11.89	9.73	12.29		11.29
Capex (%)	20		3.20	2.23	2.28	2.66		2.59
Training spend	18		3.20	2.99	2.86	2.29		2.89
Textile Mills								
Sales (indexed, inflation adjusted)	12	100	99.30	96.34	85.96		95.40	
Value added (indexed, inflation adjusted)	10	100	95.52	97.15	81.82		93.62	
Employment	12	100	102.01	96.12	88.28		96.60	
Operating profit %	10	12.54	11.12	8.28	5.37		9.33	
ROI %	6	8.41	7.39	4.39	2.58		5.69	
Capex %	11	3.01	3.39	5.87	2.80		3.77	
Training spend	11	1.68	1.05	1.77	1.38		1.47	
R&D spend %	9	3.58	4.00	4.51	1.79		3.47	

Source: Morris, Barnes and Morris, (2011) extracted from B&M Analysts database

The decline of S.A's T&C industry has been attributed to various interlinked factors but it can be argued that there is not one single influence or stakeholder can be branded as a dominant factor in the industry's decline (Takala-Greenish, 2015). The most common factors have been linked to trade policy and agreements, employment relations and structures, and also production across the value chain or production network. According to Takala-Greenish (2015) despite the policy funding and the established production base provided to the T&C industry, there has been an on-going decline since the 1980s. As seen in the table above and supported by Takala-Greenish (2015) research, there has been a decline in employment, investment, value added and real output. Investment by T&C manufacturers significantly decrease this can be seen by the decrease in Capex, R&D and training spend from 2006-9. This can be attributed to the significant decrease in operating profit during the years. However, CMTs showed an improvement in operating profit in 2009, and an increase in capital expenditure but a decrease in training spend. The limitation of the data cannot help clarify if firms who in invest in training or R&D also see better performance in terms of sales and profit, there is no clear relationship.

In the last decade approximately 120000 jobs have been lost, with the introduction of the Clothing and Textile Competitiveness Programme (CTCP) the CTFL (Clothing, Textile Footwear and Leather) sub-sector currently employs 95,000 workers, contributing 8% to manufacturing GDP and 2.9% to overall GDP. In the leather sector 22 new factories have been opened, supporting 2,200 jobs (IPAP, 2019).According to IPAP (2019:20), "manufacturing value addition for companies receiving the incentive has grown by 60.8% and productivity by 22.3%." The introduction of CTCP has assisted in the establishment of two national and eight regional clusters, providing a platform for cooperation between government, labour and the textile and clothing manufacturers and retail value chains. This has assisted in the development of a robust market in fast-turnaround, quick fashions items (IPAP, 2019). The CTCP programme has acted as a support mechanism for a number of firms and clusters[1] as can be seen through case studies of firms that have achieved economic upgrading from CTCP funding.

However, due to the lack of data on the overall impact of the CTCP, this cannot be definitive and conclusive finding. There have been other support mechanisms such as WISP (Western Cape Industrial Symbiosis Programme) in Cape Town since 2013 which could have assisted firms in the industry. Firms are able to get funding as independent entities and as members of one of the two clothing clusters such as the KZNCTC and CCTC. The CCTC is an integral part of the Western Cape T&C industry with 35 member-firms along the value chain; more specifically the members include CMTs and the biggest players in the industry such as TFG, K-Way Manufacturers and Prestige Clothing as Clothing members. All member firms are compliant to NBC agreements and are mostly

[1] Case studies can be found on : http://www.ctcp.co.za/

based in metro areas of the Western Cape. The CCTC, guided by B&M Analysts has reported consistent economic upgrading of firms in the Western Cape cluster with focus on improving members' adapt to Lean Manufacturing ,Quick Response Methods and Export Promotion. The success of CCTC programmes is measured through the average performance improvement experienced by participating firms. This is shown in the table below, the CCTC member firms experienced operational performance improvements across all categories.

The firm has also improved their employment levels and remained compliant to minimum wage rates, consequently contributing to social upgrading of the T&C industry workers. The main focus of the table below is on the performance of firms rather workers' social upgrading, this form of upgrading normally falls to the firm's responsibility rather than firm. Firms usually receive assistance from the PIP funding and a Fibre Processing and Manufacturing (FP & M) SETA bursary to train their workers but this hardly translates to complete social upgrading for those workers (Vika, 2016)[2].

According to the CCTC Chairperson

"I am proud to report that many of the CCTC member firms, especially those that tend to participate most in our activities, have shown exceptional growth in both sales and employment numbers. Most notably, across the 10 firms that have been participating in the DTI-funded/IDC-administered Competitiveness Improvement Programme (CIP), over 1000 new jobs have been created since the inception of the programme in 2016."

Table 9: Performance Improvement of CCTC firms (2014-2018)

KPI	UNIT	BASELINE*	LATEST**	% IMPROVEMENT
Sales	Indexed CPI-adjusted manufacturing sales	100	134	**34%**
Employment	Average Full Time Equivalent (FTE)employees/firm	274	369	**35%**
Quality	Average internal rework/repair (%)	5.4	3.9	**26%**
Reliability	Average on-time and in-full customer delivery	91.5	93.6	**2%**

[2] Research by Vika (2016) on complaint firms revealed that most firms in the Western Cape received training from the CPUT Technology Station for Clothing and Textiles. CPUT found that the workers would get trained but would never be placed in positions that would enable them to use their new skills. CPUT has since changed its approach and now makes a skills assessment of every firm prior to training to ensure that the training offered is appropriate to the firm needs so as to improve processes. There is however no evidence of whether this improves worker's social upgrading in terms of wages or other working conditions.

Commitment	Average labour turnover rate, excl. salaried staff (%)	6.8	6.3	**9%**

*2014 or earliest subsequent year if 2014 data not available

**2018 or latest prior year if 2018 data not available

Source: B&M Analysts' database, (2019).

The overall economic performance of the firms has shown improvement through a significant increase in sales of 34% above inflation between 2014 and 2018, accompanied by 35% increase in employment. In addition to this, average labour turnover improved by 9% showing employee-retention. There is also a recorded improvement in the quality of products highlighting improvement in process upgrading. Lastly, time to market has also improved, shown under the reliability KPI which has improved by a slight 2%. The emphasis on lean manufacturing has helped firms achieve a level of production and process upgrading as shown by the improvement in internal rework or repair of products this has also been supported by research from Christie (2016). Research by Chrisitie (2016) has also found that certain firms' lead times improved and technology innovation has improved the production processes. Even though these firms do train some of their worker, some with the help of the cluster and government funding all firms still complained that their workers either lacked technical or managerial skills (Christie, 2016).

From the interview with the DTI official ,it is clear that funding has been able to help compliant firms upgrade their processes; however this funding represents a double-edged sword for non-compliant firms as they are condemned to a vicious cycle of non-compliance or certain liquidation and their workers accept low-wages and poor working conditions due to high unemployment (Godfrey, 2018). The DTI representative agreed with this point and acknowledged how this hampers the economic upgrading opportunities of non-compliant firms and how this may push firms and their workers to a locked-in and labour exploiting position in the value chain (Morris and Barnes, 2014).

This section has provided an in-depth view into S.A's T&C industry, highlighting the interconnectedness and disconnect between the formal and informal value chain. Most importantly I took a look back at the performance of the T&C industry in terms of production and employment. This section was aimed at providing insight into the GVC and cluster forces interactions and the impact these interactions have on economic and social upgrading in the industry. In the next section I will be focusing on the case studies with the aim of exploring the type of relationship that exists between economic and social upgrading in the different firms.

4.2. Case Studies

This section will be solely focused on highlighting the different findings in each case study firm according to the commercial and social drivers of economic and social up/downgrading. This part of the study takes the basis of using the different drivers to highlight the different conditions of economic up/downgrading of firms and social up/downgrading of workers in each specific firm.

Case Study 1: Cape Mohair (Textile firm)

In 1991, Cape Mohair started out small, making socks from a combination of mohair and wool. As the market grew, so did Mohair. The firm operates from 'state of the art' facilities in Elsies River and supports 130 jobs. The product range has grown over the years to include leisure socks, medical socks and outdoor sport and adventure socks – each made from different combinations of bamboo, cotton, mohair and wool fibre. Cape Mohair has been successful in its niche market and is currently regarded as the largest mohair sock manufacturer in the world. Cape Mohair currently supplies the local and export market mostly to European countries.

There were a total of 12 workers interviewed, the details of the different participants is below:

Table 10: Workers interviewed in Cape Mohair

Gender	Race	Role/Job occupation	Permanent/Casual
MW1	Coloured	Design and Development (Management)	Permanent
FW2	Coloured	Knitter	Permanent
MW3	Black	Knitter	Permanent
MW4	Coloured	Knitter	Permanent
FW5	Coloured	Knitter	Permanent
FW6	Coloured	Examiner	Permanent
FW7	Coloured	Former	Permanent
FW8	Coloured	Linker	Permanent
FW9	Black	Examiner	Permanent
FW10	Coloured	Examiner	Permanent
FW11	Coloured	Former	Permanent
MW12	Coloured	Store man	Permanent

*FW (Female, Worker No.) MW (Male, Worker No.)

1. Commercial drivers of Economic Up/down-grading

The company is recorded to have an annual turnover of R30m; it sells mohair blankets and specialist medical socks, about 500,000 pairs a year. Anuva Investments purchased 46% interest in Cape Mohair which also involved the purchasing of new working capital and modern machinery. This led to the Cape Mohair's expansion through acquiring Impahla Clothing factory based in Elsies River which was liquidated in 2017. The Cape Mohair manager interviewed attributed the liquidation due to their supply chain process which was fully dependent on retail stores such as Foschini, MR Price. Their reliance on numerous retail stores exposed them to squeezed margins leading to the operations' liquidation. As a counter measure from this, when Cape Mohair management assumed ownership of the Elsies River operation, they reduced the number of retail stores they supply too to leverage on their margins.

According to Anuva co-founder Neill Hobbs "*at the time before the acquisition, the company (Cape Mohair) was struggling to meet demand(limited labour supply and machinery), so the deal provided it with a chance to move to bigger premises and buy more equipment."* This deal has introduced new possibilities for Cape Mohair, such as the real possibility of geographical diversification into other economies. An estimated 60 jobs were either saved or created with this investment as Cape Mohair has also taken in Impahla Clothing workers.

Cape Mohair has over the years, through experimentation, wearer trials and through machinery upgrading developed knowledge capital on the technical processes and fibre capabilities in working with mohair. The firm additionally established Cape Mohair blanket factory founded in Plettenberg Bay and expanded into weaving. This factory is owned by Cape Mohair management but has separate operations from the Cape Mohair socks in Elsies River. The value chain upgrading therefore exposed Cape Mohair as an entity to greater opportunities and contributed to employment that did not include workers in the socks production.

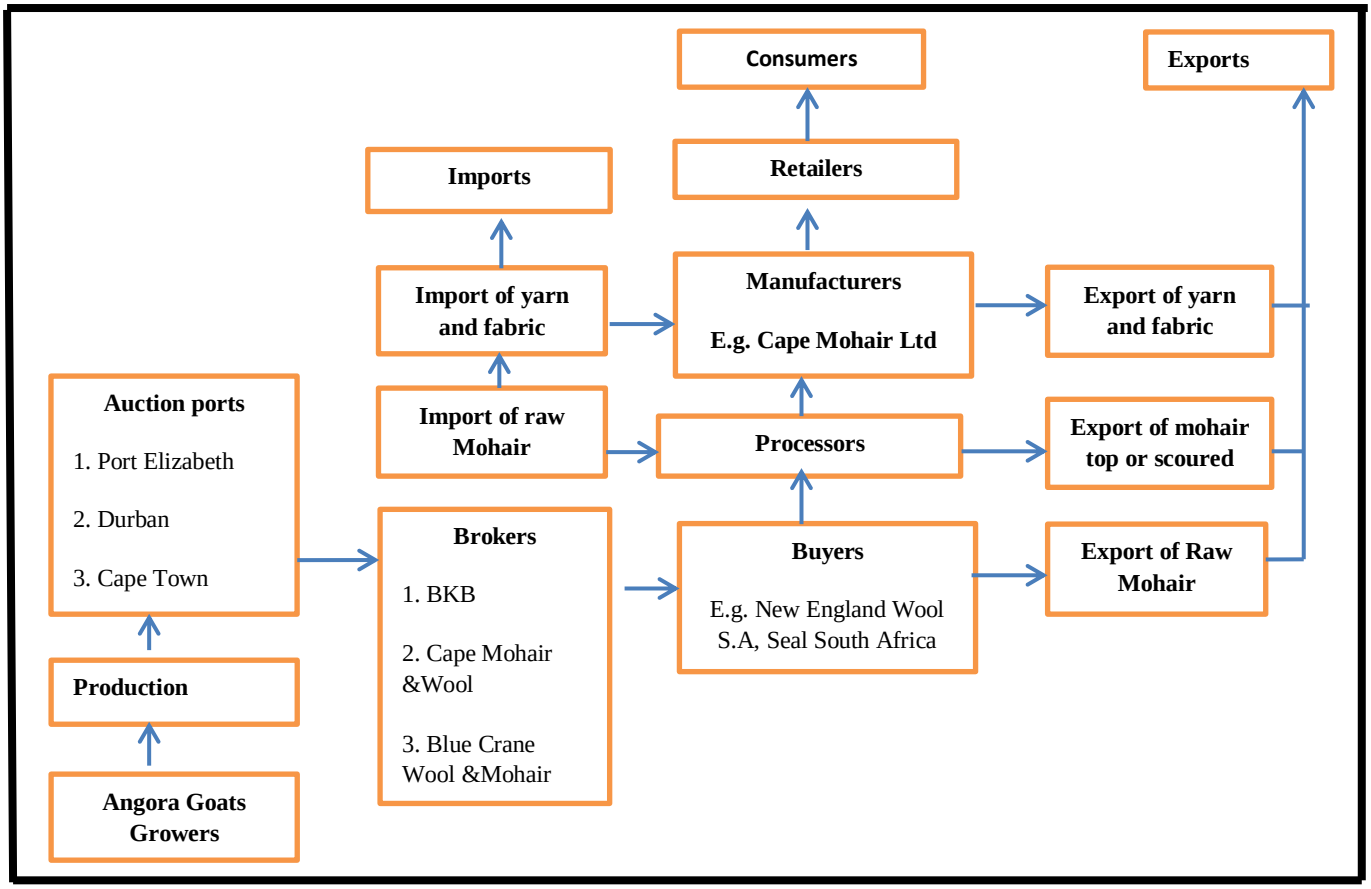
• Nature of GVC and location of firm

According to Hobbs "with access to equity funding, Cape Mohair is able to use this expansion capital to grow and add value in realising its vision in becoming the world's premium mohair sock manufacturer." Cape Mohair currently is the only company in the Western Cape that is a manufacturer of Mohair socks. According to Hobbs besides the difficult economic challenges, retailers have caused a significant challenge for local manufacturers, as described by Hobbs to be "upping their margins by squeezing manufacturers — forcing them to lower their prices to a level that is just not sustainable and looking to import cheaper products from the East." This impacts the quality available to customers and also impacts the level of pay and job creation for workers.

Below is the South African Mohair value chain, Cape Mohair value chain is shown under the Manufacturer. The Production Planning Manager states that they purchase their yarn and fabric from

Processors and then distribute their finished products to different Retailers and Export markets. As shown below, Cape Mohair is dependent on Retailers for the successful distribution of their products to their customers.

Figure 13: The South African Mohair value chain



Source: Department of Agriculture, Forestry and Fisheries, (2016).

2. Commercial drivers of Social up/down-grading

•Cost (wages, transportation, time-non-commercial work)

The wages in Cape Mohair are relatively much better than the ones found in the informal firms as it is complaint to the National Bargaining Council which enforces minimum wage agreement. All of the workers interviewed are permanently employed and work 8 hours a day. The firm had a sluggish performance and this was felt by the workers.

One of the workers FW6 *"Business has been up and down, it's not the best place to work but it is good. There were some problems, I think maybe they didn't pay the provident fund but I think that's because of the economic conditions"*

All workers sometimes work overtime when required but they have a choice in this as it depends on their availability and need for money. When they work overtime it is usually on Saturdays which take

time off their spent with their families. The workers interviewed stay relatively close to work, with some staying around Elsies River, while the rest stay in surrounding areas less than 10 km away from Elsies River. The cost of transportation therefore is more than R30 a day; this is less than more than the minimum wage hourly rate in the textile industry as shown in Table 5.

As FW6 said *"Sometimes I don't feel like overtime because if you wanted to work overtime you would get you a Monday to Saturday job, sometimes, it's not nice but sometimes you need the extra money, you know"*

Most of the workers receive additional social grants income from government which is helpful with expenses. Cape Mohair workers also receive an increase every September (annual increase) as per NBC agreement. One of the workers FW2 coincided with the 8hours work shift with a tea and lunch of 15 minutes of all the workers and further stated the amount of non-commercial work at home as she stated that *"when I get home I still have to clean and cook."*

The Female workers have access to unpaid maternity leave which is duration of 6 months; in addition to this most of the female workers have access to social grants as well which helps their normal monthly income. Other female workers have no access to social grants because they do not qualify as their partners are also working.

•Technology and Skills Development

Of all the 12 workers interviewed in Cape Mohair 4 were Males ,one of them was part of management MW1 who works under Design and Development and has worked in this division for last 20 years was the only one who has received any technological and skills development related to his job occupation. In 2014 he went to Italy for a skills development programme, MW1 *"I got my technician certificate from Italy, for this company I went in 2014."* MWI began his career as a knitter, after acquiring his technician certificate he became a technician, he is currently part of management and occasionally trains incoming workers.

From the rest of the workers they were two groups, one group of workers that have gone for First Aid, Health and Safety and Fire fighting courses which they regarded as skills development programmes when I asked them about it. In my view this is not a skills development programme, safety training is significant but does not contribute to the improvement of their job-related skills. The Manager interviewed stated that the workers do not receive training because they do one job (e.g. knitting socks). However, annually they bring in recently matriculated students who receive training and then get assigned machines to work on as knitters. The second other group of workers were either currently registered for courses (Accounting, IT) or pursuing their Matric certificate, all of these are self-funded.

FW6 "I am doing my Matric you see, and I have one subject left, I can't go anywhere without matric." MW4 On the other hand is currently enrolled in an IT course "*I don't want to work in this industry for long, I have matric, you see."*

The majority of the workers have done the same job in different companies with work experience in the company ranging from 20 to 30 years. Other workers have moved from extremely low paying jobs in the fast food industry and cleaning work and currently work the simpler jobs in the factory (Former-ironing the socks ,Examiner-examine and check quality of the socks) and they mostly move from being a Former to an Examiner. As seen in Table 3, Formers and Examiner are supposed to get the same level of wages, unless one is a Final examiner which is better paid. This was seen with FW6, FW7 and FW11.

3. Social Drivers of Social up/down-grading

•Working conditions

All workers interviewed have agreed that they are able to voice their opinions at their workplace, through talking to the shop steward and supervisors. In my assessment, I don't think this is true for everyone, upon engaging with a group of the female workers during their tea break it was clear that there are things that are not fully spoken on.

None of the workers interviewed had at any point working in the firm experienced work-related injuries or pains. The gender compilation in different job occupation does not seems to carry any gender segregation, I found female and male workers in Knitting, Forming and Examining (Quality Checking). However, in the more technical jobs there are relatively more men, the females interviewed state that they feel that they are treated equally to their male counterparts. The workers opinions mostly differed in terms of Trade Union representation, some workers feel they are well-represented by the Union and they receive support from the shop steward. I was unable to interview the shop steward, but there was no evident special treatment of the shop steward in Cape Mohair.

Empirical research on shop stewards in S.A has highlighted that shop stewards usually feel that they are powerless in decision-making processes, which is worsened by the lack of trust that often exists between management and shop stewards. Other workers, either felt as though they could not comment since they had not had issues that needed their services. Four of the workers interviewed felt as though they were not well represented, examples are as follows:

FW2 *"I can't say that really, for this company there's no support even from the shop steward also"*

FW7 *"I can't fully trust them"*

FW11 *"They don't represent us as well as they used to"*

MW12*"No, not really, there are more on the bosses side than on the workers"* Why do you say so? *"They go first by the bosses to find out what is the problem before they come brief us"*

Despite this workers do believe that there are more benefits for workers these days in the industry, in terms of health care and the health and safety in the working environment. Others such as FW9 believe that they are given a platform to voice their opinions. In addition to this, most of the workers do feel that their jobs are secure in this company as they are currently not impacted by short-time like other workers in the industry.

4. Social drivers of economic up/down-grading

- ***National and regional industrial policy***

Cape Mohair is a member of The South Africa Mohair Cluster (SAMC), this is an official body empowered by the DTI to manage and facilitate funds to achieve prosperity and sustainability in the S.A's Mohair sector specifically. Much like the CCTC, SAMC benefits from the CTCP through funding for upgrading of processes and technology with the aim of improving the competitiveness of firms in the mohair industry. The SAMC supports all value chain participants from farmers, manufacturers and brokers through advise, expertise and funding.

The Manager interviewed had limited knowledge about the extent of support that the cluster has provided to the business specifically, but confirmed that the firm is a member and they have received funding before.

Case study2: Thandi Fashions Clothing Factory (Clothing CMT)

TFC is located in a suburb known as Eerste River; the firm has been operational for the past 10 years with a sole owner. The owner is a designer by profession, the business was sold to her by a person she knows from the industry. The firm was firstly based in a more up suburb area where most clothing firms are based, Maitland, Cape Town. The factory originally started with appropriate machinery in abundance and a suitable amount of workers. Over the ten years the factory has moved to Eerste River, in an Industrial Area surrounded by automotive workshops. The firm began as a CMT for various big businesses; Thandi Fashions has worked on a variety of well-known labels i.e. (Stellenbosch University, Baby First, Foschini, Springboks, and Freedom of movement). Currently the firm mostly supplies school-wear to a few surrounding schools and women's clothing.

The factory currently operates with one old knitting machine, four sewing machines with most workers doing more than one job, which is normal for small CMTs. Below is the current employment structure in the firm.

Table 11: Thandi Fashions' Employment Structure

Gender	*Race*	*Role/job occupation*	*Permanent/Casual*
FW1	Coloured	General Worker (cleaning, administration work and cutter)	Permanent
FW2	Coloured	Cutter and Shaper	Permanent
FW3	Coloured	Machinist	Casual
FW4	Coloured	Machinist	Permanent
MW5	Coloured	Knitter, Knitting mechanic and Knitting technician	Permanent
FW6	Coloured	Machinist	Casual
FW7	Coloured	Machinist	Casual(working home)

*FW (Female, Worker No.) MW (Male,Worker No.)

1. Commercial drivers of Economic Up/down-grading

•The firm's overall performance

The firm began with a stable amount of business as they undertook Cut-Make and Trim work for different companies, this allowed them to produce a wide range of products. After one of their biggest clients closed down, they had less work and struggled to pay wages.

"Business was good for the first 6 months; we had a lot of work, put in a lot of overtime. I didn't make a lot of money but I could pay my workers."

During the 10 year period, the owner of the firm has incurred debt and has had difficulty with paying for machines, rent and wages. This has been due to the slowdown in demand which has been caused by the loss of clients due to bigger firms closing down and not being able to compete with other small CMTs in terms of price. This has led to the factory being forcefully closed by the property owner until she could secure a certain amount of payment. The struggle of making payments has been a consistent factor for the CMT, the owner constantly struggles to pay wages, and this has resulted in moving to a cheaper location and a significant amount of job shedding over the years. The firm has experienced a significant decrease in demand; this has led to what workers in the industry call "short time" as they may work for a maximum of 2-3 hours a day. The owner is adamant that the firm will not survive another 10 more years, with her biggest worry being for her workers.

"They have been with me for long, they don't have any income, only one lady out of the six that has a husband that is working, all the others are breadwinners so if I close down what will happen to them?"

• Market (time to market and end market preference)

Time to market is a competitive element for firms, with the existence of WCM and Quick-Response Strategy in the industry (as detailed in Chapter 3); these two methods ensure the decrease of lead times in firms. Most firms that implement these methods in their processes are expected to achieve economic upgrading through process upgrading. As an informal CMT, Thandi Fashions has no access to the current trends in process upgrading; this being added to the limited amount of production equipment and staff, time to market is often extremely long. They often tackle this through overtime and sometimes hiring more casual labour. The most challenging aspect of working with schools has been the duration it takes for schools to place an order and for them to pay the invoices which inconvenience the payment of wages and other variable and fixed expenses by the firm owner.

"We work with schools, they take their time to pay and to order, and it's tough"

• Nature of GVC and location of firm

Thandi Fashions primarily competes with other informal CMTs in surrounding areas and in local townships. In addition to this, the firm also competes with formal CMTs, which are a bit bigger, registered and members of the Cape Clothing and Textile Cluster (CCTC). The owner of Thandi Fashions describe her firm and other informal CMTs as the "smaller fish in the pond, we get eaten by the sharks." The most challenging aspect comes from the pricing

An example given by the owner on the state of her position in the GVC along with other CMTs in surrounding areas "In Delft there are a 100 CMTs that are working for bigger companies ,they're not making it , reason being –they get a set price and the price is non-negotiable from the bigger companies. I have worked for Barrie Cline Clothing before; their prices are good and its one of the best companies to work for as a CMT. But what happens is for argument's sake, a dress, the price is maybe R60 to make it. They provide you with the fabric, you cut it yourself and dispatch, what happens is that you look at the dress, you work out, do your minute rating and R60 is fine but you sometimes forget, especially with the smaller CMTs that don't really understand the costing. So they don't take into consideration that they have 5 girls and they have maybe three weeks to do that dress. What happens is that it's a 1000 dresses that need to be made in those weeks, and its R60 000 which sounds like a lot of money. But if you can't make the deadline, you have to employ more people, you going to put in overtime, by the time that you're done, and you have no money. All you can done is pay wages"

So do you feel that the big companies are squeezing the small CMTs? *"Absolutely, you have no chance, absolutely no chance."*

Thandi Fashions is currently competing against Muller Knitwear a big knitwear company. They struggle to compete with prices and the constraints with lead times which make them lose out on business opportunities.

"I can't compete with the prices because they get their yarns in bulk, we pay more for the yarn because we can't order in bulk. If I get an order from a school, it will be 30 jerseys so that's 500grams of yarn; I have to order 15 kilos of yarn, R120 a kilo. I'm going to pay extra if I want to get that yarn straight away which will be R20 per kilo, then I will have to pay for the transport, delivery will be R300, already you are losing money .The costing that you originally did on the R120, is no longer that, it is now more and the R20, you just don't make it."

2. Commercial drivers of Social up/down-grading

•Cost (wages, transportation, time-non-commercial work)

Questions relating to the amount of wages workers are paid were seem to be a violation of worker's privacy, from the conversations all of the workers agreed that the pay was less than usual (minimum wage) due to 'short time'. With F1 saying *"The normal working hours in a factory are at least 9 hours, with 30 minutes lunch break"* and F3 *"These days we work mostly 6 and a half hours but for the past three months we have worked 5 hours,4 hours depending on when we are needed"*

The incomes of workers in this firm are currently unstable and low (due to less working hours and no overtime). During the interview with the owner, I questioned whether the number of employees she currently has employed. She stated that she has one worker who works from home, she states that this is because *"I get exempted by the bargaining council, otherwise I must pay the levies, when I was bigger I had to and I incurred debt that I'm still paying off so."*

According to research by (Mosoetsa, 2013) home-based workers often work overtime and during weekends to meet deadlines without receiving compensation. Additionally, job security in home-based work is highly dependent on the worker maintaining a good relationship with the CMT owner or design house. This leaves home-based workers with little bargaining power and result in them accepting any level compensation, especially if their sole income comes from CMT operations.

Workers do have access to Maternity leave; however the firm only has workers above the age of 40 years. The one female worker who works from home has considerably more time for non-commercial work. Home-based work normally implies that the worker works based on the demand of the firm and work can also be based on verbal agreements with no formal employment contract. Research by Bhaskaran, Nathan, Phillips and Upendranadh (2013) on Delhi's clothing industry highlighted how home-based work is also usually supported by child labour.

•Technology and Skills Development

None of the workers have received any skills development in the firm they currently work in, the workers' ages range from late 40s, the oldest being the male employer at the age of 61. The employees interviewed were all older than 45 and they each have industry experience of over 20 years. All the female workers have held the same job occupation throughout these years, as machinist and cutters. However, the one male employee in the firm has had skills development exposure through his previous jobs. He has worked since 1976, he started as a knitter, and then he became a knitting mechanic. In 1998 he travelled to Germany to study modern machines, after his return, he became a knitting technician for two years. He currently performs all these job occupations (knitter, knitting mechanic and knitting technician). He started working for Thandi Fashions in 2017 as a casual worker and he became permanent in January 2018.

Nature and location firm impacts the amount of technology and skills development that workers have access to. Registered and compliant firms have access to the CPUT technology station in clothing and textiles training, with access to the latest skills and technology. Thandi Fashions is not registered and is considered non-compliant by the National Clothing Bargaining Council.

3. Social Drivers of Social up/down-grading

•Working conditions

The working conditions in Thandi Fashions are described by workers to be safe as none of them have experienced any injuries at work. They work as a family and they genuinely believe that their boss cares for them as their needs. From observation the space is quite cramped with various boxes on the floor. None of the workers belong to the SACTWU, their working conditions are therefore negotiated between them and their employer with no third party available. This means that workers have low-bargaining power in their workplace. Workers do feel as though they can speak openly to their boss; since all the workers are of senior age some of them feel insecure in their jobs because of this. The oldest employee MW5 aged 61 expressed that he has no issue with a younger person taking his job but he refuses to be idle and stay at home.

4. Social drivers of economic up/down-grading

- ***National and regional industrial policy***

Thandi Fashions has never received funding from government as it is currently not registered with the National Bargaining Council. The owner has never heard about the CTCC, she has however tried to register her company with SEDA, an agency of the DTI. The agency is authorised to implement national government small business strategies, design and implement a standard and common national

delivery network. SEDA provides information, counselling and business support services, targeting in particular, micro and small enterprises (including co-operatives) from all sectors throughout the country. Assistance is also given to medium sized enterprises and emerging entrepreneurs.

"I went to SEDA in Bellville, I did all the documentation but I wasn't registered, and I had to do financials that I couldn't do because I did not have an accountant and I never had the finance to apply."

Case Study 3: Trade Call Investment (TCI) Apparel

The drastic liquidations and job losses that have occurred in the industry has resulted in the SACTWU taking an active role in become part owners of certain businesses in the industry and supporting job creation and retention. Prior the establishment of Trade Call Investment (TCI) Apparel, Mr. Herman Pillay (Chairperson of TCI) expanded his business operations into the Western Cape after purchasing two manufacturing divisions that were previously closed by the Seardel Group based in Darling and Malmesbury. Consequently Mr. Pillay was approached by SACTWU to assist in the preservation of jobs in the sector which led to the establishment of the TCI Apparel in 2012, saving 2274 jobs in the sector. TCI Apparel currently manufactures and distributes clothing for major retail chains; these include Woolworths, Truworths, Edcon Group, TFG and Queenspark. In 2017, TCI Apparel was recorded to have 3652 employees, therefore holding one of the highest levels of employment in the clothing segment.

Commercial drivers of economic upgrading

•The firm's overall performance

TCI Apparel since its establishment has performed relatively well and increased the number of employees in the firm. Additionally, as a member of the CCTC the firm has also benefited from government funding through the CTCP .In 2015, TCI Apparel acquired the Star Knitwear Group based in the SADC region of Mauritius. This was done with the aim of promoting TCI's speed to market strategy. In a 2017 interview, Star Knitwear CEO Ahmed Parkar highlighted the competitive lead times (6 weeks) that the factory has.

The acquisition of Star Knitwear, TCI Apparel was able to access and deliver to the existing customer base of Star Knitwear which includes leading premium brands based in the UK and the US such as River Island, Top Shop, Miss Selfridges, Urban Outfitters, ASOS, Superdry, Forever 21 and Pacsun.

"This partnership has created a vertically integrated supply chain enhancing our quick response capability and bespoke fabric development (jacquards, prints, stripes and surface interest knits). This

partnership provides TCIA with international fashion intelligence on garment and fabric trends by sharing ranges designed for the global market by the Star Knitwear team."

According to Ahmed Parkar, CEO at Star Knitwear, Star Knitwear is vertically integrated from knitting, dyeing, to finished garments; the firm Star Knitwear has created approximately 30 000 jobs with a gross employment rate of 120 000 direct and indirect jobs, whilst also creating other downstream and upstream industries[3]. The group's unique client portfolio of internationally acclaimed brands extends to Europe, Africa and the USA.

- ***Nature and Location of firm in the GVC***

TCI Apparel is one of the largest firms in clothing, with its vertical integration with the Mauritius firm combined with direct supply to leading retailers in S.A. TCI Apparel is classified as a Full Package Manufacturers (FPMs) , the firm is therefore connected to the value chain and receives regular orders from large retail chains, branding houses and designers. TCI as a manufacturer depends on retailers but as a firm that has quick response methods, skilled workers and technology advanced. Such firms is preferred by most high-end retailers and firms in Europe and the U.S. which gives them the opportunity to access better upgrading opportunities for their processes and their skilled workers.

Commercial drivers of social up/downgrading

•Technology and Skills Development

TCI Apparel has two large manufacturing facilities; it has invested in the latest automated Lectra & Gerber cutting equipment technology as well as skilled artisans who are able to handle the most delicate of manual operations. The firm relies on exceptional operator skills, their cutting facilities and technology allow the firm to achieve superior fabric utilization for the range of products and fabrics they work with.

The firm is focused on achieving and maintaining quick response manufacturing to the highest of quality standards. Consequently the firm has invested strategically in material resource planning and on staff training to ensure that their organization can handle the complexity of a wide product and fabric range.

[3] http://www.702.co.za/articles/262985/ac2017-mauritius-fast-becoming-africa-s-textile-hub

Table 12: Summary of findings

Case studies	Economic and Social upgrading drivers	Summary of findings
Case study 1	**Commercial drivers**	
	The firm's overall performance	• The company is recorded to have an annual turnover of R30m; it sells mohair blankets and specialist medical socks, about 500,000 pairs a year.
	Nature of GVC and location of firm	• Cape Mohair's access to funding has enabled them to use it expand capital to grow and add value in realising its vision in becoming the world's premium mohair sock manufacturer." • Cape Mohair currently is the only company in the Western Cape that is a manufacturer of Mohair socks.
	Cost (wages, transportation, time-non-commercial work)	• The wages in Cape Mohair are relatively much better than the ones found in the informal firms as it is complaint to the National Bargaining Council which enforces minimum wage agreement. • Cape Mohair workers also receive an increase every September (annual increase) as per NBC agreement.
	Technology and Skills Development	• There has not been a significant investment in the current workforce's skills; the firm does however invest in high school graduates that join the firm.
	Social Drivers	
	Working conditions	• All workers interviewed have agreed that they are able to voice their opinions at their workplace, through talking to the shop steward and supervisors. • None of the workers interviewed had at

		any point working in the firm experienced work-related injuries or pains. • The gender compilation in different job occupations does not seems to carry any gender segregation, however the more technical jobs are mostly performed by men.
	National and regional industrial policy	• Cape Mohair is a member of The South Africa Mohair Cluster (SAMC), this is an official body empowered by the DTI to manage and facilitate funds to achieve prosperity and sustainability in the S.A's Mohair sector specifically. • Much like the CCTC, SAMC benefits from the CTCP through funding for upgrading of processes and technology with the aim of improving the competitiveness of firms in the mohair industry.
Case study 2	**Commercial drivers**	
	The firm's overall performance	• The firm began with a stable amount of business as they undertook Cut-Make and Trim work for different companies, this allowed them to produce a wide range of products. • After one of their biggest clients closed down, they had less work and struggled to pay wages.
	Nature of GVC and location of firm	• Thandi Fashions primarily competes with other informal CMTs in surrounding areas and in local townships and against Muller Knitwear a big knitwear company. • They struggle to compete with prices and the constraints with lead times which make them lose out on business

		opportunities.
	Cost (wages, transportation, time-non-commercial work)	• The incomes of workers in this firm are currently unstable and low (due to less working hours and no overtime).
	Technology and Skills Development	• None of the workers have received any skills development in the firm they currently work in • All the female workers have held the same job occupation throughout these years, as machinist and cutters.
	Social Drivers	
	Working conditions	• The working conditions in Thandi Fashions are described by workers to be safe as none of them have experienced any injuries at work. • None of the workers belong to the SACTWU, their working conditions are therefore negotiated between them and their employer with no third party available.
Case study 3	**Commercial drivers**	
	The firm's overall performance	• TCI Apparel since its establishment has performed relatively well and maintained a significant role in the value chain. • The firm also acquired the Star Knitwear Group based in the SADC region of Mauritius. This was done with the aim of promoting TCI's speed to market strategy.
	Nature of GVC and location of firm	• TCI Apparel is one of the largest firms in clothing, with its vertical integration with the Mauritius firm combined with direct supply to leading retailers in S.A. • TCI Apparel can be classified as a Full Package Manufacturers (FPMs).

		• Such firms are preferred by most high-end retailers and firms in Europe and the U.S. as they have control of a large part of their production process and they have the necessary skills and technology for high end products.
	Technology and Skills Development	• TCI Apparel has two large manufacturing facilities; it has invested in the latest automated Lectra & Gerber cutting equipment technology as well as skilled artisans who are able to handle the most delicate of manual operations.

4.3. Analysis of case studies and findings

The reiteration in the case studies has been the significant role that lead firms plays a significant role in determining the GVC structure. The case studies showcase the different firms in terms of ownership, value chain position and different working conditions. Research conducted relating to economic and social upgrading in the Western Cape by Vika (2016) and Christie (2016) presented cases of economic upgrading of firms in the T&C industry. Vika (2016) research more specifically aligned with the relationship between these two reached two conclusions (1) there has been a decrease in job losses and (2) "the economic upgrading taking place in the industry has gone with social upgrading." I would not fully disagree with Vika (2016) findings, however the author's research is focused on formal firms two of which belong to the CCTC and have benefited from the DTI's CTCIP. However, Vika (2016) has highlighted the limitations of social upgrading for workers in the case of economic upgrading by firms.

This research has focused on different cases of ownership in the T&C industry, which has introduced a different view on economic and social up/downgrading. This section will therefore provide an analysis on the case studies above to provide an overview on the relationship between on economic and social up/downgrading.

Process/ Product upgrading and social upgrading

According to Dicken (2003: 107) process upgrading results from "increasing the efficiency of internal processes" this can be through introducing new technology in the firm and improving the production process. In existing literature such as research from Rossi (2011) on the Moroccan T&C industry, the

relationship between process upgrading and social upgrading is usually direct and positive. According to Rossi (2011:81) " it is in this realm that it is possible to observe a virtuous circle between process upgrading and social upgrading, witnessing how a two-way relationship takes place with one leading to the other and vice versa." In the case studies above, Cape Mohair has experienced economic upgrading, with the purchasing of larger premises and machinery- leading to improved production processes and productivity. In the case of social upgrading, there has been an increase in firms employed, relatively good working conditions, minimum wage and yearly increases in wages.

Process upgrading is viewed as an initial step in every firm's development path, as it can be seen in Thandi Fashions early journey the firm was located in central metro area; the firm had access to modern machinery and efficient labour supply. At the time of the interviews, the firm has over the years experienced persistent process and product downgrading (decreased the amount of modern machinery in the firm, focused on supply clothing to local schools and low-end market, relocation to cheaper and smaller premises). This has therefore led to direct social downgrading of workers (decrease in the number of employees, wages lower than the minimum wage rate because short time working arrangements in the business which has increased job insecurity amongst workers). As in most cases social downgrading usually offers different results for workers in terms of their employment contracts. In Thandi Fashions, there are permanent, casual and a home-based worker; from this the home-based worker is normally paid on a piece work which exposes the worker to even greater social downgrading.

As it can be seen above, process up/downgrading has clear measurable impacts on social up/downgrading. However, a point highlighted by Rossi (2011) and seen in the case study above, process upgrading has a limited impact on non-measurable forms of social upgrading such as enabling rights. Various workers in Cape Mohair mentioned their distrust on trade union presentation while others believed that they could truly speak up in their workplace. There are certain gender-specific impacts of economic upgrading, according to the Manager in Cape Mohair and the owner in Thandi Fashions interviewed; technical jobs in the business are mostly filled by male workers. However, female and male workers who work in the same line of work (knitting) expressed that they are treated equally. The case of enabling rights in the case of social downgrading is even worse, for example the workers in Thandi Fashions are part of the eldest group of the labour force, the female workers employed can be classified as low to medium skilled and they have a high level of job insecurity. From the interviews it seems that workers seem to have a voice in the business however none of the workers are members of the union, this limits their collective bargaining power even further. The same can be said for the home-based worker, the lack of a formal contract does not give the worker any ground for non-measurable enabling rights such –"freedom of association, the right to collective bargaining, non-discrimination, voice and empowerment" (Barrientos et al., 2011:325).

Functional upgrading

Functional upgrading is a fundamental step towards achieving a higher share of value added in GVCs, this can include additional activities such as finishing, packaging and logistics this can be done in two distinct ways: vertical integration or specialisation (Barrientos et al., 2011).According to Rossi (2011) firms who implement functional upgrading are often the best performers in the export market and this form of upgrading exceeds the benefits of process and product upgrading. The key question here comes from whether the gain a firm acquires through functional upgrading gets translated into social upgrading for workers (Rossi, 2011). According to Rossi (2011: 94) "functional upgrading towards full package supply often offers a more conducive environment for better working conditions, because of a tighter relationship with the global buyers."

In the case of TCI Apparel, the firm's vertical integration has been in the form of acquiring a firm that is situated in Mauritius. Due to the lack of access to TCI Apparel, this analysis will be mostly be supported by existing empirical evidence based on research conducted between 2008 and 2012 in four projects[4].The fragmentation of production has contributed to the increase in South-South trade, this has also been promoted by trade agreements such as AGOA and lower labour costs when compared to S.A. This has been seen in S.A as various firms have relocated to lower-cost countries such as Lesotho and Swaziland leading to significant job losses in S.A (Godfrey, 2015). The social upgrading experienced by workers in Lesotho (increase in employment) is usually accompanied by social downgrading for S.A workers and further informalisation for workers. However, in some instances, an informal firm in Cape Town and a formal firm in Lesotho may be supplying to the same retailer but due to the low minimum wage in Lesotho, wages in the informal firm may be higher than those in the latter firm (Godfrey, 2015).

According to Godfrey (2015), this creates a decent work dilemma, highlighting how South–South trade means that 'lead' firms can bargain workers against each other in developing countries spanned by regional value chains. In such cases there is often a trade-off of social upgrading for workers in one country against downgrading for workers in another country (Godfrey, 2015).The vertical integration case by TCI Apparel is a form of economic upgrading for the firm but this has consequently translated into social downgrading (potential jobs lost, the relocation of certain operational functions to Mauritius) for clothing workers in the country. In the same transaction, this functional upgrading has resulted in social upgrading for workers in Mauritius through job creation and minimum wage payment. S.A clothing workers and Star Knitwear workers could possibly be supplying for the same retailers, but the amount of wages and working conditions they are exposed to differ. Additionally,

[4] Shane Godfrey (2015) – research from PhD dissertation supplemented by work for the Capturing the Gains international research, a project conducted for Better Work Lesotho and research funded by FNV Mondiaal on Decent work in a number of sectors in South Africa, including the apparel sector.

Mauritian workers are commonly paid per item produced similar to home-based workers in S.A and factory workers in S.A firms are paid per hour. There are negative and positive associations with piece work, research by ILO (2018) on five exporting clothing factories found that piece rate workers earned a higher hourly wage than workers paid by the hour only in three out of the five countries analysed. However, ILO (2018) also reported that piece rate wages have been reported to negatively affect the health of workers, due to workers speeding up their production and/or extending their working hours.

The relationship of economic and social upgrading in S.A's T&C industry has been extremely influenced by the existing pressures on high unemployment, high inequality and poverty. This has not been assisted by the low investment by certain firms into technology and skills development. SALRI researcher interviewed confirmed that the biggest problem that the trade union faces is job losses due to liquidations and retrenchments. On a national level and in the Western Cape, it can be said that the industry has suffered from both economic and social up/downgrading. Certain firms have been able to hold a certain share in the market due to their interconnectedness in the domestic and global market while others firms have been liquidated or simply turned to informal operations. This has also exposed workers to social up/downgrading depending on the firm they work in, the skills they have and type of employment (permanent/casual). Gender typing in the T&C industry has been persistent to a certain extent, certain male workers interviewed have been exposed to more skills developed than women (this was however found in mostly the older generation workers).

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS FOR FUTURE RESEARCH

The S.A T&C industry is a multifaceted and complex industry (Takala-Greenish, 2015) but it is a significant industry for job creation especially for low-skilled and female labourers. The industry has experienced significant decline for several years but government funding and continued upgrading of processes has been able to keep certain firms afloat. The dynamics in the industry have revealed the power of the (buyer)/ retail industry and how a firm's ability to meet their needs of the buyer requires the appropriate capabilities and significant networks in the value chain. This was broadly introduced in Chapter 2 as it covered the relevant literature on the global journey towards globalisation and trade liberalisation, the beginning of the GVC framework. Chapter 2 further reviewed economic and social upgrading literature and presented the classist arguments that govern capital expansion in GVCs.

Chapter 3, focused on the global and domestic changes in the industry. This provided a detailed discussion on the shift from ISI to EOI. The trade agreements and economic policies introduced throughout the years in the global economy. This showed how, all the changes impacted the performance of the industry and also shaped the global dispersion of clothing production across the globe. On the domestic changes, the paper focused on the significant trade agreements that have attempted to solidify and defend S.A's position in the GVC. This chapter also gives a snapshot of the position that S.A currently holds in the region's exports to international markets through AGOA.

Chapter 4 has given a broad overview of the S.A T&C industry structure, in terms of governance and what this means for workers in each type of firm. An important factor in S.A's T&C industry is minimum wages; this has been fought against by various firms and certain authors. However, as this chapter shows, government has provided exemptions for firms who struggle to pay the minimum wage set out by the NBC. In the second part of Chapter 4, the paper presents the case studies of three firms. The first being Cape Mohair a textile firm that operates in the domestic market and has been profitable in its EU export markets. Their workers are exposed to a certain level of social upgrading through wages and employment. However, the economic opportunities (economic upgrading) from skills development is not provided for current employees. Workers in the firm invest in their own skills development, on courses that are nowhere near the textile production floor.

The second case study is on an informal firm, Thandi Fashions which offers a different perspective. Thandi Fashions economic performance has significantly deteriorated throughout the years, which has also led to numerous job losses and below minimum wage for the remaining workers. The owner also has a home-based worker, who is exposed to even more low collective bargaining on payment. This firm has presented the case of economic and social downgrading. The third case study is of the TCI Apparel and its vertical integration strategy. The firm has performed extremely well and has been a leader in the clothing industries through employment levels. The vertical integration has however presented a complicated case for social up/downgrading. Due to the limited amount of information

available, this can only be judged on the employment levels and forms of wage payment in the different firms. These have therefore provided a case of both social up and downgrading resulting from functional upgrading.

While these case studies have provided a set of scenarios that convey a sense of economic and social up/downgrading of specific firms, the information collected also represents a number of limitations and therefore limits the conclusions of this research. I do believe that the scenarios presented by the different firms are unique to an extent; there is no doubt that similar findings would be found if the study would be expanded. Evidence that I would want to explore more of is on how the importance of workers has changed over a specific time.

The interactions and interconnectedness between firms in the GVCs has proven to play a significant role in setting the conditions that existing in T&C production. The case studies presented and analysed above represent varied cases that exist in S.A's T&C industry, held to the fact that the industry itself is not homogeneous the functioning of firms is guided by the industry's GVC. As GVC literature has proven, the gains from GVC is hardly equally distributed between firms, it is also not equally distributed between a specific firm and its workers. Throughout the years this has been seen in various instances and has been popular particularly in the T&C industry. The T&C industry has been carried the sweatshop image for years due to its working conditions and wage levels. This research has focused on the relationship between economic and social upgrading in the Western Cape T&C industry. As it can be seen, each type of economic upgrading/downgrading carriers differentiated impacts on the social up/downgrading spectrum for workers. Additionally, the type of firm and employment terms also exposes workers to different working conditions.

Recommendations for future research

- There is limited research into the informal T&C industry; there is a need to investigate the working conditions of workers in informal firms who have a direct linkage to global buyers. This will provide more understanding on the decision-making of lead firms and how this impacts the workers in informal firms.
- Fast-Fashion is a growing concern in a sustainability manner but also on the exploitation that workers experience in fast-fashion focused firms.

REFERENCE LIST

Akerlof, G. A. (1986). *Labor contracts as partial gift exchange. In Efficiency wage models in the labor market,* edited by G. A. Akerlof and J. L. Yellen. Cambridge: Cambridge University Press.

Bair, J. (2005) Global capitalism and commodity chains: looking back, going forward. Competition and Change, 9 (2):153–180

Baldwin, R. 2012. Global supply chains: Why they are emerged, why they matter, and where they are going. Graduate Institute, Geneva and Oxford University, Working Paper FGI-2012-.

Barnes, J. (2005). A Strategic Assessment of the South African Clothing Sector. Report submitted to the National Economic Development and Labour Council. Johannesburg.

Barrientos, S., G. Gereffi and A. Rossi. (2011). "Economic and social upgrading in global production networks: developing a framework for analysis." *International Labour Review*, 150 (3–4):319-340.

Barrientos, S. (2014).Gender and Global Value Chains: Challenges of Economic and Social Upgrading in Agri-Food. Robert Schuman Centre for Advanced Studies Research Paper No. RSCAS 2014/96.

Bernhardt, T. and Milberg,W. (2011).Does Economic Upgrading Generate Social Upgrading? Insights from the Horticulture, Apparel, Mobile Phones and Tourism Sectors.

Bhaskaran, R., Nathan,D., Phillips,N. and Upendranadh,C.(2013).Vulnerable workers and labour standards (non-)compliance in global production networks: home-based child labour in Delhi's garment sector. Capturing the Gains Working Paper 2011/7, Brooks World Poverty Institute, University of Manchester.

Breitenbach, M.C. (2007) Textile industry structure and government conduct:assessing the impact of the Duty Credit Certificate Scheme on Industry Performance. *Journal of Development Perspectives Volume* 3(1):30-51.

Business Day. (2019). US-African trade still in the doldrums despite Agoa [Online]. Available at:

https://www.businesslive.co.za/bd/world/africa/2019-08-06-us-african-trade-still-in-the-doldrums-despite-agoa/ [Accessed November 2019].

Cavanagh,J. and Mander,J.(2003). World Bank, IMF turned poor Third World nations into loan addicts. *A critique of corporate globalization (Part III).*[Online]. Available at : https://www.tru.ca/library/pdf/cavanagh-mander.pdf [Accessed September 2020].

CCTC. (2019). Annual Report. [Online].Available at: https://capeclothingcluster.org.za/wp-content/uploads/CCTC-Annual-Report-2019-v4-Pages.pdf [Accessed November 2019].

Christie, Z.D. (2016). Production upgrading and skills development in the Western Cape clothing sector: are industry requirements being met by institutional policy implications? Unpublished Thesis. University of Cape Town.

Dedeoglu, S. (2010). Visible Hands - Invisible Women: Garment Production in Turkey. *Feminist Economics*, 16(4):1-32.

Dicken, Peter. 2003. *Global Shift: transforming the global economy.* 4th ed. London: Sage Publications.

DTI. (2019). Clothing and Textiles Competitiveness Programme (CTCP).[Online]. Available at: https://www.thedti.gov.za/financial_assistance/financial_incentive.jsp?id=35&subthemeid=25 [Accessed November 2018].

Evans, C.L., Harrigan, J. (2004). Tight Clothing: How the MFA Affects Asian Apparel Exports. NBER Working Paper No. 10250.

Gemici,K.(2008). Karl Polanyi and the Antinomies of Embeddedness. *Socio-Economic Review* ,6: 5–33

Gereffi,G. and Wyman,D. (1990). Determinants of Development Strategies in Latin America and East Asia. *Pacific Focus*, 2(1):5 – 33.

Gereffi, G. (1994) The Organisation of buyer-driven global commodity chains: how U.S. retailers

shape overseas production networks. In G. Gereffi and M. Korzeniewicz (eds.) Commodity Chains and Global Capitalism.Westport: Praeger.

Gereffi, G. (1999). International trade and industrial upgrading in the apparel commodity chain. *Journal of International Economics*, 37-70.

Gereffi, G.,Humphrey, J., & Kaplinsky, R. (2001). Introduction: Globalisation, Value Chains and Development. *IDS Bulletin.*

Gereffi, G.,and Stark, K. (2011). Global Value Chain Analysis: A Primer. Duke Center on Globalization, Governance & Competitiveness.

Gereffi, G. (2013) Global value chains in a post-Washington Consensus world. *Review of International Political Economy*, 21(1):9-37.

Gereffi, G., Humphrey, J. and Sturgeon, T. (2005). The Governance of Global Value Chains. *Review of International Political Economy*, 12, 78-104.

Gereffi,G., Humphrey,J., Kaplinsky,R. and Sturgeon, T.J.(2001). Introduction: Globalisation, Value Chains and Development. *IDS Bulletin* 32(3):1-8

Gibbon, P. and Ponte, S. (2005). *Trading down: Africa, Value Chains, And The Global Economy.* Philadelphia: Temple University Press.

Godfrey, S. (2015). Global, regional and domestic apparel value chains in Southern Africa: social upgrading for some and downgrading for others. *Cambridge Journal of Regions, Economy and Society*, 8:491–504.

Godfrey, S. (2018). Multi-employer collective bargaining in South Africa. ILO:Conditions of Work and Employment Series No. 97.

Goger, A., Hull, A., Barrientos, S., Gereffi, G. and Godfrey, S. (2014).Capturing the Gains in Africa: Making the most of global value chain participation. Duke Center on Globalisation, Governance and Competitiveness.[Online]. Avilable at: http://www.capturingthegains.org/pdf/Capturing-the-gains-in-Africa-2014.pdf [Accessed June 2019].

Hopkins, T.K. and Wallerstein, I. (1986). Commodity chains in the world-economy prior to 1800. *Review*, 10 (1):157-170.

Humphrey, J. and Hubert,S. (2000). Governance and upgrading: linking industrial cluster and global value chain research. *IDS Working Paper Series.*

Humphrey, J. and Schmitz, H. 2002. How does insertion in global value chains affect upgrading industrial clusters? *Regional Studies*, 36 (9): 1017-1027.

Humphrey, J. and Schmitz, H. (2001). Governance in Global Value Chains.IDS Bulletin, 32(3): 19-29

Humphrey, J. (2004). Upgrading in Global Value Chains. International Labour Organisation (ILO) Working Paper No. 28.

Industrial Policy Action Plan. (2019). Economic Sectors, Employment and Infrastructure Development Cluster. [Online].Available at: https://www.gov.za/sites/default/files/gcis_document/201805/industrial-policy-action-plan.pdf [Accessed November 2019].

Joynt, K., and Webster, E. (2011).The growth and organisation of a precariat: Working in the clothing industry in Johannesburg's inner city.[Online].Available at: https://www.globallabouruniversity.org/fileadmin/GLU_conference_2011/papers/Edward_Webster___Katherine_Joynt.pdf [Accessed August 2019].

Kaplinsky, R. and Morris, M. 2003. A handbook for Value Chain research. [Online]. Available at: https://www.ids.ac.uk/ids/global/pdfs/VchNov01 .pdf [Accessed March 2019].

Kaplinsky, R. (2005). *Globalization, poverty and inequality - between a rock and a hard place.* Cambridge: Polity Press.

Keesing, D. and Lall, S. (1992). Marketing manufactured exports from developing countries: Learning sequences and public support, in Helleiner, G. (Ed.) *Trade policy, industrialisation and development*, pp. 176-93. Oxford University Press, Oxford.

Kim,S. and Milner, H.V. (2019). Multinational Corporations and their Influence through Lobbying on

Foreign Policy. [Online]. Available at:

https://www.brookings.edu/wp-content/uploads/2019/12/Kim_Milner_manuscript.pdf [Accessed September 2020]

Marcato,M. and Baltar, C.T.(2017).Economic and social upgrading in global value chains: concepts and metrics.[Online].Available at:

http://www.eco.unicamp.br/images/arquivos/artigos/3557/TD318.pdf [Accessed February 2019].

Mashilo, A.M. (2019). Economic and Social Upgrading in Global Production Networks: The Auto Components Sector in Gauteng. Unpublished Thesis. The University of the Witwatersrand.

Morris, M. and Barnes, J. (2008). Globalization, the Changed Global Dynamics of the Clothing and Textile Value Chains and the Impact on Sub-Saharan Africa. United Nations Industrial Development Organisation (UNIDO).

Morris, M. and Reed, L. (2008) A Sectoral Analysis of Skills Gaps and Shortages in the Clothing and Textile Industry in South Africa. Pretoria: Report for the Human Sciences Research Council.

Morris, M. and Barnes, J. (2014). The challenges to reversing the decline of the apparel sector in South Africa. Johannesburg: Prepared for International Conference on Manufacturing-Led Growth for Employment and Equality in South Africa.

Morris, M., Barnes, J. and Morris, J. (2011).Energy efficient production in the automotive and clothing/textiles industries in South Africa. UNIDO ,WORKING PAPER 04/2011.

Morris, M., Staritz, C. and Barnes, J. (2011). Value-Chain Dynamics, Local Embeddedness, and Upgrading in the Clothing Sectors of Lesotho and Swaziland.*International Journal of Technological Learning, Innovation and Development*, 4(1-3):96-119.

Morris, M., Barnes, J. and Kao, M. (2016).Global Value Chains, Sustainable Development, and the Apparel Industry in Lesotho. International Centre for Trade and Sustainable Development (ICTSD).

Mosoetsa, S. (2013). Informal Worker Organizing as a Strategy for Improving Subcontracted Work in

the Textile and Apparel Industries. Institute for Research on Labour and Employment. [Online].Available at: https://irle.ucla.edu/old/publications/documents/Informalworkerorganizingintextilesandgarments-UCLAReport-9-2013.pdf [Accessed November 2019].

Nattrass, N. and Seekings, J. (2012). Differentiation within the South African Clothing Industry: Implications for Wage Setting and Employment. Cape Town: Centre for Social Science Research Working Paper No. 307.

Nattrass, N. and Seekings, J. (2013). Job Destruction in the South African Clothing Industry. Johannesburg: The Centre for Development and Enterprise. *Transformation: Critical Perspectives on Southern Africa*, 84:1-30.

OECD. (2013). Interconnectedness Economies: Benefiting from Global Value Chains. [Online]. Available at: https://www.oecd.org/mcm/C-MIN(2013)15-ENG.pdf [Accessed February 2019].

Porter, Michael. 1985. *Competitive advantage: creating and sustaining superior performance*. New York: Free Press.

Reed, L. 2012. The changing dynamics of the South African clothing value chain and the role for industrial policy: a case study of the China quotas. Unpublished Thesis. [Online].Available at: http://open.uct.ac.za/handle/11427/12308 [Accessed September 2019].

Ricardo, D. (1817). *On the principles of political economy and taxation*. (1st Ed.).London: John Murray.

Rossi, A. (2011). Economic and social upgrading in global production networks: The case of the garment industry in Morocco. DPhil dissertation. Brighton, Institute of Development Studies, University of Sussex.

Selwyn, B. (2013). 'Social upgrading and labour in global production networks: A critique and an alternative conceptualisation'. *Competition and Change*, 17: 75–90.

Selwyn, B. (2016). Global value chains and human development: a class-relational framework. *Third World Quarterly*, 37(10), 1768-1786.

Sen, A.(1999). *Development as Freedom*. Oxford: Oxford University Press.

Sen, A. (2000). "Work and rights". *International Labour Review*, 139(2): 119-128.

Statistics S.A. (2019). Manufacturing: Production and sales. [Online]. Available at: http://www.statssa.gov.za/?page_id=1854&PPN=P3041.2&SCH=7698 [Accessed January 2020].

Stiglitz, J.E. (2002). Globalisation and the logic of international collective action: re-examining the Bretton Woods institutions. [Online]. Available at: https://www8.gsb.columbia.edu/faculty/jstiglitz/sites/jstiglitz/files/2002_Globalization_and_the_Logic_of_International_Collectiive.pdf [Accessed June 2019].

Takala, Greenish, L.(2015). A political economy study of the South African textiles and clothing industry. PhD Thesis. SOAS, University of London

TIPS. (2017). Manufacturing subsectors:Clothing, footwear, leather and textiles.[Online]. Available at: https://www.tips.org.za/manufacturing-data/manufacturing-sectors/item/3448-clothing-footwear-leather-and-textiles [Accessed November 2019].

TRALAC. (2019).AGOA Forum 2019: Reflections and new developments [Online]. Available at: https://www.tralac.org/news/article/13284-us-african-officials-prepare-for-post-agoa-trade-future.html [Accessed November 2019].

Vika, L.2016. Gender Dynamics in the South African apparel value chain: a case study on the Western Cape province. Unpublished Thesis. University of Cape Town.

Wad, P.(2008). The Development of Automotive Parts Suppliers in Korea and Malaysia: A Global Value Chain Perspective. *Journal Asia Pacific Business Review*, 14(1): 47-64.

Wallerstein, I. (1974). The rise and future demise of the world capitalist system: concepts for comparative analysis. *Comparative Studies in Society and History.*16 (4): 387–415.

World Integrated Trade Solution (WITS). (2018). Textile and Clothing Exports and Imports. [Online].Available at : https://wits.worldbank.org/ [Accessed September 2020].

WTO. (2001). WTO successfully concludes negotiations on China's entry. [Online].Available at:

https://www.wto.org/english/news_e/pres01_e/pr243_e.htm [Accessed June 2019].

WTO. (2019). World Trade Statistical Review. [Online].Available at:

https://www.wto.org/english/res_e/statis_e/wts2019_e/wts2019_e.pdf [Accessed January 2020].

Zalk, N. (2014). Industrial Policy in a Harsh Climate: the Case of South Africa. UNCTAD/ILO volume: Industrial Policy for Economic Development.[Online]. Available at :

https://www.ilo.org/wcmsp5/groups/public/---dgreports/---inst/documents/publication/wcms_315677.pdf [Accessed September 2020].

Zimba, M. (2008). Design houses in the Cape Town clothing value chain of production. Unpublished thesis. [Online]. Available at: http://open.uct.ac.za/handle/11427/8115 [Accessed November 2019].

Appendix A- Qualitative Questionnaires and Semi-structured interviews

Conducted in

Cape Mohair- October 2019 and February 2020

Thandi Fashion Factory – November 2019

Interview for Managers

1. Has your firm experienced any economic upgrading in terms of processes (machinery) or product upgrading?

2. How many permanent and casual employees do you have?

3. Have you provided any skills upgrading programmes for your employees?

5. What is the current composition of female and male workers in the firm?

6. What is the division of labour like between males and females in the firm? (in terms of the different levels ,managers, low-skilled workers)

7. What kind of jobs do women and men commonly uptake in the production process?

8. What role has the Cape Town Clothing and Textile Cluster/ Government initiatives (subsidies and incentives) played in improving firm's production or skills development initiatives within the firm?

9. What role does your firm play in the CTCTC or the industry's value chain? Does your firm only supply to the local market or does it also supply the international or regional market?

10. What kind of relationship do you have with your suppliers? Do you feel as though you have power in the industry against bigger firms or do you often feel squeezed in the market?

Qualitative Questionnaire for Employees

Conducted in

1. Cape Mohair –October 2019
2. Thandi Fashion Factory- November 2019

The idea behind this questioning is to get an understanding of the different workers in all different firms in the value chain, to also understand how their job contributes to their livelihood

1.Biographical Questions

What age group do you fall in?

- Race
- Gender

2. Economic aspects

- What is your nature of employment (permanent or casual)?

- Tell me about the work you do in the firm
- How long have you worked for this firm and in this position?
- Have you taken advantage of any skills development programmes provided in your workplace?
- Do you ever work overtime, do you have a choice?- If Yes, are you able to make the choice to either take on overtime or not?
- How secure is your employment in this position/ firm?

3. **Social aspects**

- How many hours do you spend getting to work, including time to get ready for work?
- How much do you spend on transport daily?
- Which area of the Western Cape do you currently reside in?
- How many dependents do you have?
- Do you have access to any additional income from government through grants?

Qualitative Questionnaire for DTI Industrial Policy expert

Conducted in June 2019 in DTI offices in Cape Town

1. What reciprocal control mechanisms are in place for the firms funding is offered to?

2. DTI funding has been exclusively for compliant firms; certain researchers claim that this has led to closing of certain firms and contributed to the reduction of the industry. Do you agree?

2.1Why?

3. The CCTC and KZN CTC focus mainly on value chain alignment, do you believe that this has supported an emergence of lead firms that may have a significant impact on value chain upgrading for firms and workers?

4. The CTCP's funding component (Production Improvement Programme) provides funds for the skills upgrading of workers, has there been an observable increase in skilled workers in the industry.

Trade Union Researcher- Mr. Simon Eppel

Conducted in February 2019, at SACTWU Provincial offices in Cape Town, Salt River

1. What role has the union played in ensuring social upgrading for workers?

2. Do you think that there is a substantial amount of gender-specific job allocations in the industry?

3. If yes, has the union tried to rectify this somehow?

4. Has there been an improvement in labour standards in the industry?

Mr. Alex Mashilo

Conducted in November 2018 in Wits University

1. What has caused limitations of social upgrading in labour-intensive industries?

2. What role do you think Trade Unions can play in ensuring social upgrading from economic upgrading?

Interview Questions for SALRI Researcher

Conducted April, 2020

•The shrinkage of the T&C industry has led to various liquidations and job losses. With government's efforts with various incentives and funding provided to the industry, do you believe that this has in any way improved the condition of the industry and workers?

•Have you had access to the Cape Clothing and Textile Cluster? If so, what impact do you think this cluster has had on the industry and its workers?

•What factors do you think have been the most challenging for SACTWU in ensuring decent work for workers in the industry?

•Could you give me a brief summary of how firms partly owned by the union function? How involved are firms in the functioning of the firm and in making significant decisions?

•Below is a quote from Natrass and Seekings (2014), what are your views with regard to this line of argument?

"The case of the clothing industry suggests that South Africa needs a more differentiated approach to wage setting that enforces basic standards of employment but tolerates lower-wage employment in specific areas, especially if low basic wages can be supplemented with productivity-linked pay."