

**THE ROLE OF CLOTHING MANUFACTURING CO-OPERATIVES  
IN JOB CREATION AND POVERTY ALLEVIATION IN  
SHARPEVILLE**

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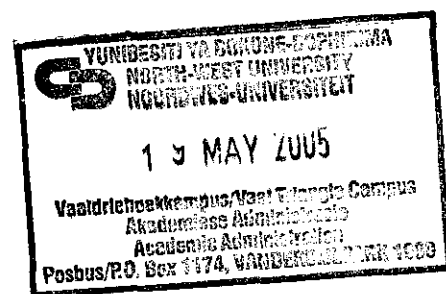
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*To my uncle Simeon Langa*

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## ABSTRACT

This dissertation studies the role of clothing manufacturing co-operatives in job creation and poverty alleviation in Sharpeville. The study focuses on three areas, namely, the theories of unemployment, poverty and clothing manufacturing, the state of unemployment and poverty in Sharpeville and clothing manufacturing co-operatives as one of the contributors to the solution to unemployment and poverty.

Unemployment is identified, among others, as a major determinant of poverty, therefore, the main component of any policy aimed at eradicating poverty should focus on employment creation. The clothing industry being the most labour-intensive industry in South Africa with low capital entry requirement creates opportunities for entrepreneurially driven employment creation in Sharpeville.

The approach in the dissertation was to define and measure unemployment and poverty and determine the profile of the poor in Sharpeville. This is done by employing household-level indicators. For measuring poverty the following tools are used: the Household Subsistence Level (HSL) as poverty line, the, headcount index, the poverty gap and the dependency ratio. Unemployment is also used to determine poverty levels.

The dissertation shows that Sharpeville experiences high unemployment rates and low levels of poverty based on the indicators employed. Compared to Bophelong, most indicators (except for unemployment) show that Sharpeville is better off.

Comparing the operations of clothing businesses in Sharpeville and Mitchell's Plain, the dissertation shows that clothing manufacturing has the potential to create job opportunities in Sharpeville if assistance could be offered.

Assuming that assistance is offered to form clothing manufacturing co-operatives, the dissertation shows that 374 jobs could be created and that the unemployment rate could decrease from 59.2 percent to 52.9 percent. The expenditure of the whole population of Sharpeville on clothing (also considering  
The role of clothing manufacturing co-operatives in job creation and poverty alleviation in Sharpeville

nearby communities) shows a potential big market for clothing manufacturing co-operatives in the township. At an average income of R600 per month the impact will be that the poverty rate will be reduced from 43.1 percent to 40.8 percent and at an average income of R1 500 the impact will be that the poverty rate decrease from 43.1 percent to 39.1 percent.

Finally, the dissertation concludes that clothing manufacturing co-operatives can indeed create job opportunities and alleviate poverty, but assistance from different structures is needed. The dissertation suggests major support systems like involvement by industry and training institutions, the formation of associations working directly with operators, the addressing of the problem of geographic location of service providers and government involvement.

### **Key terms**

Poverty, unemployment, clothing manufacturing, co-operatives, Mitchell's Plain, Sharpeville, Bophelong, Emfuleni, poverty alleviation, job creation, clothing manufacturing co-operatives, operators, unemployed, poor, unemployment rate, headcount index, non-poor, clothing manufacturing business, average income, poverty line, HSL, skills, sewing.

## OPSOMMING

Hierdie verhandeling bestudeer die rol van klere vervaardiging koöperasies in werkskepping en armoede verligting in Sharpeville. Die studie fokus op drie aspekte, naamlik die teorieë van werkloosheid, armoede en klere vervaardiging, die stand van werkloosheid en armoede in Sharpeville en klere vervaardiging koöperasies as die oplossing vir werkloosheid en armoede.

Werkloosheid word onder andere geïdentifiseer as 'n hoof oorsaak van armoede. Dus behoort die hoof komponent van enige beleid wat daarop gerig is om armoede te verminder op werkskepping te fokus. Die klere industrie is Suid-Afrika se mees arbeids-intensiewe industrie met lae kapitaal toegangsvereistes en dit skep geleenthede vir entrepreneur-gedrewe werkskepping in Sharpeville.

Die benadering in die verhandeling is om werkloosheid en armoede te definieer en meet en om die profiel van die armes in Sharpeville te bepaal. Dit word gedoen deur van indikators op huishoudings vlak gebruik te maak. Die volgende meetinstrumente word gebruik om armoede af te meet: die armoede lyn (HSL), koptelling indeks, die armoede gaping en die afhanklikheidsratio. Werkloosheid is ook gebruik om armoede vlakke te bepaal.

Die verhandeling wys dat Sharpeville hoër werkloosheidskoerse ervaar en laer vlakke van armoede, gebaseer op die bogenoemde indikators. Vergeleke met Bophelong, wys die meeste indikators (behalwe werkloosheid) dat Sharpeville ryker is.

Die klere industrie in Sharpeville word met die in Mitchell's Plain, vergelyk, en die verhandeling wys dat klere vervaardiging die potensiaal het om werksgeleenthede te skep in Sharpeville, mits hulp verleen kan word.

As aangeneem word dat hulp verleen kan word om klerevervaardiging koöperasies te vorm, kan 374 werksgeleenthede geskep word en sal die werkloosheidskoers van 59.2 persent tot 52.9 persent afneem. Die bedrag wat die hele bevolking van Sharpeville op klere uitgee (die mark in die

aangrensende gemeenskappe word ook in ag geneem), wys 'n groot potensiële mark vir klerevervaardiging koöperasies in die woonbuurt. Teen 'n gemiddelde inkomste van R600 per maand sal die impak wees dat die armoede koers van 43.1 persent tot 40.8 persent verminder en teen 'n gemiddelde inkomste van R1 500 per maand sal die impak wees dat die armoede koers van 43.1 persent tot 39.1 persent sal verminder.

Die verhandeling kom tot die slotsom dat klerevervaardiging koöperasies inderdaad werksgeleenthede kan skep en armoede kan verlig, maar hulp van verskillende strukture is benodig. Die verhandeling stel groot ondersteuningstelsels voor soos die betrokkenheid van industrieë en opleidingsinstellings, die vorming van assosiasies wat direk met operateurs werk, die aanspreek van die probleem van geografiese lokasie van diensverskaffers en die betrokkeheid van die regering.

### **Sleutelterme**

Armoede, werkloosheid, klerevervaardiging, koöperasies, Mitchell's Plain, Sharpeville, Bophelong, Emfuleni, armoede verligting, werkskepping, klerevervaardiging, koöperasies, operateurs, werklooses, armes, werkloosheidskoers, koptelling indeks, nie-armes, gemiddelde inkomste, armoede lyn, HSL, vaardighede, naaldwerk, klerevervaardigingsbesighede.

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## LIST OF ABBREVIATIONS

AGOA	:	African Growth and Opportunities Act
AIDS	:	Acquired Immune-Deficiency Syndrome
CEAS	:	Central Economic Advisory Service
CLOFED	:	Clothing Federation of South Africa
CMT	:	Cut-Make-and-Trim
COSATU	:	Congress of South African Trade Unions
CPS	:	Current Population Survey
EAP	:	Economically Active Population
ESOPS	:	Employee Share Ownership Schemes
EU	:	European Union
EUA	:	European Union Agreement
GDP	:	Gross Domestic Product
GGP	:	Gross Geographic Product
HEL	:	Household Effective Level
HIV	:	Human Immune-Deficiency Virus
HSL	:	Household Subsistence Level
ICA	:	International Co-operative Alliance
ILO	:	International Labour Organisation
ISCOR	:	Iron and Steel Corporation
MLL	:	Minimum Living Level

NGO	:	Non-Governmental Organisation
OHS	:	October Household Survey
PDL	:	Poverty Datum Line
SADC	:	Southern African Development Community
SARPN	:	Southern African Regional Poverty Network
SAWEB	:	South African Web
SBDC	:	Small Business Development Corporation
SLL	:	Supplementary Living Level
SMMEs	:	Small, Medium and Micro Enterprises
STATS SA	:	Statistics South Africa
USA	:	United States of America
USCO	:	Union Steel Corporation

# CHAPTER 1

## THE PROBLEM AND ITS SETTING

### 1.1 BACKGROUND TO THE PROBLEM

The foundation of towns in the Vaal Triangle economic region which includes Emfuleni municipality in Southern Gauteng, as well as the Free State's Metsimaholo municipality was very much related to the exploitation of coal and the establishment of iron and steel works by the Union Steel Corporation (USCO) and the Iron and Steel Corporation (ISCOR). At the end of the 19<sup>th</sup> century, huge coal deposits were discovered near Vereeniging, which became the location of the first African melting industry for scrap metals. New iron and steel plants gave birth to nearby Vanderbijlpark in 1941 and Meyerton later while one decade later the chemical giant Sasol created Sasolburg. The dynamics of gold mining as well as finance and commerce in the nearby Witwatersrand also stimulated the economy (Pelupessy, 2000:1)

The past economic development was accompanied by the creation of corresponding black labour force reservoirs on the urban boundaries. The oldest township, Evaton was created in 1904, Sharpeville in 1941, Sebokeng in 1965, Bophelong and Boipatong in the Emfuleni area in 1955 while Zamdela and Refenkgotso appeared near Sasolburg in the 1970s. Extensive road systems link the mentioned towns with the sources of labour and inputs as well as the markets of the Johannesburg area (Pelupessy, 2000:1). Forced and voluntary migrations and relatively high birth rates among the Black population concentrated most of the area population of 658 422 in 2001 in the townships (STATS SA, 2003a).

In the year 1998, the distribution of labour between the towns and townships of the Vaal Triangle showed that the three towns with 21.3 per cent of the population contained 35 per cent of the employed. The five largest townships with 78.7 per cent of the labour force had only 65 per cent of the employed, which included 63 000 working in the three towns, 17 000 working outside the Vaal Triangle and 28 000 working in the informal sector (Pelupessy, 2000:1).

Pelupessy (2000:1) stated that only 35 000 or one out of every seven economically active persons were employed in the same township. The disequilibrium becomes enormous when looking at the distribution of formal economic activities. These were for more than 99 per cent concentrated in the three towns where only one fifth of the economically active population (EAP) lived.

When formal economic activities in the different urban locations are considered, some changes could be observed in the 1990s (Table 1.1). In the towns, the share of Vanderbijlpark decreased to 45 percent, Meyerton and Vereeniging increased to 11 percent and 44 percent respectively of the total regional turnover. Because of the economic decline in the last years, Vanderbijlpark lost in real terms while the two other towns still have grown in 1993 prices. However, the majority of townships saw their very small share in turnover almost continuously decline. In the 1993 - 98 period, the total participation of townships had almost halved from 0.81 percent to 0.44 percent. Because there was more information available these data could refer to eight townships. In the new South Africa, there has been a considerable decline in registered formal productive activities of the townships of Emfuleni which is another indication of the presence of persistent segmentation (Pelupessy, 2000:2).

Most townships were in 1998 even in nominal terms worse off than in 1993, with the exception of the Indian community, Roshnee, whose turnover in the period under review increased two per cent above the inflation rate. Job opportunities were almost non-existent in the locations where the majority of the Black people live. The strongest declines were observed in Evaton, Sharpeville and Sebokeng where large concentrations of the unemployed reside (Pelupessy, 2000:2).

**TABLE 1.1: SHARE OF URBAN CENTRES IN TURNOVER 1993 - 98 (%)**

<b>TOWN</b>	<b>1993</b>	<b>1998</b>
Vereeniging	39.71	43.75
Vanderbijlpark	50.99	45.16
Meyerton	8.49	10.65
<b>Subtotal towns</b>	<b>99.19</b>	<b>99.56</b>
Evaton North	0.05	0.03
Evaton	0.18	0.10
Roshnee	0.10	0.10
Rust ter Vaal	0.02	0.01
Sharpeville	0.14	0.01
Boipatong	0.02	0.01
Bophelong	0.03	0.01
Sebokeng	0.28	0.17
<b>Subtotal townships</b>	<b>0.81</b>	<b>0.44</b>
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>

Source: Adapted from Pelupessy, 2000:2

It appears that in the Vaal Triangle as a whole more than 46 000 jobs had been lost in the period 1993 to 1998 (this was 28 percent of the total formal employment). The decrease occurred in all economic sectors. In 1998, 96 percent of the unemployed lived in the five biggest townships of Emfuleni. More than half of the labour force of Evaton, Sharpeville and Sebokeng then had no job at all. In 1998, about 140 000 people were unemployed in the Black

townships of the Vaal Triangle which is considered to be one of the most important industrial hubs of South Africa (Pelupessy, 2000:2).

Sharpeville is the second oldest of the seven townships in the Vaal Triangle, and was established in 1941 when 5,466 dwellings were erected. Between 1973 and 1983, the Oranje Vaal Administration Board controlled Sharpeville as well as the other six townships in the Vaal Triangle. The Lekoa municipality that took over the administration of the township in 1983 was established in accordance with the Black Local Authorities Act of 1982 (SAWEB, 1996).

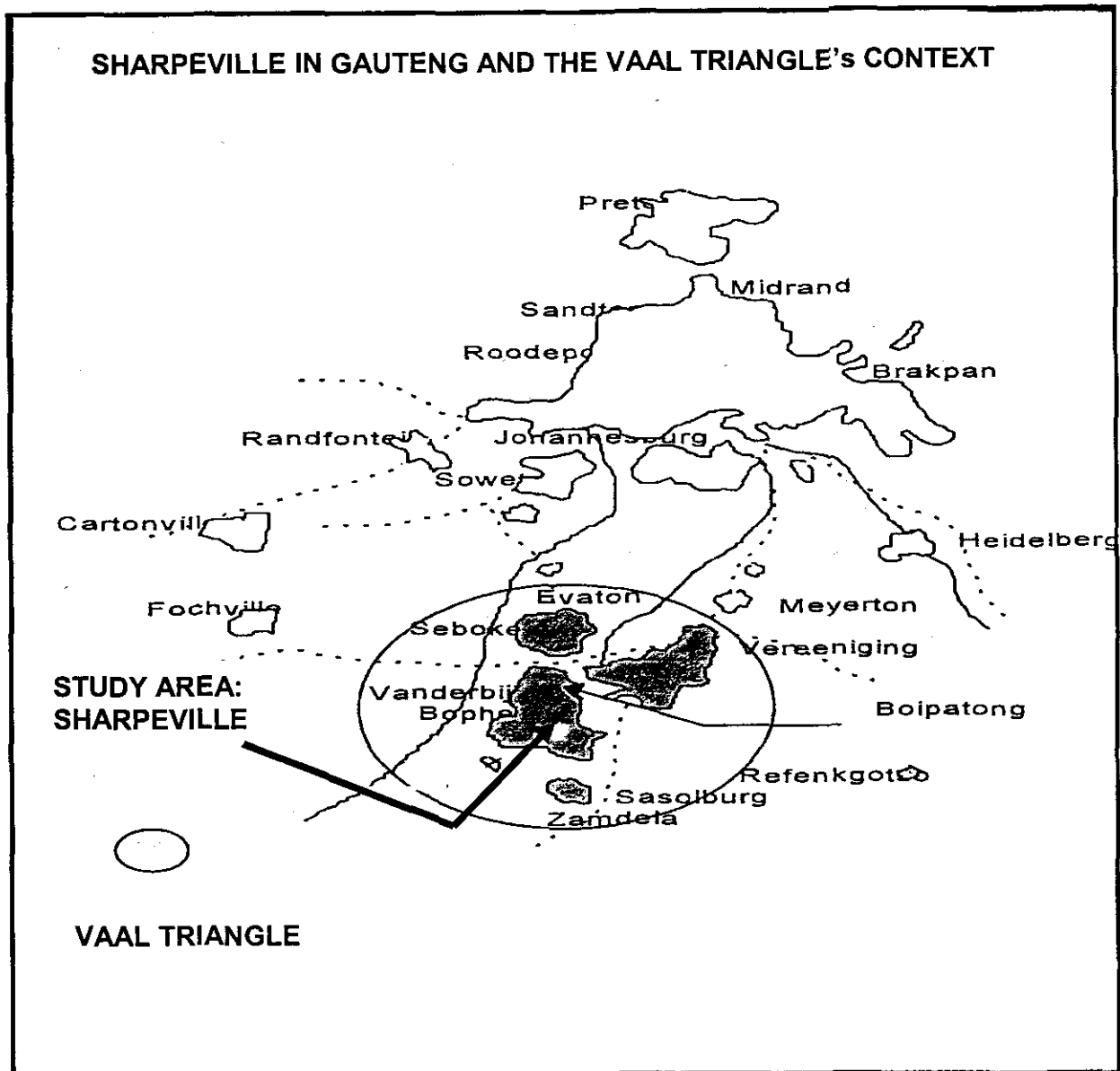
It was in Sharpeville that the 1984 township unrest started. The Lekoa Council introduced so called "Economic Rentals" in the Vaal Triangle areas much against the wishes of the residents. The increase of tariffs for rents and services in September 1984 resulted in the violent protest that led to the loss of lives in many townships after that. Sharpeville is also a home for black consciousness philosophy (SAWEB, 1996). The number of households in Sharpeville was estimated at 41 031 in 2001 (STATS SA, 2003a). The average household size for 2001 in Sharpeville, calculated from Stats SA data, is 3.59 persons per household (STATS SA, 2003a).

### **1.1.1 Geographical area of the study**

In Figure 1.1 below, Sharpeville is indicated in the provincial and the Vaal Triangle's context. The Vaal Triangle is located in the southern part of the Gauteng province and in the Northern part of the Free State. Sharpeville is a township situated near Vereeniging.

Sharpeville together with Boipatong, Bophelong, Evaton, Loch Vaal and North Vaal rural areas, Sebokeng, Tshepiso, Vaal Oewer, Vanderbijlpark, Vereeniging and surroundings form the Emfuleni municipal area. Emfuleni together with Lesedi and Midvaal municipalities form the Sedibeng district municipality in the Southern part of Gauteng Province.

**FIGURE 1.1: SHARPEVILLE'S GEOGRAPHICAL LOCATION**



Source: Adapted from Slabbert (1997:12)

## 1.2 THE RESEARCH PROBLEM AND REASON FOR THE STUDY

Most people residing in South African townships are poverty stricken. This is due to the lack of employment or sufficient employment. The available employment cannot provide sufficient income for their subsistence. Unemployment can be regarded as the major cause of poverty in South Africa (Motloun, 1999:6). The extent to which poverty can be reduced is directly related to the extent to which unemployment can be solved.

A survey undertaken in Emfuleni in 2003 showed that 51.5 percent of all households of Emfuleni live in poverty. The same survey showed that 96 percent of all the poor of Emfuleni live in the townships. It can therefore be concluded that the greatest need for the alleviation of poverty is in the townships (Slabbert, 2004:87-88).

The Emfuleni economy experienced a negative real Gross Geographic Product (GGP) growth of -3.4 percent per annum from 1996 to 1999. From 1999 onwards, the economy recovered, but the average annual real GGP growth from 1996 to 2001 remained low at 0.8 percent. The overall decrease in employment opportunities between 1991 and 1996 in the Vaal Triangle was 54 000. The manufacturing sector alone shed almost 39 000 jobs in this period. From 1996 to 2001, there was an additional decrease in employment opportunities of 5 884 in Emfuleni (Slabbert, 2003:1).

Against this background, the future possibilities for getting formal employment in Emfuleni appear to be bleak. The chance for school leavers to get formal employment seems to be extremely meagre. It is suspected that most of them will end up unemployed "hanging around", especially in the townships/squatter areas. The majority (if not all) has never been exposed to any formal/technical or entrepreneurial skills or skills training (Slabbert, 2003:1-2).

The clothing industry is typically labour-intensive, with scope for the formation of strong backward and forward linkages with other industries. Its low capital entry requirement creates opportunities for entrepreneurially driven employment creation through multiple small businesses. The production process is highly divisible, both across firms and geographically, a feature, which has been exploited to achieve lower production costs. The product is highly tradable, which creates the potential for foreign exchange earnings (Prinsloo, 1996:7).

The South African clothing industry annually provides millions of South Africans with clothing. This industry hasn't been left unchanged by the "new" South Africa. Traditionally, clothing manufacturing and retailing took place in the formal sector, but in 1996 it was estimated that at least 30 percent of all clothing manufacturing and sales in South Africa were done through the informal sector. Reasons that

probably led to that change in focus from the formal to the informal sector included changes in the legislation regarding the start-up of a business, the relaxation of restrictions on hawking, considerable retrenchments in the formal clothing sector, and the high and growing unemployment level (Smit, 1996:78).

Incentives and pressures for government intervention and assistance are thus enormous (Prinsloo, 1996:7). According to Pyke (1992:2), small firms can be helped by the institutionalisation of services centres or agencies that can engage on behalf of the small firm community in research and development, technology transfer, organisational upgrading and information services, each centre being both industry-responsive and leading/coordinating the upgrading process. Co-operation between small firms, either directly or via commonly owned or controlled institutions is seen as an important way of increasing individual capabilities.

With the meagre possibilities for the unemployed in Sharpeville to find formal employment in Emfuleni and the Vaal Triangle at large, there is an urgent need for the identification of employment opportunities in and around the township/squatter areas where the majority of the unemployed resides. This study is therefore aimed at:

- ❖ Searching for (labour intensive) manufacturing possibilities in the clothing industry to enhance employment creation;
- ❖ Investigating the possibility of clothing manufacturing co-operatives in Sharpeville.

### **1.3 OBJECTIVES OF THE STUDY**

The study has the following objectives:

- ❖ to reflect the true state of affairs of the inhabitants of the township/squatter areas of Sharpeville with the emphasis on unemployment and poverty;
- ❖ to investigate the skills possessed by the unemployed and the activities they wish to engage in for sustaining themselves;

- ❖ to evaluate those unemployed but in possession of sewing skills and those who prefer training in sewing, for the possibility of forming clothing manufacturing co-operatives in Sharpeville; and
- ❖ to measure the impact of such co-operatives on employment creation and poverty alleviation.

#### **1.4 HYPOTHESIS**

Sharpeville, like other townships in the Vaal Triangle, has a high level of poverty, which is to a great extent due to unemployment; therefore, stimulating job creation in the clothing manufacturing sector will reduce unemployment and alleviate poverty.

#### **1.5 METHODOLOGY**

##### **1.5.1 Literature study**

The study makes use of secondary sources such as textbooks, government publications, the internet and published reports as well as unpublished information like theses. Primary sources such as newspapers and periodicals are also consulted.

##### **1.5.2 Empirical study**

For the purpose of this study, a household survey was done in Sharpeville township/squatter areas by means of questionnaire-interviews to obtain the necessary data. Interviews were also conducted with residents who are already in the clothing manufacturing business to have an overview of the operations of the clothing manufacturing business. For determining the rate of unemployment in Sharpeville, sample surveys were undertaken on a sample basis to obtain the necessary data. The definition and measurement of poverty was done quantitatively by employing income and consumption measures.

##### **1.5.2.1 Household survey**

The household survey was conducted as follows: Maps were obtained for Sharpeville township/squatter areas and a sample stratification was designed on

account of the geographical distribution and concentration of people in the area. A questionnaire was designed for obtaining the desired information (see Annexure B). The area was divided into the different sections and the questionnaires were apportioned evenly among the inhabited sites.

Plots/sites at which field workers were supposed to complete questionnaires were identified individually from the map before the field workers went out. However, where people could not be obtained for an interview, or where it was impossible to trace the household, a next pre-selected household was interviewed. Information was obtained from the breadwinner or the spouse.

Two fieldworkers interviewed a total of 174 households. All the households approached were willing to partake in the survey and all 174 questionnaires were completed in August 2004.

#### **1.5.2.2 Interviews with clothing manufacturers**

The sample for interviews with clothing manufacturers comprised 25 randomly selected operators from the Sharpeville area. All the individuals questioned operated their own clothing manufacturing businesses from home. All of them are unregistered and therefore remain 'informal' by the definition used. A questionnaire was designed for obtaining the desired information (see Annexure C).

#### **1.5.2.3 Unemployment**

Various methods can be used to measure unemployment. The following three are more or less standard methods:

- ❖ The census method, which is used for measuring the economic status of the entire population. However, censuses take place only periodically and even then only a limited number of questions pertaining to unemployment can be included. For that reason, this method was not used in this study.
- ❖ Registration method; this method provides for the unemployed to register at placement offices - in South Africa, offices of the Department

of Manpower. Registration is compulsory to qualify for unemployment benefits. In South Africa, some categories of civil servants, domestic workers, farm workers, casual and seasonal workers, those earning more than the ceiling income and those whose period of benefit (6 months) has run out are excluded from the fund and therefore many Black persons have no reason to register. Registered unemployment figures published by the Department of Labour in South Africa consequently do not show the level of unemployment accurately, particularly not for Blacks. For that reason, this method was also not considered for this study.

- ❖ Sample surveys; surveys are undertaken on a sample basis to obtain the data required to calculate unemployment rates for specific groups of people. This method was used for the study (Slabbert, 1997:69-70).

#### **1.5.2.4 Poverty**

For the purpose of this study, poverty is defined as *the inability to attain a minimum material standard of living*. The standard of living is usually expressed in terms of household income and expenditure. Household income and expenditure is an adequate yardstick for the standard of living. The minimal material standard of living is normally referred to as the poverty line. It is determined by the income (or expenditure) necessary to buy a minimum standard of nutrition and other basic necessities. The cost of minimum adequate caloric intake and other necessities can be calculated by looking at the prices of the food and other necessities, necessary to sustain a healthy living. A poverty line can therefore be calculated for a specific geographical area (World Bank, 1990:26).

By comparing the total income and expenditure of a household with the calculated cost of the minimum adequate caloric intake and other necessities of the household, poor households can be distinguished from non-poor households. The simplest way to measure poverty is to express the number of poor as a proportion of the population. This is called the headcount index (World Bank, 1990:27).

### **1.5.2.5 Methodology for impact assessment of clothing manufacturing in Sharpeville**

Employment creation may supplement the existing income of households to such an extent that the headcount index for the population is decreased significantly (Slabbert, 1997:171). The 2004 household survey data is used for determining the impact of job creation on poverty. The data renders all the information needed to test these models, for example, the age and gender of household members required to determine the individual poverty line for each individual household; the combined income of each individual household; and the number of unemployed members in a household. The household survey also covers information on desired activities and skills possessed by the unemployed.

## **1.6 DEPLOYMENT OF THE STUDY**

The study is divided into different chapters and the following is a brief outline of the entire study.

Chapter 1 (*The problem and its setting*) introduces the field of study and indicates the geographical location of Sharpeville. The chapter further introduces the research problem and the objectives of the study. In addition, it outlines the hypothesis, research methodology and the deployment of the study. Lastly, a clear and brief layout of the study is given to show all the relevant topics and aspects of research relevant to chapters two to six. The chapter uses the research proposal as a base.

Chapter 2 (*Theoretical background to unemployment, poverty and clothing manufacturing*) assesses the theories concerning unemployment, poverty and clothing manufacturing. The definitions and measurements of unemployment and poverty are given in this chapter. The chapter also indicates the role of the informal sector in job creation and poverty alleviation. An overview of the South African clothing industry and the reasons for promoting clothing manufacturing as well as co-operatives are also discussed. This chapter is dedicated to a literature study of these concepts and lays a foundation for their use in subsequent

chapters. The state of poverty and unemployment in South Africa is also evaluated in this chapter.

Chapter 3 (*Profile of the poor population of Sharpeville*) constructs the profile of the poor population of Sharpeville compared to Bophelong and the greater Emfuleni area. This is done in terms of household structures: average household size, status of different household members, marital status of the heads of the households, age and gender structure of members, age and qualifications of school and post-school members; employment structures: age of the employed, sectors of employment, mean earnings of the employed, age of the unemployed, qualifications of the unemployed and activities they wish to engage in, duration of unemployment, income and expenditure patterns of the households, environmental issues and, finally the state of crime in the township. The purpose of this chapter is to determine whether Sharpeville is better off or worse off than other communities in the Vaal Triangle, and providing the base for measuring the impact of the establishment of clothing manufacturing industries.

Chapter 4 (*A comparison of informal clothing manufacturers in Sharpeville compared to those in Mitchell's Plain*) examines the business operations of informal clothing manufacturers in Sharpeville compared to Mitchell's Plain. The chapter compares the results of interviews conducted in Sharpeville with the results of a similar study conducted in Mitchell's Plain. The purpose of the study was to show that informal clothing manufacturing can create job opportunities in Sharpeville.

Chapter 5 (*Job creation in Sharpeville*) discusses the support needs of informal clothing manufacturers and investigates the possibility of forming clothing manufacturing co-operatives and the availability of a market in Sharpeville. This is done theoretically and empirically. Empirically, by using the information obtained from the interviews, with people who are already in the clothing manufacturing business and the result from the whole population survey to see the possibility of forming co-operatives between those already in the business and those who are willing to get training in this field. The impact of the clothing manufacturing co-operatives is also assessed in this chapter.

Chapter 6 (*Summary, conclusion and recommendations*) presents a summary of the findings of the study and evaluates the hypothesis against the findings. Conclusions have been drawn from these outcomes. The chapter contains recommendations of support needs for job creation in general, the clothing manufacturing co-operatives and for environmental affairs.

## CHAPTER 2

### THEORETICAL BACKGROUND TO UNEMPLOYMENT, POVERTY AND CLOTHING MANUFACTURING

#### 2.1 INTRODUCTION

Many households in South Africa depend, for their survival on money from a family member who has employment. Because there is no adequate social security in South Africa, when a worker loses his or her job, it affects the whole family and community (COSATU, 2000). The single and largest contributor to poverty is job losses (Nzimande, 2000). The clothing industry, being one of the most labour intensive industries in South Africa (Smit, 1996:78), could provide a key to (at least partly) overcoming the drastic unemployment situation in the country.

This chapter deals with the theoretical background to unemployment, poverty, and the clothing manufacturing. It outlines the definitions, types, causes, dimensions and measurement of unemployment and poverty. The role of the informal sector in job creation and poverty alleviation is also outlined followed by clothing manufacturing as a possible solution to job creation and poverty alleviation. Lastly, co-operatives for the clothing manufactures are discussed.

#### 2.2 UNEMPLOYMENT

##### 2.2.1 Definition of unemployment

Unemployment is a multi-dimensional concept. Barker (1992:83) defines unemployment as *a situation where members of the labour force are without work and are currently available for work, and are seeking work*. STATS SA (2003b:2.47) distinguishes between two definitions of unemployment, namely the official or strict definition of unemployment and the expanded definition of unemployment. It recently revised its official definition of unemployment to be in line with the definition used by the International Labour Organisation (ILO).

According to this new definition, the unemployed includes those people within the economically active population who:

- ❖ did not work during the seven days prior to the interview;
- ❖ want to work and are available to start work within a week of the interview; and
- ❖ have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview, but have been unsuccessful.

According to Barker (1992:83), this definition has some shortcomings. The first shortcoming is that the criterion of seeking work is not always realistic in a developing country. Those who are unemployed might have become discouraged and, for that reason, do not take any steps to look for employment, or it may be costly to take active steps to search for a job. The ILO has made provision for the problem by indicating that the definition can be applied by waving the criterion of taking steps seeking work. By relaxing this requirement, the expanded definition is arrived at. Therefore, other relevant tests to suit national conditions should be created.

The expanded definition of unemployment includes that part of the economically active population who (Erasmus, 1999:ix):

- ❖ did not work during the seven days prior to a specific survey interview;
- ❖ want to work and are available to start work within a week after the interview, but did not take active steps to look for work or to start some form of self employment in the four weeks prior to the interview.

### **2.2.2 Types of unemployment**

There are four different types of unemployment. The most basic distinction is between voluntary and involuntary unemployment, this classification can be questioned. People who do not want to work are not regarded as part of the labour force; accordingly, they cannot be classified as unemployed (Mohr, Fourie & Associates, 1995:610). The unemployment rate is expressed as the

percentage of the labour force (i.e. people who are willing and able to work) that cannot find a job. Strictly speaking, all unemployment should therefore be classified as involuntary unemployment.

Economists usually distinguish between Frictional, Structural, Demand-deficit (Cyclical) and Seasonal unemployment (Mohr *et al.*, 1995:610).

### **2.2.2.1 Frictional unemployment**

Frictional unemployment arises as a result of normal turnover that happens in any dynamic economy and the time lags involved in the re-employment of labour; that is, the labour market is always in a state of flux. Even when aggregate demand is high enough to employ all of the nation's labour force, and when those who are unemployed have skills that match those demanded by firms having vacancies, the nation's unemployment rate will remain positive, because some people will be between jobs. This means that at any moment in time, there is considerable unemployment, that is, not all active job seekers will have yet found employment and not all employers with job openings got suitable people to fill these vacancies. Frictional unemployment is thus unavoidable and is not considered a serious problem (Haydam, 2002:198).

For example, Jack Skwambane resigns from his occupation as a clerk with the Germiston City Council to look for a better job. Until he finds a new job, Jack is frictionally unemployed (Mohr *et al.*, 1995:612).

### **2.2.2.2 Structural unemployment**

According to Mohr *et al.* (1995:611), structural unemployment arises when changes in the pattern of the labour demand cause a mismatch between the skills demanded and the skills supplied in a given area or cause an imbalance between supply of and demand for workers across areas. The following paragraphs are examples of structural unemployment:

- ❖ Certain workers lack the necessary education, training or skills required to obtain a job, even when the economy is booming.

- ❖ Changes in production methods or techniques could cause a drop in the demand for people with particular qualifications or skills. Nowadays, machines can perform many tasks that previously required qualified or skilled people. For example, the introduction of automatic teller machines reduced the number of job opportunities for bank tellers. Automation has also resulted in the loss of many jobs in the manufacturing sector. People who are replaced by labour-saving machines are sometimes classified as technologically unemployed.
- ❖ Changes in the types of goods and services being produced (e.g. as a result of changing consumer preferences) could also cause unemployment. Thus a fall in the demand for cigarettes, because of the health risk associated with smoking, can lead to unemployment in the tobacco industry.
- ❖ Foreign competition could also result in a loss of jobs. For example, the growth of the highly competitive textile and clothing industries in Asia has destroyed many jobs in the textile and clothing industries in the industrial countries (as well as in South Africa).
- ❖ Jobs could also be lost as a result of a structural decline in certain industries. In South Africa, for example, the closure of gold mines and the general decline in gold production has destroyed many job opportunities.
- ❖ Discrimination could also cause unemployment. In South Africa, many jobs were reserved for whites during the apartheid era. Qualified people from other population groups did not have access to these jobs. Similarly, affirmative action can cause unemployment among qualified, skilled and experienced people who happen to belong to a particular race group.
- ❖ Structural unemployment is a serious problem for which there is no easy solution. It cannot be combated by stimulating aggregate economic activity (e.g. by raising government spending, reducing taxes, increasing the money supply or reducing interest rates).

- ❖ Workers who are structurally unemployed have to be trained or retrained, or they have to move to locations where their experience, qualifications or skills are in demand. (Mohr *et al.*, 1995:611-613.)

### **2.2.2.3 Demand-deficit (cyclical) unemployment**

Frictional and structural unemployment can appear even when aggregate demand equals aggregate supply. Cyclical or demand-deficit unemployment, on the other hand, is caused by a decline in aggregate demand, which in turn, causes a decline in the demand for labour in the face of downward rigidity of wages. This implies that the demand-deficit unemployment is associated with the short-term fluctuations in the level of the formal economic activity, hence cyclical unemployment. For example, Paul van der Merwe is a factory worker who was employed by Defy Industries. During the long recession of the early 1990s, Defy reduced its work force because of the fall in sales of household appliances. Paul was among those who were retrenched. Paul is cyclically unemployed and expects to be hired again when economic activity and appliance sales improve (Mohr *et al.*, 1995:611-12).

### **2.2.2.4 Seasonal unemployment**

Seasonal unemployment is similar to cyclical unemployment in that it is also determined by changes in the demand for labour due to changes in the demand of the output that labour produces. The fluctuations, however, can in the case of seasonal unemployment, be regularly anticipated as they follow a systematic pattern over the course of a year. For example, the demand for farm labourers falls after the planting season and increases during the harvest season (Mohr *et al.*, 1995:611-12).

## **2.2.3 Causes of unemployment**

The unemployment problem in South Africa is a very complex one and its causes are not obvious. The question as to what causes unemployment is a question that has both concerned and divided macro-economists for a long time. Identifying the different causes of unemployment in South Africa is very important, because that would help in choosing the right policy package and

strategies in addressing the unemployment problem. According to Heyns, Botha, Greyling, Loots, Schoeman, Bergh & Van Zyl, (2000:202), the high level of unemployment in South Africa can be attributed to several factors, including:

- ❖ A slowdown in economic activity since the mid-1980's and early 1990's. The absence of adequate economic growth has led to stagnation in the labour market.
- ❖ The inability of the formal economy to create sufficient employment opportunities for a growing population.
- ❖ The increasing trend towards capital intensiveness in the South African economy due to labour market unrest, the influence of trade unions, the generally low level of skills, as well as rigid and inflexible labour markets.
- ❖ External factors like the globalisation of markets, reduction in trade restrictions, the availability of cheaper imported goods and the rigid development of new technology.
- ❖ The upswing in economic activity after June 1993 did not contribute, as previous upswing cycles did, to an expansion of employment opportunities. The latter can be partly attributed to the fact that, firstly, there has been an average annual increase of 2.9 percent in labour productivity since the beginning of the current upswing phase. This serves as an indication that employers have encouraged their existing workers to work harder. Secondly, under-utilisation of production factors before the current upswing phase allowed employers to expand levels of capacity utilisation during the present upswing phase, before employing additional workers.
- ❖ The presence of foreign work seekers or illegal immigrants. Evidence suggests that there could be between 2.5 million and 4 million illegal foreigners who live and work in South Africa.
- ❖ The general low level of skills in the labour force.
- ❖ General uncertainty regarding the future economic prospects of South Africa. (Heyns *et al.*, 2000:205.)

#### 2.2.4 Dimensions of unemployment in South Africa

Apart from the fact that the unemployment rate in South Africa has more than doubled over the past decade, it also has various dimensions:

- ❖ **Unemployment by gender:** The gender distribution of unemployment shows that unemployment is higher among women than amongst men in all population groups. The most significant point is the substantially higher rate of discouragement (about finding jobs) amongst rural African women than for any other group, reaching 58 percent by the expanded definition. The rise and fall in unemployment numbers between 1999 - 2001 may well be explained by a corresponding recorded rise and fall in subsistence agriculture which appears to be more statistical than real (Altman, 2003:161).
- ❖ **Unemployment by age:** South Africa's unemployed consists to a great extent of young people. The number of young unemployed is growing much faster than any other group, thereby boosting the economy-wide unemployment rate each year. Young people are queuing for work, only finding work after the age of 30. Of the unemployed under 30 years of age, 73 percent has never worked before. The involuntary nature of this situation is highlighted by the difficulty in finding a job. These are people who should be economically active, supporting older relatives and children. Instead, many young people are joining the stock of the long-term unemployed. This has serious implications for economic policy seeking to reduce long-term unemployment (Altman, 2003:162).
- ❖ **Unemployment by location:** There is an unequal distribution of employment opportunities between South Africa's nine provinces. Table 2.1 shows the unemployment rate (using the official rate) for all provinces and for the country in 2003. The highest unemployment rate occurs in Limpopo, where 38.4 percent of the economically active population is unemployed. The lowest incidence of unemployment is found in the Western Cape, where 20.3 percent of the economically active population is unemployed. There is a higher incidence of unemployment in non-urban than in urban areas (Mokoena, 2004:104).

**TABLE 2.1: Unemployment rate by province in 2003 (%)**

<b>Province</b>	<b>Unemployment rate</b>
Eastern Cape	30.2
Limpopo Province	38.4
KwaZulu/Natal	35.5
North-West	32.9
Mpumalanga	30.5
Free State	31.8
Northern Cape	28.9
Gauteng	31.5
Western Cape	20.3
<b>TOTAL SOUTH AFRICA</b>	<b>31.2</b>

Source: Adapted from Mokoena, 2004:104

- ❖ **Unemployment by race:** Unemployment rates for African workers are much higher than for other groups. However, unemployment rates have been growing substantially for every other group, apart from Whites, particularly from the mid-1990s. Even so, 35.5 percent or 3.9 million African workers were unemployed in 2001, compared to 21.8 percent of Coloured and 18.2 percent of Asian workers together totaling only 0.5 million (Altman, 2003:161).
- ❖ **Unemployment by educational level:** An interesting phenomenon found in the South African labour market is that people with incomplete schooling have a higher incidence of unemployment than those with no schooling. Those with grade 12 or higher qualifications stand a greater chance of employment than those with no formal schooling (Heyns *et al.*, 2000:203-204).

### 2.2.5 Measuring unemployment

Measuring unemployment is a tricky affair. The proper calculation of employment and unemployment across the full population is really a new activity. There has been many changes in the measurement instruments in the 1990s as STATS SA has sought to make improvements.

Unemployment can be measured in a number of ways. The accepted international norm focuses on strict (or official or narrow) measures that include only workers still actively looking for work. The broad (or expanded) definition includes those parts of the labour force that say they would like to work, but have become discouraged. In South Africa, the review of both measures is important due to racial and gender biases: by far, the majority of discouraged workers are African rural women. Of the 7.7 million workers who were unemployed in 2001, 3.2 million were discouraged (Altman, 2003:159).

The chronic nature of unemployment is demonstrated by the fact that only 41 percent of urban men and 32 percent of urban women, that were defined as strictly unemployed, previously had a job. One-third to one-half of those strictly defined unemployed, had been out of work for more than three years. Labour force participation rates are quite high and many people are looking for work. This may mean that people are more hopeful or, alternatively, more desperate, as the picture is still quite bleak. Even by the strict definition, unemployment is expanding each year. While unemployment is rising for all race groups, the racial incidence is significant, mostly falling on African workers (Altman, 2003:160).

Table 2.2 presents unemployment trends in South Africa between 1994 and 2001. As noted, care should be taken in reviewing these figures, and year on year trends deserve less attention than overall direction over the period. The official unemployment rate rose by ten percent between 1994 and 2001, reaching almost 30 percent of the labour force. The broad definition of unemployment that includes discouraged workers, increased from 28.6 percent to 41.5 percent over the same period. The recorded unemployment rate would have grown much faster had it not been for the large growth in the informal sector (Altman, 2003:160).

**TABLE 2.2: Unemployment trends in South Africa 1994-2001 (%)**

	1994	1995	1996	1997	1998	1999	2000	2001
Strict definition	20.0	16.9	19.3	21.0	25.2	23.3	25.8	29.5
Broad definition	28.6	26.5	34.9	38.9	37.5	36.2	35.9	41.5

Source: Adapted from Altman, 2003:160

According to Slabbert (1997:69-70), the following three are more or less standard methods of measuring unemployment:

- ❖ the census method;
- ❖ registration method; and
- ❖ sample surveys.

The method that was used for this study is the sample survey method whereby surveys are undertaken on a sample basis to obtain the data required to calculate unemployment rates for specific groups of people. In earlier years, the Central Statistics Services conducted surveys on a monthly basis for Blacks, Coloureds and Asians. It was called the Current Population Survey (CPS), however, since the figures obtained for Blacks were found to be inaccurate, their results have not been published since April 1990 (Barker, 1992:83).

In 1994, the CPS was terminated and the October Household Survey (OHS) was introduced. STATS SA has conducted OHS's since 1996. It is an annual survey, based on a probability sample of a large number of households. It covers a range of development and poverty indicators, including unemployment rates (official and expanded), according to the definitions of the ILO.

Due to the lack of reliable sources of information on a regional basis, surveys were conducted in the Vaal Triangle by Slabbert (1997; 2003 & 2004) and Mokoena (2001) to determine the unemployment and poverty rate.

The method used to determine the unemployment rate is explained below. The unemployed rate (Ur) is calculated according to the standard equation:

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$$\frac{\text{Number of unemployed}}{\text{Economically active population (EAP)}} \times \frac{100}{1} = Ur$$

In developed countries, this definition is relatively simple to apply. The criteria for measuring unemployment are straight and definite, i.e. a person is out of work and is actively looking for a job by means of a listing at a placement or other government office. However, in developing countries circumstances are very different and it is not always clear whether or not a person is seeking employment.

In South Africa, some unemployed persons become discouraged and therefore refrain from taking active steps to seek employment. In the survey for this section, only one criteria was taken as an indication of seeking work, namely if a person "has the desire to work and to take up employment or self-employment". The question asked was simply: "Do you want to work?" This is referred to as an expanded definition of unemployment.

STATS SA's definition for employment which defines 'employed' as those who performed work for pay, profit or family gain in the seven days prior to the household survey interview, or who were absent from work during these seven days, but had some form of paid work to which they can return (STATS SA, 2000) was also simplified. The question asked was: "Do you work for a business, for yourself or for your family?" Working for a business was regarded as formal employment. Self-employment and family employment was taken as working in the informal sector.

## **2.3 POVERTY**

### **2.3.1 Definition of poverty**

Poverty is a highly contested term. Defining it is not an easy task. Many works on the subject become so technical that it is very difficult to draw conclusions from them or to employ them in policy-making endeavours. The important factor with definitions of poverty is that definitions drive policies. How poverty is defined and measured tends to determine the types and direction of policies aimed at reducing it (Mokoena, 2004:15).

The following factors are important in any attempt to define poverty:

- ❖ **Political and cultural influences:** Poverty is not only a social issue but also a highly political one, where power and interest groups have had a significant influence. Definitions of poverty therefore normally vary geographically and territorially depending on the politics of the area. For example, in sharp contrast with economists like Schumpeter, Karl Marx explained poverty as exploitation of the masses, which lies in the phenomenon of surplus value, linked to the institution of private property (Mokoena, 2001:10).
- ❖ In South Africa, the proposition that poverty is a political issue is punctuated by the elevation of income and wealth inequalities and disparities resulting from past policies in many definitions of poverty. The Poverty and Inequality Report (May, 1998:1) does not, for example, divorce the notion of poverty from inequality. There seems to be an unquestioned assumption in the report that there exists a cause-effect relationship between the two. The prevailing political climate therefore underpins definitions of poverty. The same may be argued regarding cultural differences. Even within the same political environment, people may be seen as poor or well-off depending on the cultural group to which they belong (Mokoena, 2001:10).
- ❖ **Deprivation and basic needs:** Most definitions of poverty are grounded in the idea of a state of deprivation. What the poor are deprived from is not often clear. What is seen as basic needs or necessities is not clear-cut and may differ from researcher to researcher and indeed from place to place. What is perceived as a basic need in one area may not necessarily be a need in another area. According to the ILO, basic needs include two elements. Firstly, it includes certain minimum requirements of a family for private consumption, such as adequate food, shelter and clothing, as well as certain household equipment and furniture. Secondly, it includes essential services provided by and for the community, such as safe drinking water, sanitation, public transport, and health and education facilities. Streeten (1982), on the other hand, states

that “there is nothing yet that could be described as a fully articulated Basic Needs Strategy, even as an adjunct to other strategies”. There is therefore little agreement as to what constitutes basic needs and therefore a state of deprivation from basic needs (Mokoena, 2001:10).

The factors discussed above are essential to note as they may be indicative of bias in a number of poverty definitions. Many definitions of poverty are based on income or material-based poverty (Atkinson & Bourguignon, 1999:1). This then militates in favour of income-based policies in poverty reduction. There are also other dimensions to poverty. A few illustrative definitions of poverty proposed in some of the prominent works on the subject appear below.

The World Bank (2001:1-2) defined poverty as being a lack of command over commodities in general deemed essential to constitute a reasonable standard of living in a society, or lack of ability to function in a society. This definition also emphasises command over resources as well as the lack of participation or voice in governance and civil matters.

Hindson, Xaba and Associates (2003:2) defined poverty as the inability of individuals, households or entire communities to command sufficient resources to satisfy a socially acceptable minimum standard of living

At the same time, poverty is increasingly seen as a *multidimensional phenomenon, resulting in a much wider range of factors being considered*. A recent report issued by the Southern African Regional Poverty Network (SARPN) noted: “It is now widely accepted that poverty includes deprivation in a range of capabilities, such as education, health, and human and civil rights” (Hindson *et al.*, 2003:3).

The South African Poverty Participation Assessment, which was undertaken in 1998, voiced some important complementary elements of a definition of poverty by the poor themselves, such as *alienation from the community and the institutions of kinship, food insecurity, crowded homes, use of basic forms of energy, lack of adequate paid and secure jobs and fragmentation of the family* (May, 1998:3).

Other concepts are being used to approach poverty, such as:

- ❖ Inequality, which refers to the unequal distribution of income across a country and is measured internationally by the Gini coefficient on the one hand and by the income shares of deciles of households on the other.
- ❖ Vulnerability, particularly relevant in reflecting the phenomenon of transient poverty and in targeting those poor “who move in and out of poverty, as the negative outcome of processes of change, whether they be economic, social, environmental or political” (ANON, 2000.)

More recently, a distinction has emerged between transient and chronic poverty. Jalan and Ravallion (2002:83) defined transient poverty as *the contribution of consumption variability over time to expected consumption poverty*. Chronic poverty is the poverty *that remains when inter-temporal variability in consumption has smoothed out*. They identify three categories of poor households. The first category is persistently poor, that is, households that are poor at every date for which data is available. The second category does not have a consumption level below the poverty line at every date, but the average consumption is below the poverty line. This category is defined as chronically poor. The third category comprises of the transitory poor who have an average consumption level above the poverty line but who are poor sometimes.

The examples of definitions given above show that poverty may be defined either based on income or non-income dimensions. Schiller (1984:5-10) makes the point that although non-economic aspects are understood, they are not easily quantifiable. It is therefore much more convenient to employ income-based measures for ease of measurement. It has nevertheless become imperative and equally important to attempt the measuring of non-income indicators as well.

The ILO (1995:20-21) suggests that if poverty is to be alleviated, the following issues are important:

- ❖ Enabling poor households to have access to productive assets and employment opportunities and to receive adequate prices and wages;

- ❖ Increasing the productivity of the labour and assets of the poor households through access to capital, education and skills;
- ❖ Providing adequate access to a range of basic services, such as agricultural extension services and other types of infrastructure;
- ❖ Providing systems of protection against the abuse and exploitation of the economically or socially weak; and
- ❖ Enabling poor households to live in a situation of law and order and be protected against violence.

### **2.3.2 The major causes of poverty**

The apartheid era certainly accounts heavily for the high incidence and persistence of poverty in South Africa. As a result of discriminatory planning, spatial isolation and the underdevelopment of townships and former homelands, the poor are efficiently left with limited access to productive resources such as land and capital and this effectively prevented their exploitation of economic opportunities (Hindson *et al.*, 2003:2).

The increasing level of unemployment since 1994 has been another important factor for the high level of poverty. Over the last ten years, employment fell sharply (at least in the formal sector) and retrenched workers faced significant difficulties in finding income earning opportunities, even in the informal sector of the economy (Hindson *et al.*, 2003:2).

Globalisation has aggravated these negative tendencies in the labour market by limiting the needs of unskilled labour, and therefore reinforcing the economic and social exclusion of the poor. Last but not least, the Human Immune-Deficiency Virus/Acquired Immune-Deficiency Syndrome (HIV/AIDS) epidemic has become the best ally of poverty, further reducing the access of the poor to income and assets, and weakening their capabilities, all to the detriment of the productivity and economic growth of the country (Hindson *et al.*, 2003:2).

In some high-income countries, such as the United States, the causes of poverty are restricted to opposing and highly politicised frameworks. One framework emphasises “the culture of the poor”, characterised by inadequacies in personal

behaviour that lead to poverty. The other stresses “structures”, whether of inadequate employment opportunities or of discrimination, as poverty inducing (Miller, 1994:569).

### **2.3.3 The state of poverty in South Africa**

Between 45 percent and 55 percent of the South African population live in serious degrees of poverty and still experience insufficient access to basic services, overcrowding in informal settlements, malnutrition, ill health, limited economic resources and opportunities, insecure tenure of land, spatial isolation, social exclusion, joblessness, and feelings of powerlessness and indignity. Absolute poverty is rife and it is estimated that 20 percent of the South Africans still live on less than a dollar a day. Poverty has deepened over the last ten years, and what is now commonly referred to as chronic poverty (or long term poverty) has firmly taken root (Hindson *et al.*, 2003:2).

While poverty is mainly concentrated in the rural areas with the highest poverty rates in the Free State, the Eastern Cape and the Limpopo Province, high levels of poverty are also experienced in and around urban areas, mostly affecting the small rural towns but also secondary cities and metropolitan areas (Hindson *et al.*, 2003:2).

Actually, many poor households maintain dual residence or double rootedness as a strategy of finding economic opportunities both in rural and urban areas. Although an increasing number of Black people are joining the middle class, the situation of most African households, both in rural and urban areas, is in many ways worse than fifteen years ago, with the poorest third of Black households falling into long term destitution, even in urban centres (Hindson *et al.*, 2003:2).

Women and children experience higher vulnerability to poverty, with an increasing number of women finding themselves as heads of households, especially in rural areas. Overall, women tend to have less access to resources than men and it is estimated that between 57 percent and 75 percent of children are living in varying degrees of poverty. In addition, women and children are also

often discriminated against regarding allocation of resources within households (Hindson *et al.*, 2003:2).

#### **2.3.4 Dimensions of poverty in South Africa**

According to Heyns *et al.* (2000:221), poverty has racial and geographical dimensions. Other dimensions of poverty in South Africa include the following:

- ❖ Approximately 75 percent of the poor people in South Africa live in rural areas where access to employment opportunities and basic services like health, education, water, sanitation and electricity is much lower than in urban areas.
- ❖ Poverty is a function of both low incomes and the exceptionally high unemployment rate. Evidence shows that an estimated 50 percent of poor households are dependent on pensions and remittances as their primary source of income.
- ❖ Poverty has a strong gender dimension. Research indicated that the incidence of poverty among female-headed households is 50 percent higher than among male-headed households.
- ❖ The higher the incidence of poverty among children, the higher the incidence among the population as a whole. It is estimated that approximately two-thirds of children under fifteen years of age live in poverty (Heyns *et al.*, 2000:221).

#### **2.3.5 Measuring poverty**

As mentioned, the exercise of defining poverty is done in order to be able to employ appropriate tools of measurement. It is not an easy task to measure poverty. Poverty measurements have also changed dynamically with time. As with the definitions of poverty, there are issues that need to be cleared in order to come to an agreeable measure of poverty. These are discussed next.

- ❖ **Individuals and households:** Individuals experience poverty and the state of deprivation is essentially an individual matter. Having said so, individuals are members of family units or households with whom they

share their resources (Alcock, 1997:99). This phenomenon is particularly acute among Blacks in South Africa due to a tendency of extended family systems. The household is important in measuring poverty. The concept of the household is used instead of the family concept. The two differ in that whereas a family is constituted of members with compulsory moral obligations and responsibilities towards one another (e.g. through marriage), a household is a looser concept implying any arrangement of the sharing of resources.

A further aspect that needs to be considered is the life-cycle hypothesis of income. An individual receives varying resources over his/her life span. Earlier in life (child) and late (old age and retirement) years an individual may find that they depend on other family members more than during early adulthood and middle age. These concepts play an important role in the measurement of poverty (Alcock, 1997:107).

- ❖ **Income:** Many measurements of poverty make use of the concept of income. It is therefore important to outline what is being understood by income. Beeghley (1984:325) argued that income should also include 'in-kind or cash benefits' such as student loans, public housing and business transportation since omission of such benefits understate income.

The CEAS (1986:16) includes the following in income:

- ❖ Salaries, wages, overtime pay and commissions before deduction of pensions and taxes,
- ❖ Net profit from business activities,
- ❖ Estimated cash value of fringe benefits, and
- ❖ Any other income such as interest and dividends.

Some researchers prefer non-income measures of poverty because of the uncertainty involved in the use of income as a measure. Wealth, or lack of it, has also been used as a measure of poverty.

- ❖ **Qualitative and quantitative approaches:** Measurements of poverty can be divided into qualitative and quantitative measures. Mokoena (2001:20) says that qualitative measurements of poverty draw from the experiences of poverty by those individuals actually suffering from it. Such experiences give life and meaning to the seemingly dry and impersonal mathematical tables and graphs. Quantitative measures make use of data independent of feelings and emotions.

The World Bank (1997:1-4) has contrasted the two approaches against each other in terms of their inherent characteristics. Some of its findings include the following:

- ❖ The philosophical underpinning of the quantitative approach is a positivist paradigm rejected by qualitative approaches;
- ❖ Quantitative determination of poverty is done by external surveyors whereas in qualitative approaches it is done by participants and facilitators;
- ❖ Geographic coverage of quantitative approaches is wide and national whereas the qualitative one is small in selected communities.

The two approaches have difficulties, advantages and disadvantages and are best used together as they supplement each other.

The following sections outline the main poverty measures used in this study.

### **2.3.5.1 Poverty lines**

The use of the poverty lines to measure poverty is an age-old practice. Some of these lines are antiquated and irrelevant in modern societies. Generally, poverty lines show the level of income necessary to offer minimum subsistence level, or what Fisher (1995) calls the “get-along” amount. They demarcate a group of households whose income or consumption is too low in comparison to that of the general population.

Poverty lines are income and price elastic; i.e. they are adjusted for changes in the median or mean income or consumption of the general population as well as

for changes in the general price level. Fisher (1995) reasons that as technology progresses and new products are introduced, they may initially be bought by the upper income households, but generally diffuse to lower income households. This causes the income elasticity of these goods. The goods may initially be seen as conveniences, but end up as necessities. For example, computers are slowly becoming necessities in modern society. The price elasticity occurs as a result of inflation. Thus poverty lines are normally adjusted upwards with the passage of time due to technology and inflation.

Until 1973, the term Poverty Datum Line (PDL) was used to determine the subsistence level in South Africa (Slabbert, 1997:43). Since 1973, other poverty lines have been introduced.

Table 2.3 below shows examples of poverty lines used in South Africa, and their composition. The Minimum Subsistence Level (MLL) is the minimum level at which a non-White family would be able to maintain the health of its members and conform to Western standards of decency. It includes the cost of items such as tax, medical expenses, education and household equipment, in addition to the items included by the PDL. The Supplementary Living Level (SLL) includes items such as recreation, personal care, pension, unemployment, insurance fund, medical aid and burial contributions plus 30.0 percent more of the items included by the MLL (Mokoena, 2001:22).

**TABLE 2.3: Examples of poverty lines used in South Africa**

POVERTY LINES COMPARED	
POVERTY LINE	COVERAGE
PDL	Food, Clothing, Fuel/Lighting, Washing/Cleaning, Rent, Transport
MLL	PDL plus: Tax, Medical expenses, Education, Household equipment replacement
SLL	MLL plus: More of each item plus Recreation, Personal care, Pension, Unemployment, Insurance fund, Medical aid, Burial contributions. Approximately MLL+30.0 percent.
HSL	As for PDL
HEL	HSL + 50.0 percent

Source: Adapted from Mokoena, 2001:22

The Household Subsistence Level (HSL) was used by Potgieter (1980) and contains the Household Effective Level (HEL). Potgieter (1980:4) defines the HSL as an estimate of theoretical income needed by an individual household to maintain a defined minimum level of health and decency in the short-term and is calculated at the lowest retail cost of a basket of necessities of adequate quality. The 'basket' includes: food, clothing, fuel and lighting and washing and cleaning material for each individual in a household and for the whole household and the cost of rent and transport.

The HSL will be employed in this study, because as Slabbert (1997:45) pointed out, it covers all major centres in South Africa. Secondly, the HSL is the most frequently used measure in recent years. Thirdly, as this study includes a comparison between Sharpeville and Bophelong, the HSL offers a common measure. The HEL is calculated as the HSL plus 50.0 percent and thus gives a higher cut-off point (Mokoena, 2001:22).

### 2.3.5.2 The headcount index and the poverty gap

The headcount index is defined as *the fraction of the population below the poverty line*. In this study, the headcount index is adapted to indicate the fraction of households that fall below their individual poverty lines, and is described by means of the equation:

$$H(y;z) = M/N$$

Where:

- H = the fraction of households below the poverty line;
- y = household income;
- z = the poverty line of households;
- M = the number of households with incomes less than z;
- N = the total number of households.

The index has been criticised by Sen (1981:32-24), for not measuring the extent of poverty. To make up for this shortcoming, the poverty gap ratio is normally used. The poverty gap measures the average shortfall of the incomes of the poor from the poverty line while the poverty gap index measures the extent of the shortfall of incomes below the poverty line. The poverty gap of an individual household (in monetary terms) can therefore be expressed by the equation:

$$G_i(y,z) = z_i - y_i$$

Where:

- $G_i$  = the income shortfall of a household;
- $y_i$  = the income of a specific household; and
- $z_i$  = the poverty line of a specific household.

In this report, the poverty gap index is adapted to be a measure of a specific household, described by the equation:

$$R_i(y; z) = (z_i - y_i)/z_i$$

Where:  $R_i$  = the income shortfall of a household expressed as a proportion of the household's poverty line;

$y_i$  = the income of a specific household; and

$z_i$  = the poverty line of a specific household.

From the three equations above, it is clear that the poverty gap can only be reduced by increasing household income (Slabbert, 1997:47).

### **2.3.5.3 Dependency ratio**

The dependency ratio refers to the ratio of the number of non-income earners that depends on income earners. This tendency is particularly acute in extended family systems. Those who earn income have to support many non-earners so that their incomes are spread so thinly that they can afford very little food, clothes and shelter (Slabbert, 1997:57). This tendency obviously increases the incidence of poverty. Dependency ratios are calculated by dividing the total number of non-earners by the total of earners.

## **2.4 THE ROLE OF THE INFORMAL SECTOR IN EMPLOYMENT CREATION AND POVERTY ALLEVIATION**

According to Devey, Skinner and Valodia (2003:145), the informal sector is defined as including all those who work in small unregistered enterprises, both employers and employees, as well as self-employed persons who work in their own or family businesses. Despite the definition of the sector, collecting accurate statistics on the sector remains exceedingly difficult, because of its diversity and the wide range of activities it encompasses. Given the difficulties of data collection, official statistics probably underestimate the size and economic contribution of the sector, as well as women's roles in it.

The South African economy is in economic crisis. This is indicated by the ever decreasing formal employment. Only 29 percent of the South African workforce is formally employed, compared to 69 percent a decade ago, while the proportion of

workers active in the informal sector has grown from 14 percent to 21 percent. As in 2001, the economy needs to generate about 450 000 net new jobs each year, compared with an average of 240 000 net new jobs created annually since 1994, almost all in the informal sector (Altman, 2003:20).

Koch (1991:1-2) attributes the decrease in formal employment to the import substitution policies of the government since World War II, which has resulted in more capital intensive modes of production. This has had the effect of capital and labour becoming substitutes rather than complements. Other factors both prior to and coinciding with import substitution have exacerbated the crisis. These include repressive labour legislation and regulations, recession, sanctions and disinvestment. In South Africa, it can be seen that the above factors have had adverse effects for the welfare and employment situation of a large majority of the population. Poverty and unemployment are a fact of life for a large percentage of the population. The policy of import substitution has resulted in a large formal sector geared to meet the needs of the affluent White sector of the population. However, due to skewed income distribution the White sector is facing an ever-shrinking market for their products.

One could conclude that the outlook for formal employment for a large proportion of the population of working age is rather bleak. This has resulted in increasing informal business activity. The formal sector is not in a position to provide sufficient employment or, as some would argue, it is not concerned with employment creation but rather with profit maximisation. The informal sector and small-scale producers have a role to play in employment creation and the alleviation of poverty (Koch, 1991:2).

## **2.5 CLOTHING MANUFACTURING**

### **2.5.1 Overview of the South African clothing industry**

The clothing industry in South Africa is historically well established and caters for a wide range of customer needs. Among the range of manufactured goods are men's, women's and children's clothing goods, underwear and swimwear products.

Nevertheless, clothing market conditions in South Africa are shifting rapidly, particularly in the context of political and economic changes which have given rise to a massive black aspirant market that is increasingly demanding and sophisticated. Accompanying the changes in domestic market demand are shifts also in the nature and type of competitors operating in the domestic market, a theme mirrored in changing retailing patterns (Rogerson, 2000:692).

The clothing industry displays a dualistic structure with both a formal and an informal element of production. The formal component of the industry is governed by institutionalised bargaining council arrangements and is largely concentrated in South Africa's three largest metropolitan areas. The largest clusters of clothing producers occur in the Cape Town and Durban metropolitan areas. During the apartheid period, however, a segment of clothing producers relocated their production from the metropolitan areas, either fully or partially, to cheap labour locations, primarily peripheral growth points in or close to Bantustans which received lavish government decentralisation incentives (Rogerson, 2000:692).

During the early 1990s, wage differentials between formal clothing factories in metropolitan areas as opposed to decentralised locations were observed as anywhere between three and six, even nine times greater. Alongside the formal clothing industry, a notable segment of informal production of clothing across the major urban centres of South Africa is emerging. In addition, the informal economy of clothing production in the Witwatersrand is further reflected in clusters of small producers who occupy surplus office space in inner-city Johannesburg, many of these businesses formerly originated as home-based enterprises in the black townships of the Witwatersrand (Rogerson, 2000:692).

Estimates of total employment in the South African clothing sector vary considerably and often fluctuate dramatically. Official statistics reflect total employment in the industry estimated at 140 000 (1998) and the annual value of production at R8,4 billion. More generally, in terms of formal employment, the clothing industry is said to present between nine and ten per cent of the total employment in the South African manufacturing sector (Rogerson, 2000:693).

Such figures, however, exclude the burgeoning small-scale or informal clothing industry, which is estimated by the national Clothing Federation of South Africa (1998) as engaging a total of 60 000 workers (Rogerson, 2000:693).

### **2.5.2 Why promote clothing manufacturing?**

The most important priorities in developing the clothing industry are employment generation and retention in the context of extremely high unemployment rates.

The clothing industry offers a number of advantages to a government seeking to expand employment quickly. It is one of the few remaining labour intensive industries (Altman, 1994:1). In addition, improving competitiveness to promote expansion is very inexpensive. The most important productivity improvements are implemented organisationally, and do not necessarily require substantial capital investment. Therefore, clothing manufacturing is a relatively cheap, non-forex consuming industry. Particularly if foreign investment were encouraged, easy entry means that the industry can expand very quickly (Altman, 1994:1).

### **2.5.3 Co-operatives**

A co-operative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise (Philip, 2003:7).

#### **2.5.3.1 The history of co-operatives**

People all over the world have found different ways to co-operate in the production and distribution of goods and services, across different types of economic systems. But particular forms of such co-operation were formalised in the nineteenth century Europe, against the backdrop of the Industrial Revolution and significant social change. These co-operatives were seen as social and economic alternatives to the impacts of emergent industrial capitalism (Philip, 2003:3).

According to Philip (2003:3), co-operatives grew within five distinct traditions as indicated by the International Co-operative Alliance (ICA):

- ❖ The consumer co-operatives, whose beginnings have long been popularly associated with the Rochdale pioneers;
- ❖ The worker co-operatives, which had their greatest early strength in France;
- ❖ The credit co-operatives, which largely began in Germany;
- ❖ The agricultural co-operatives, which had their early roots in Denmark and Germany; and
- ❖ Service co-operatives, such as housing and health co-operatives, which emerged in many parts of industrial Europe as the century drew to an end (Philip, 2003:3).

Despite challenges of many kinds, and diverse trajectories of development, the co-operation model has continued to inspire people, and co-operative movements have endured and thrived in many countries of the world. According to the European Union Statistical Report on Co-operatives of 1994, there were then over 53.7 million co-operative members in the European Union (EU); with 34.7 million concentrated in banking, credit and insurance co-operatives (as member/account holders); and 9.5 million in consumer and retail co-operatives. In Russia and China, forms of worker ownership, including continuum co-operatives to Employee Share Ownership Schemes (ESOPS), have emerged in response to the privatisation of state owned enterprises. The Grameen Bank in Bangladesh is a form of a financial services co-operative; and in India, 6 million dairy farmers belong to 60 000 dairy co-operatives, with more than \$1 billion in annual earnings for their members. In India labour-contracting co-operatives are also the mandatory delivery agents for public works programmes under a certain contract level. In South America, utility co-operatives have emerged in many places to extend service delivery, with Argentina having about 500 utility co-operatives distributing 19 percent of the country's electricity in 900 communities; another 130 co-operatives providing telephone services, and 320 which provide drinking water (Philip, 2003:3-4).

Yet, despite an apparently fertile context for co-operation development in South Africa, there are not yet equivalent success stories. Although the agricultural co-

operatives have certainly demonstrated the commercial potential of the model, their failure to embrace democracy at a society level in South Africa during the apartheid years still rather taints their broader acceptability as a South African success story (Philip, 2003:3-4).

### **2.5.3.2 The co-operatives principles**

The ICA, based in Geneva, is broadly recognised as the legitimate international home of national co-operative federations. This is also where co-operatives have, over time, debated and changed the accepted co-operatives principles, as well as engaging with key and highly contested debates about the variations on the classic co-operative form, that can be accepted within the recognised movement. The current state of play on these issues is captured below (Philip, 2003:3-4).

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.

The co-operative principles are guidelines by which co-operatives put their values into practice. Philip (2003:7-8) lists the following principles for co-operatives:

- ❖ **1st Principle - Voluntary and Open Membership:** Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.
- ❖ **2nd Principle - Democratic Member Control:** Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote), and co-operatives at other levels are also organised in a democratic manner.

- ❖ **3rd Principle - Member Economic Participation:** Members contribute equitably and democratically control the capital in their co-operative. At least part of that capital is usually the common property of the co-operative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their co-operative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.
- ❖ **4th Principle - Autonomy and Independence:** Co-operatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.
- ❖ **5th Principle - Education, Training and Information:** Co-operatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders, about the nature and benefits of co-operation.
- ❖ **6th Principle - Co-operation among Co-operatives:** Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures.
- ❖ **7th Principle - Concern for Community:** Co-operatives work for the sustainable development of their communities through policies approved by their members (Philip, 2003:8).

This definition of co-operatives and these principles are broad enough to cover a wide range of forms of co-operation organisation. They encompass many potential variations, and make no distinction between worker and user co-

operatives. They also attempt to find the balance between competing pressures on co-operatives as forms of organisation, straddling the kind of idealism that anticipates that all decisions will be made by direct democracy, to some of the very indirect and mediated models of workers control that others have adopted (Philip, 2003:8).

The forms of co-operatives will be discussed in Chapter five, to analyse which form will be best for the clothing manufacturers in Sharpeville.

### **2.5.3.3 Example of clothing manufacturing co-operatives in the Western Cape**

This section shows two surveys of clothing co-operatives conducted in the Western Cape. One of the surveys was conducted by Koch in 1989 (detailed results from this survey will be discussed in Chapter 4), whereby 31 clothing manufacturers were interviewed. The other survey was conducted by Wentzel in 1992 whereby 33 clothing manufacturers were interviewed.

The years of experience and industrial training in production acquired by the employees/members proved to be a significant variable between the two surveys. It impacted on output levels, quality, production range, market niches and income levels. When one of the co-operatives experienced a high turnover of members, as a consequence of low and unstable income levels, it recruited ten retrenched factory workers with between eight to twelve years of factory experience. The co-operative secured Cut-Make-and-Trim (CMT) orders for established retail outlets. It had previously attempted to dispose of its products at various flea markets, with very poor results. The economic viability of the co-operative changed for the better when orders from established retail outlets like Edgars and Truworths were secured via middlemen. Output levels, the quality of finished garments and the cash flow situation improved significantly. Income levels rose markedly from R30 a week to between R150 and R200 a week with a continuous supply of CMT work (Wentzel, 1993:74).

Very few informal sector manufacturers can entertain training as a component of their tight survival strategy. Co-operatives are perhaps the only micro-enterprises

with an explicit commitment to skills enhancement programmes for members (Wentzel, 1993:75).

## **2.6 SUMMARY AND CONCLUSIONS**

The theoretical underpinnings of this study were presented in this chapter. The chapter sets out that unemployment and poverty are increasingly seen as multi-dimensional concepts, resulting in a much wider range of factors being considered.

The unemployment problem in South Africa is a very complex one and its causes are not always obvious. Unemployment is seen as a situation where members of the labour force are without work and are currently available for work, and are seeking work. The four different types (frictional, structural, demand-deficit and seasonal) of unemployment were discussed. Structural unemployment is the most prominent in South Africa. Unemployment in South Africa is concentrated among women (especially African Women) and young people who should be economically active, supporting older relatives and children. The unemployment rate is higher for African workers than for other groups. There are three standard methods for measuring unemployment, namely, the census method, the registration method and the sample survey. The sample survey was discussed as it is the method used for this study, where surveys were undertaken on a sample basis to obtain the data required to calculate the unemployment rate for the Sharpeville community.

Poverty was defined in various ways. It is widely accepted that poverty includes deprivation in a range of capabilities, such as education, health, and human and civil rights. One can argue that deprivation is due to unemployment. The Apartheid era is held accountable for the persistence of poverty in South Africa, together with increasing levels of unemployment since 1994. It was indicated that between 45 percent and 50 percent of the South African population live in serious degrees of poverty, with 20 percent living on less than a dollar per day. Women and children experience higher vulnerability to poverty. Measurement of poverty includes the following concepts: Poverty lines, the poverty gap, headcount index and the dependency ratio. Examples of poverty lines employed

in South Africa were explained. The HSL will be employed in this study because it covers all major centres in South Africa, it is the most frequently used measure in recent years, and as this study includes a comparison between Sharpeville and other areas, the HSL offers a common measure.

Employment in the formal sector is shown to be decreasing while increasing in the informal sector. Only 29 percent of the South African workforce is formally employed, compared to 69 percent a decade ago. Moreover, the proportion of workers active in the informal sector has grown from 14 percent to 21 percent. The promotion and fostering of informal business activities have been presented as macro-economic solutions to the country's unemployment and growth problems. The growing awareness of the seriousness of the structural unemployment in South Africa has led governments, international agencies and academics alike to turn to the labour absorptive potential of the informal sector. The clothing industry, being the most labour intensive industry in South Africa, provides a key to (at least partly) overcoming the significant unemployment situation in the country. By alleviating the unemployment situation it will at the same time alleviate poverty.

A co-operative was defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. The history of co-operatives was discussed including some international experiences with regard to co-operatives. The seven principles of co-operatives, namely voluntary and open membership, democratic member control, member's economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and of concern for community were also discussed. Co-operation between small firms, either directly or via the medium of commonly owned or controlled institutions, is seen as an important way of increasing individual capabilities.

It can be concluded that unemployment and poverty are problems that South African citizens face every day, especially the youth and women. Policy measures need to be established to deal with unemployment and poverty.

Therefore this study in Sharpeville is a way of finding solutions to the problem of  
The role of clothing manufacturing co-operatives in job creation and poverty alleviation in Sharpeville

unemployment and poverty. With the ever decreasing employment in the formal sector, it is seen as having a role to play in providing job opportunities and alleviating poverty.

## **CHAPTER 3**

### **PROFILE OF THE POOR POPULATION OF SHARPEVILLE**

#### **3.1 INTRODUCTION**

The previous chapter discussed and applied various poverty measurements with an attempt to quantify poverty in Sharpeville. The objective of this chapter is to profile the poor population in Sharpeville in terms of a number of variables. A profile is like a snapshot. It shows the characteristics at a point in time. An essential pre-condition to keep track of changes in characteristics over time is a clear profile at the departure point. It serves as a reference point to monitor the impact of poverty policies. In fact, poverty policies should be updated every number of years (Slabbert, 1997:91).

The approach in this chapter will be to profile the poor in comparison with the total population, making use of survey data. The discussion will also encompass the different indicators of poverty in Sharpeville and compare Sharpeville with Bophelong (and in certain instances the greater Emfuleni area) in terms of these indicators.

The information for Sharpeville is analysed from household questionnaires administered in the area during July/August 2004 and the information for Bophelong is based on a study conducted in 2003 by Slabbert.

#### **3.2 DEMOGRAPHICS**

Any change in the economy of a region will have an effect on its population in terms of employment opportunities, income or remuneration, expenditure patterns, the level of poverty and social services (Slabbert, 2004:61).

This section employs various indicators to develop a profile of Sharpeville, as well as to compare these with the Bophelong profile (and the greater Emfuleni area). The population in Sharpeville is estimated at 41 031 which is higher compared to the population of Bophelong of 37 779 (STATS SA, 2003a). The

number of households in Sharpeville is estimated at 8 374 compared to 12 352 in Bophelong (Slabbert, 2003:1).

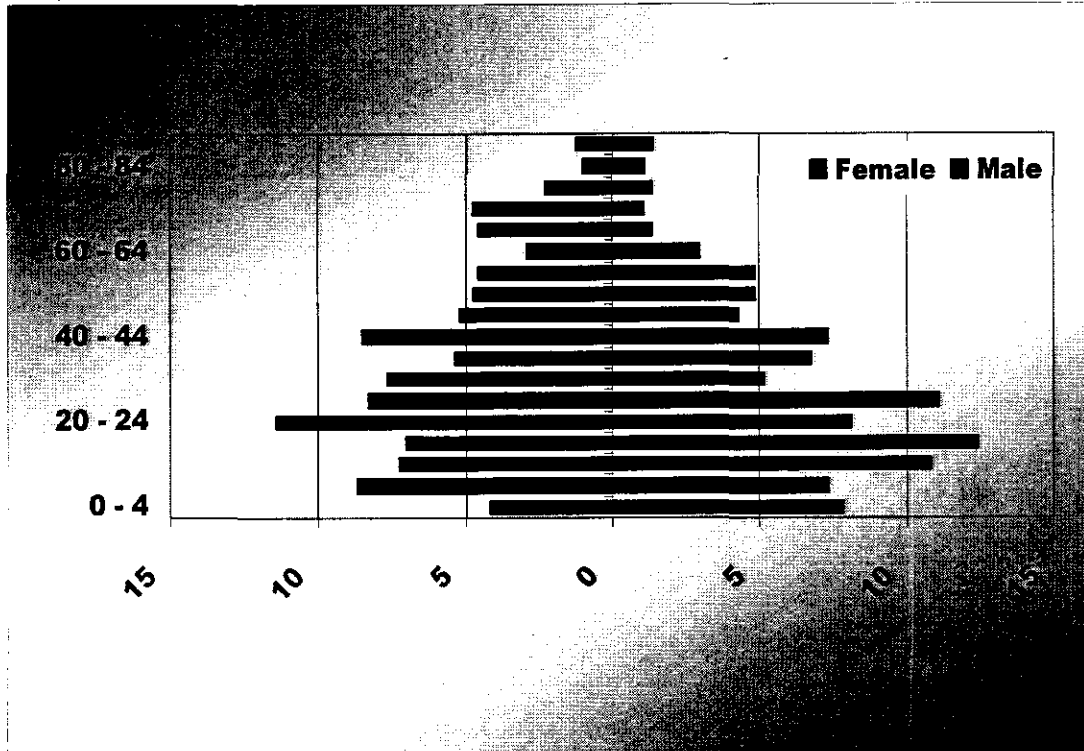
The average household size in Sharpeville is 4.9 members for the year 2004 compared to 3.8 persons per household for Bophelong in 2001. The average household size for Emfuleni as a whole is 3.5 (Slabbert, 2003:1).

The dependency ratio, an indicator of the number of persons who depend on the income of one earner, is determined at 4.4 in Sharpeville for 2004 and 3.6 in Bophelong for 2003. For Emfuleni the dependency ratio for 2001 was determined at 3.3 (Slabbert, 2004:63).

The demographic analysis is in terms of age categories of the population, the gender distribution, qualifications of the post-school population and the average length of stay in the Vaal Triangle of the Sharpeville community. The analysis is essential to establish similarities and differences between the two communities being compared, namely Sharpeville and Bophelong.

Figure 3.1 shows the age categories of the population of Sharpeville. It shows that 27.4 percent of the population lies between 20 and 40 years of age, while 27.2 percent is 19 years of age and younger. The comparative figures for males are 24.3 percent and 38.4 percent respectively. This means that 63 percent of the male population is younger than 40 years of age. The male population is therefore relatively young (certainly with comparison to the female population younger than 40 years of age which is 54.6 percent). For Bophelong, there seems to be a relatively high percentage of the population between 20 and 40 years of age, which is the age where people in general are most productive (Slabbert, 2003:5).

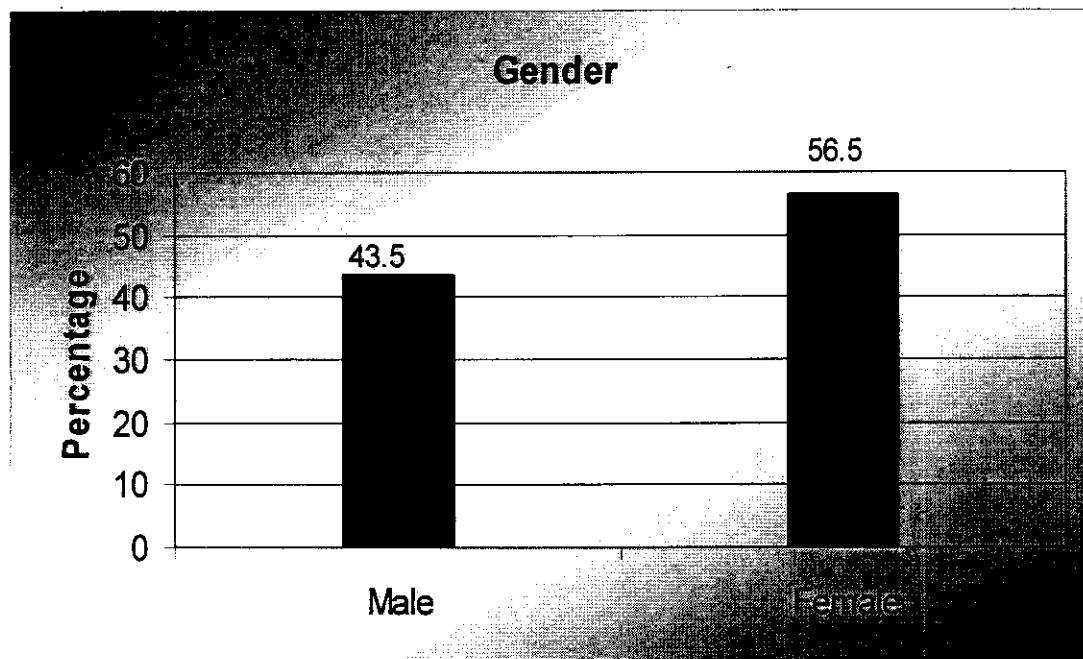
**FIGURE 3.1: TOTAL POPULATION OF SHARPEVILLE IN AGE CATEGORIES - 2004**



Source: Survey data, 2004

Figure 3.2 shows the gender distribution of the population of Sharpeville. It shows that approximately 43.5 percent of the population is male, while 56.5 percent is female. The figures for Bophelong show that 46.5 percent of the population is male, while 53.5 is female (Slabbert, 2003:5). For South Africa, the national figure is 47.7 percent male and 52.3 percent female (STATS SA, 2003a:7). For the Gauteng province, the percentages of males and females are given as 51 percent male and 49 percent female and it is the only province with a slightly higher number of males to females (STATS SA, 1999:8-9). The figures for Sharpeville are therefore closely concomitant with those for Bophelong and South Africa as a whole with a higher percentage of females than males.

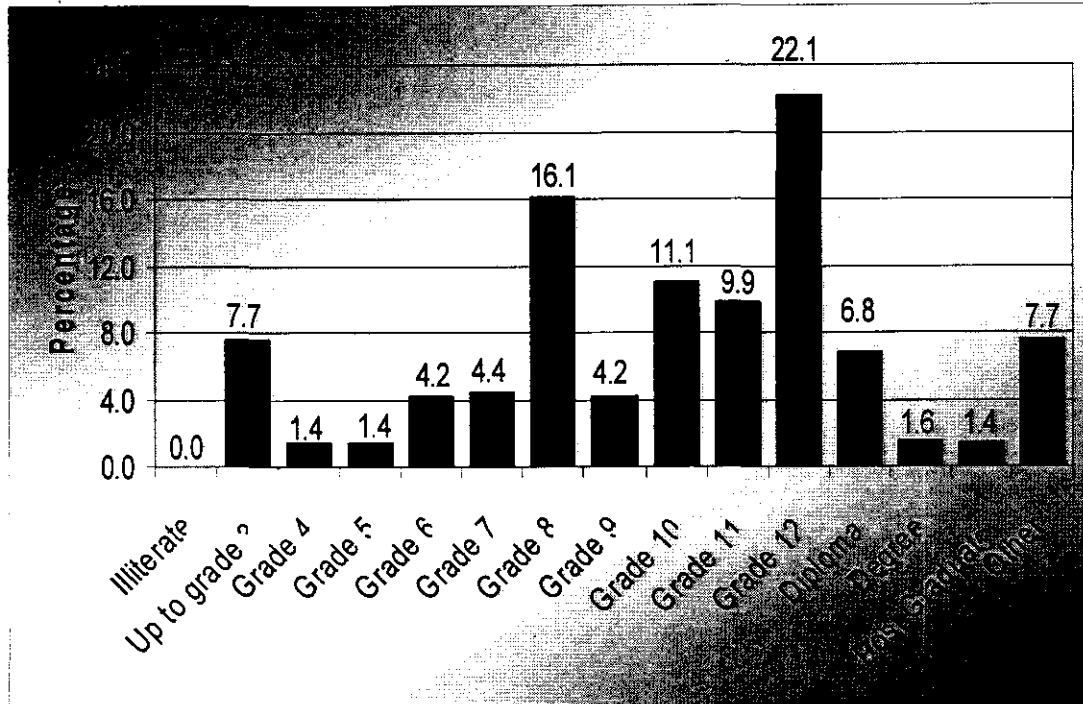
**FIGURE 3.2: GENDER DISTRIBUTION OF THE SHARPEVILLE POPULATION - 2004**



Source: Survey data, 2004

The qualifications of the post-school population in Sharpeville are portrayed in Figure 3.3. The figure shows that 39.6 percent has a grade 12 and higher qualification. This figure is only 22.8 percent for Bophelong (Slabbert, 2003:5), seventeen percent less than Sharpeville. For South Africa, the national figure is 29.2 percent (STATS SA, 2004:iv). There seems to be a quite high difference between the two communities with respect to education levels. The Sharpeville figure is also high in comparison with the national figure. As for the illiterate category, or category with no education, Sharpeville shows a zero percent while Bophelong showed five percent. Nationally, this category showed 11.8 percent for this category.

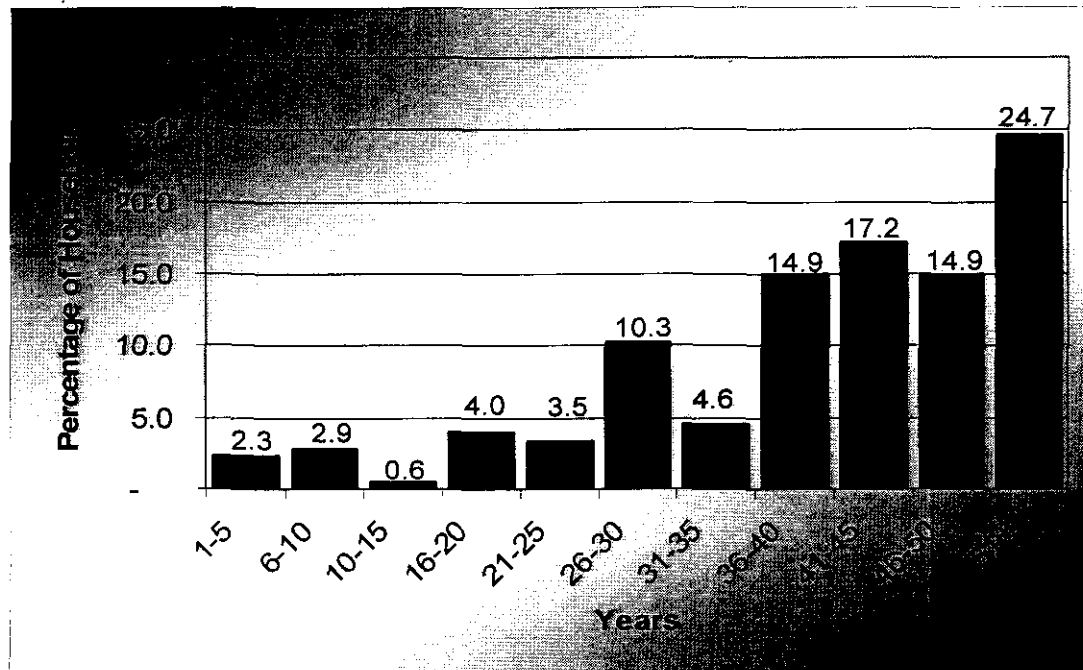
**FIGURE 3.3: QUALIFICATIONS OF POST-SCHOOL POPULATION IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.4 portrays the average length of stay of respondents in the Vaal Triangle. Of the population 76.3 percent has been staying in the Vaal Triangle for over 30 years. About 25 percent has lived in the Vaal Triangle for over 50 years. Most would therefore have been in the Vaal Triangle for most (if not for the whole) of their lives. Some indicated that they have been living in Sharpeville since its establishment in 1941. In the case of Bophelong, the average length of stay is mostly around 28 years, with a high influx in the last 10 years (Slabbert, 2004:5). Sharpeville seems to be a more established township, than Bophelong.

**FIGURE 3.4: AVERAGE LENGTH OF STAY IN THE VAAL TRIANGLE - 2004**



Source: Survey data, 2004

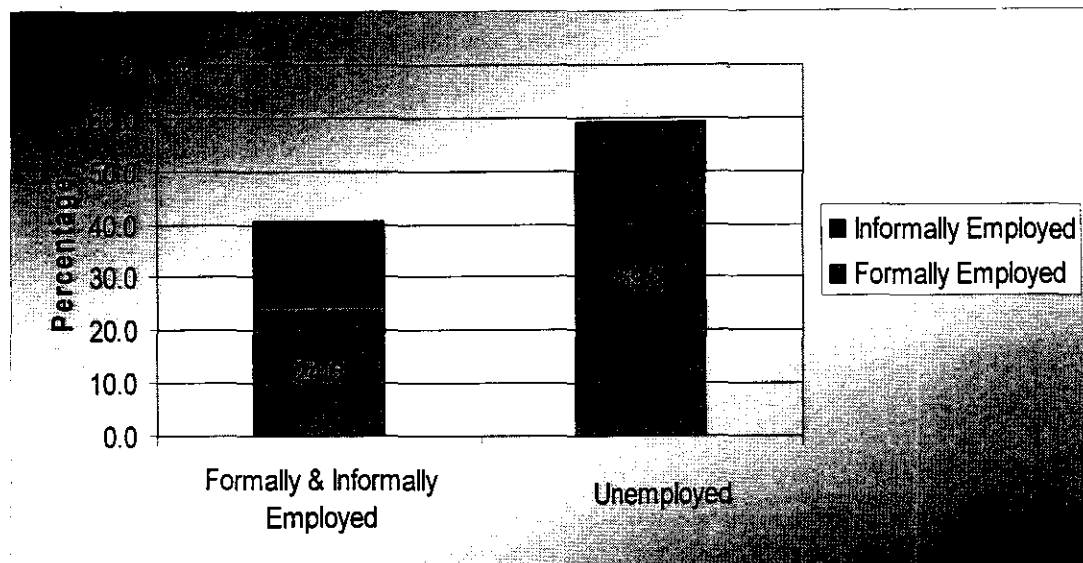
### 3.3 LABOUR FORCE

As discussed in section 2.2.5, the unemployment rate ( $U_r$ ) is calculated according to the following standard equation:

$$\frac{\text{number of the unemployed}}{\text{Economically active population (EAP)}} \times \frac{100}{1} = U_r$$

From the survey data (2004), unemployment in Sharpeville is determined at 59.2 percent (for the method see Annexure D). This is depicted in Figure 3.5. This rate is lower than the total rate for Emfuleni which is 61.7 percent for 2003, but higher than the Bophelong figure which was determined at 55 percent (Slabbert, 2003:6-7). Concerning employment, Sharpeville seems to be slightly better off than Emfuleni as a whole. The average size of households is 4.9 persons of which, on average 1.3 persons are unemployed. This figure (of the average household size) is higher than for both Bophelong (3.8) and Emfuleni (3.5) (Slabbert, 2003:1).

**FIGURE 3.5: COMPOSITION OF THE LABOUR FORCE IN SHARPEVILLE  
- 2004**



Source: Survey data, 2004

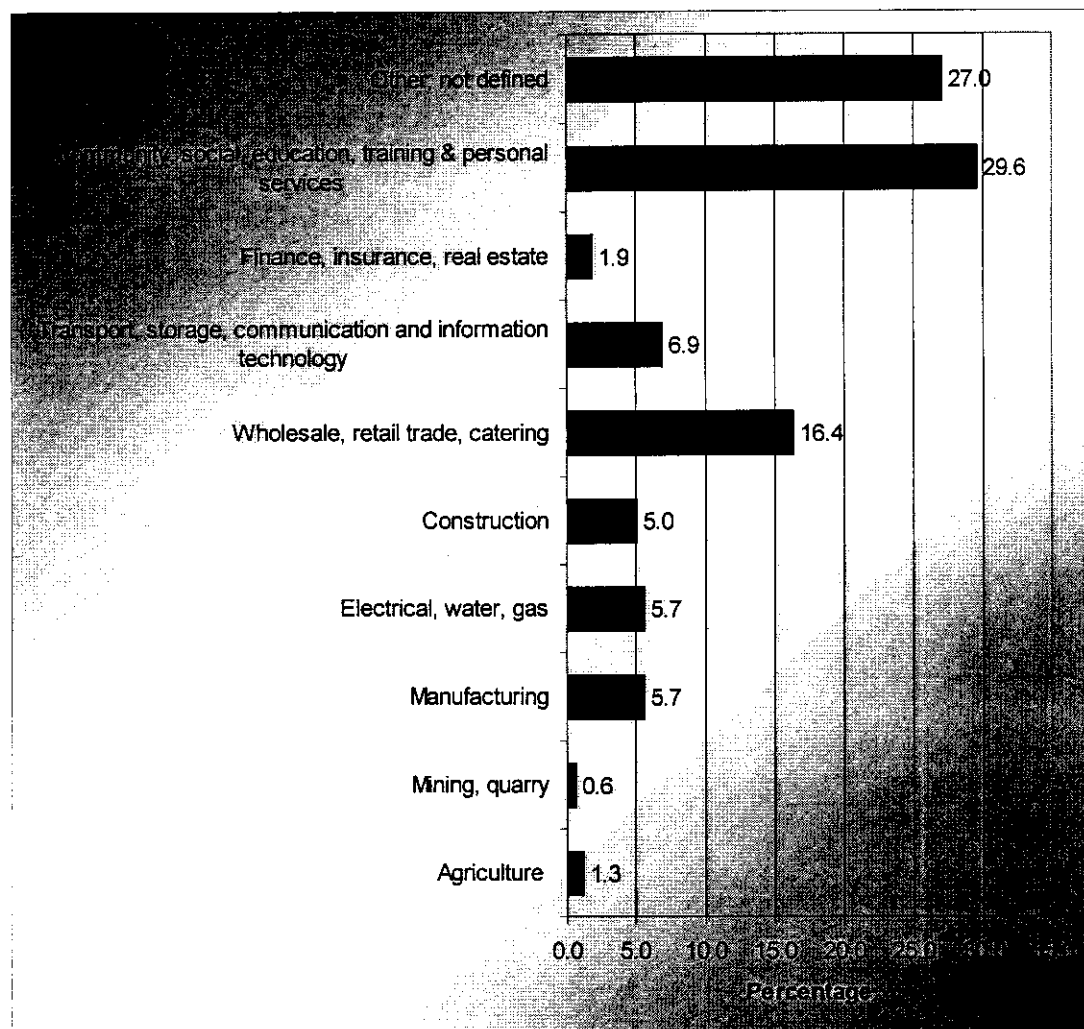
Figure 3.5 also shows that of the total labour force, 24.6 percent are employed in the formal sector while 16.2 percent are employed in the informal sector. The formal employment figure for Bophelong is higher at 34.9 percent, and the informal employment figure lower at 10 percent (Slabbert, 2003:7). The figures for Emfuleni are 27.8 percent (formal employment) and 10.5 percent (informal employment) (Mokoena, 2004:104). Sharpeville, therefore, has a higher proportion of the labour force employed in the informal sector. The lower formal employment figure in Sharpeville calls for job creation initiatives in the township.

### 3.3.1 Profile of the employed

Figure 3.6 portrays the sectors in which the employed of the Sharpeville Community are working. Most of those who are employed are employed in low income, vulnerable and short-term jobs. This exacerbates poverty levels. About 29.6 percent of the employed indicated that they are employed in community, social, education, training & personal services. Other major sectors of employment are other sectors (27 percent) which are in most cases domestic services, and wholesale, retail trade & catering (16.4 percent). These figures are in stark contrast to the figures for Bophelong and Emfuleni. The “service” category for Bophelong is 21.9 percent and the other category is 30 percent

(Slabbert, 2003:7). For Emfuleni the service category is 18.9 percent and the other category is 6.9 percent (Slabbert, 2004:72).

**FIGURE 3.6: SECTORS OF EMPLOYMENT FOR THE EMPLOYED POPULATION IN SHARPEVILLE - 2004**



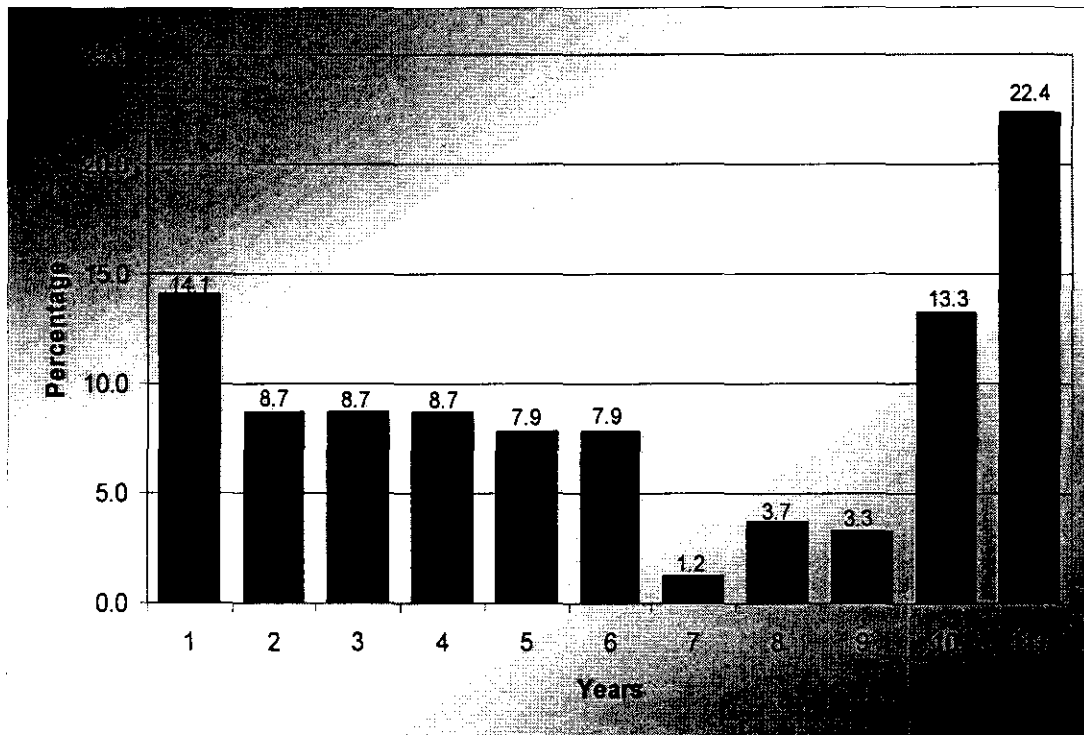
Source: Survey data, 2004

As for looking at the influence caused by the labour legislation on the working class in Sharpeville, the followings were indicated: While 30.2 percent indicated that their income increased as a result of minimum wages, 69.7 percent responded that it did not. Of the employed population 51.1 percent think that their employers can afford to increase their salary, because of minimum wages and 16.2 percent indicated that their working hours have been reduced due to minimum wages (Survey data, 2004).

### 3.3.2 Profile of the unemployed

Many unemployed persons have been unemployed for a number of years, as shown in Figure 3.7 below. More than half of the unemployed (59.5 percent) have been unemployed for 5 years and longer. This figure is higher than both Emfuleni (55 percent) and Bophelong (45.5 percent) (Mokoena, 2004:108). This implies that the unemployed in Sharpeville have, on average, been unemployed for longer than those in Bophelong. The percentage of people unemployed for 5 years and less is 53.7 percent for Bophelong and only 48.1 percent in Sharpeville, emphasising the point that Sharpeville has a higher rate of people unemployed for longer periods.

**FIGURE 3.7: DURATION OF UNEMPLOYMENT IN SHARPEVILLE - 2004**

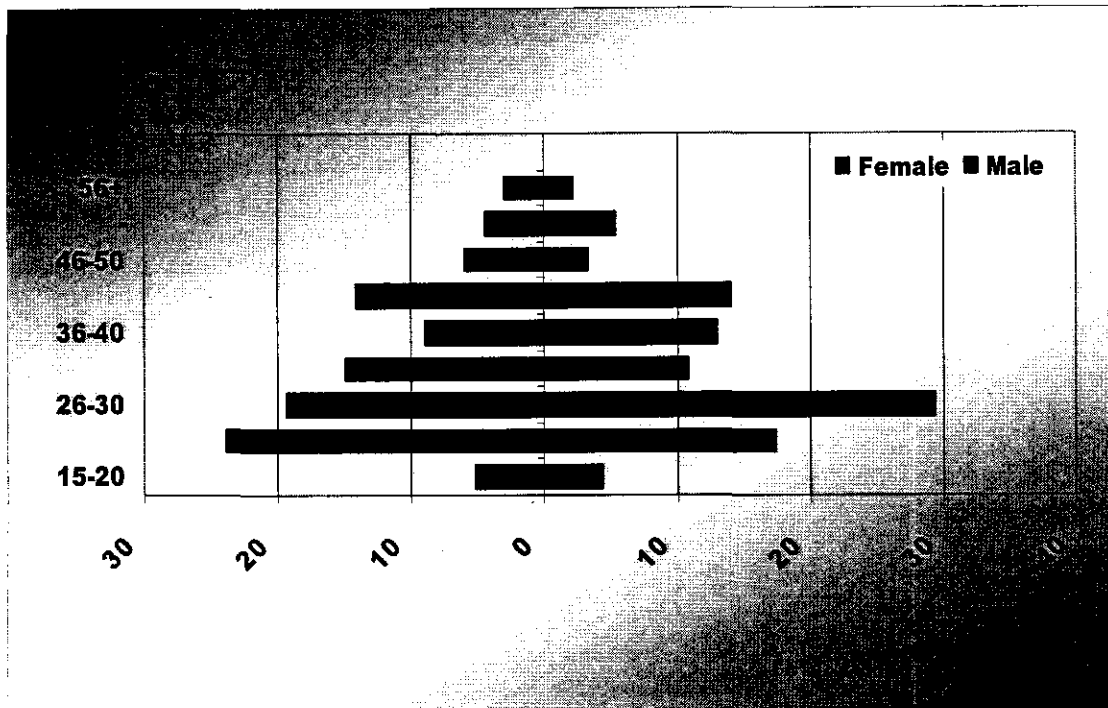


Source: Survey data, 2004

Figure 3.8 shows the age distribution of the unemployed. It is evident from the figure below that the main concentration is around the ages 21 to 35 for both males and females. This is similar to the Bophelong distribution. The majority of the unemployed are in their youth, 57.6 percent of the males and 58.2 percent of the females are between 21 and 35 years of age. In Bophelong 57 percent of the males and 64.7 percent of the females are between 21 and 35 years of age

(Slabbert, 2003:17). The unemployed are therefore still relatively young in both areas.

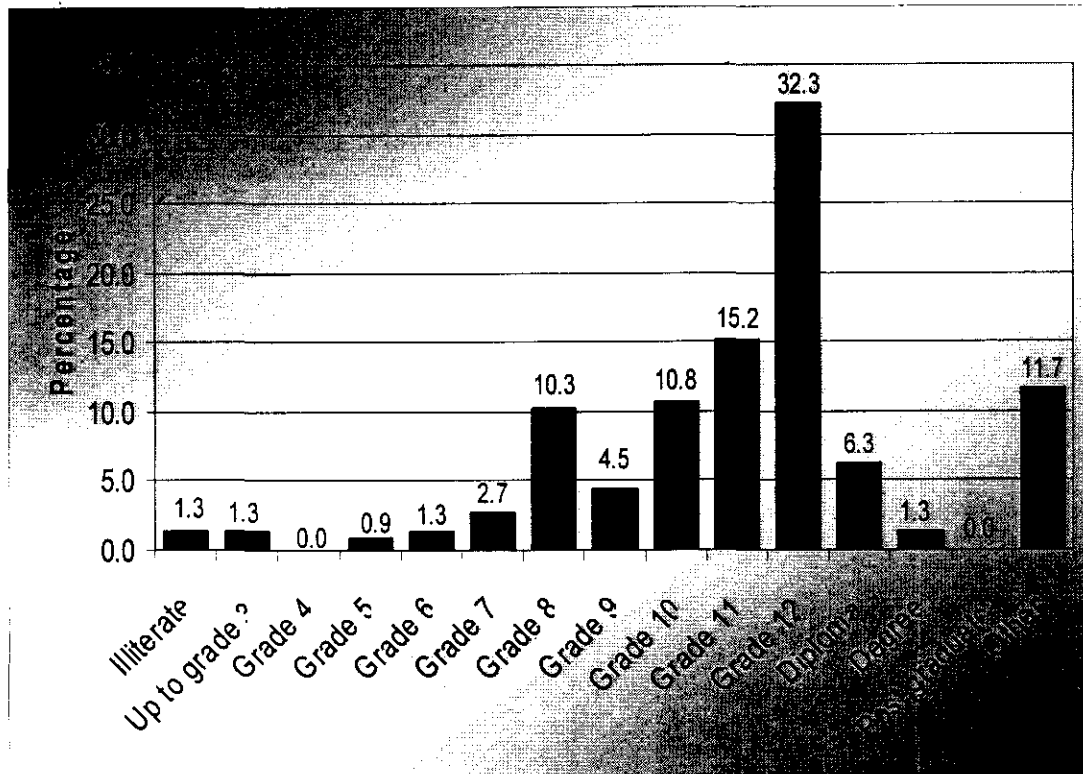
**FIGURE 3.8: THE UNEMPLOYED IN DIFFERENT AGE CATEGORIES IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.9 portrays the qualifications of the unemployed. Of the unemployed 51.6 percent have qualifications of grade 12 and higher. For Bophelong, 25.8 percent of the unemployed have qualifications of grade 12 and higher (Slabbert, 2003:18). However, the percentage of the unemployed with a diploma or degree is 7.6 percent compared to 2.6 percent for Bophelong. The unemployed in Sharpeville are better qualified than those in Bophelong. This means that those unemployed in Sharpeville have a relatively better chance of getting a job than those in Bophelong.

**FIGURE 3.9: QUALIFICATIONS OF THE UNEMPLOYED IN SHARPEVILLE  
- 2004**



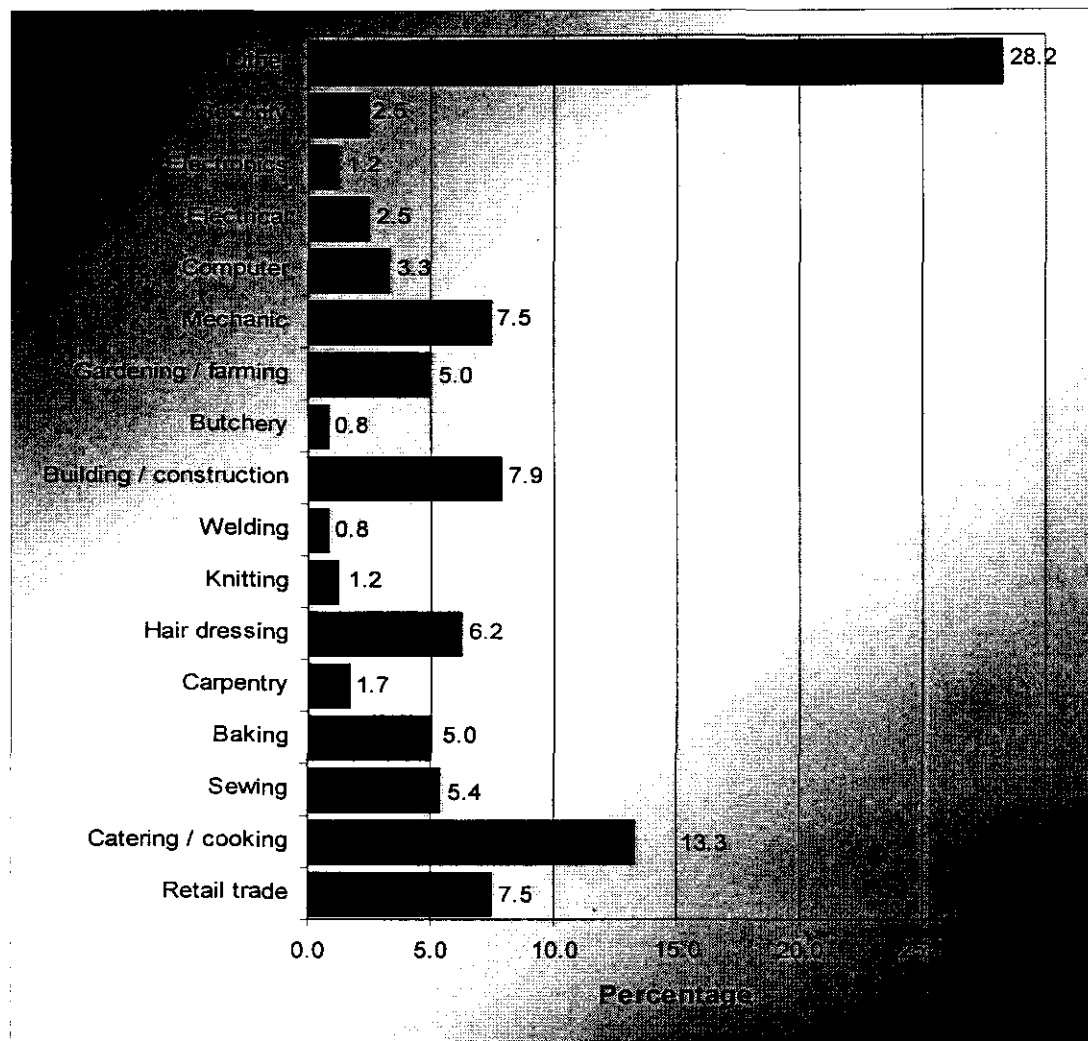
Source: Survey data, 2004

Figure 3.10 shows the skills of the unemployed. The highest percentage of the unemployed has skills in catering/cooking (13.3 percent). Similarly in Bophelong, the highest percentage of the unemployed has skills in catering/cooking (22 percent) (Slabbert, 2003:10). The predominant 'female' skills possessed by the unemployed in both areas are catering/cooking, sewing, baking and knitting (24.9 percent for Sharpeville and 45.4 percent for Bophelong), while the predominant 'male' skills are gardening/farming, building/construction, mechanic, welding and carpentry (22.9 percent for Sharpeville and 21.9 percent for Bophelong excluding mechanical skills). Females in Bophelong are better skilled than those in Sharpeville whereas it is the other way round for males.

The highest percentage of the unemployed in both areas has catering/cooking skills. Most probably these are domestic workers who lost their jobs. Calculations based on 2001 Census data from STATS SA (2003a) shows that 20.4 percent of all domestic workers and gardeners in the Sedibeng district lost their jobs in the

period 1996-2001. The reason may be labour legislation that caused households to scale down on employment. In the same period, the population of Sedibeng increased by 10.8 percent. One would expect that the amount of domestic workers and gardeners should have increased accordingly. If this would have been the case, there would have been 39 percent more job opportunities in private households than there actually were in 2001. Of the total employed persons in 1996, 15.5 percent was employed in private households in Sedibeng (Slabbert, 2003:10).

**FIGURE 3.10: SKILLS OF THE UNEMPLOYED IN SHARPEVILLE - 2004**

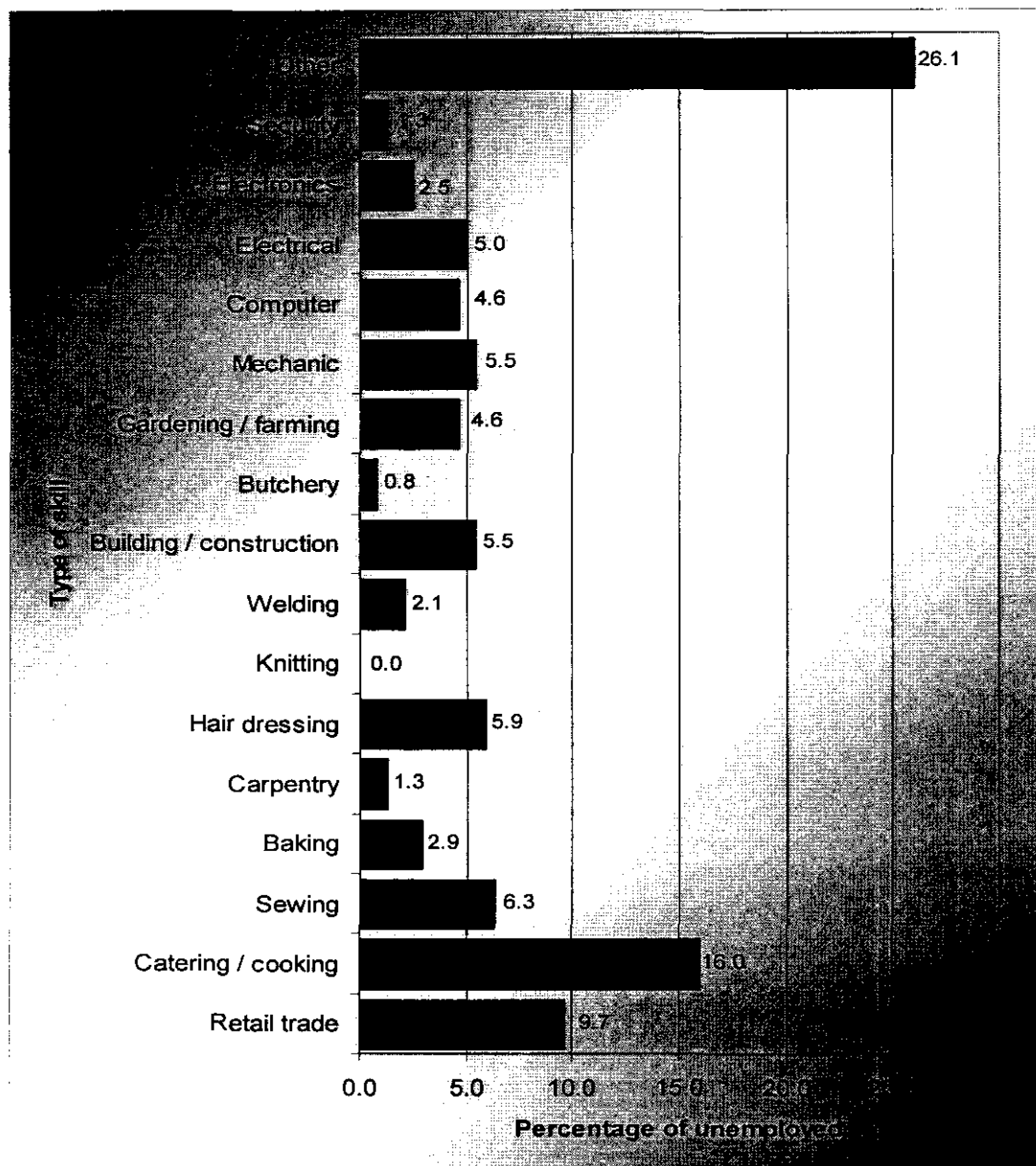


Source: Survey data, 2004

Figure 3.11 shows the kind of skills that the unemployed wish to be trained in. From the figure, it is clear that many respondents want further skills training in

the fields they already have certain skills in. There is a strong correlation between the information in Figure 3.10 and Figure 3.11. This is also the case in Bophelong.

**FIGURE 3.11: SKILLS TRAINING PREFERRED BY THE UNEMPLOYED IN SHARPEVILLE - 2004**

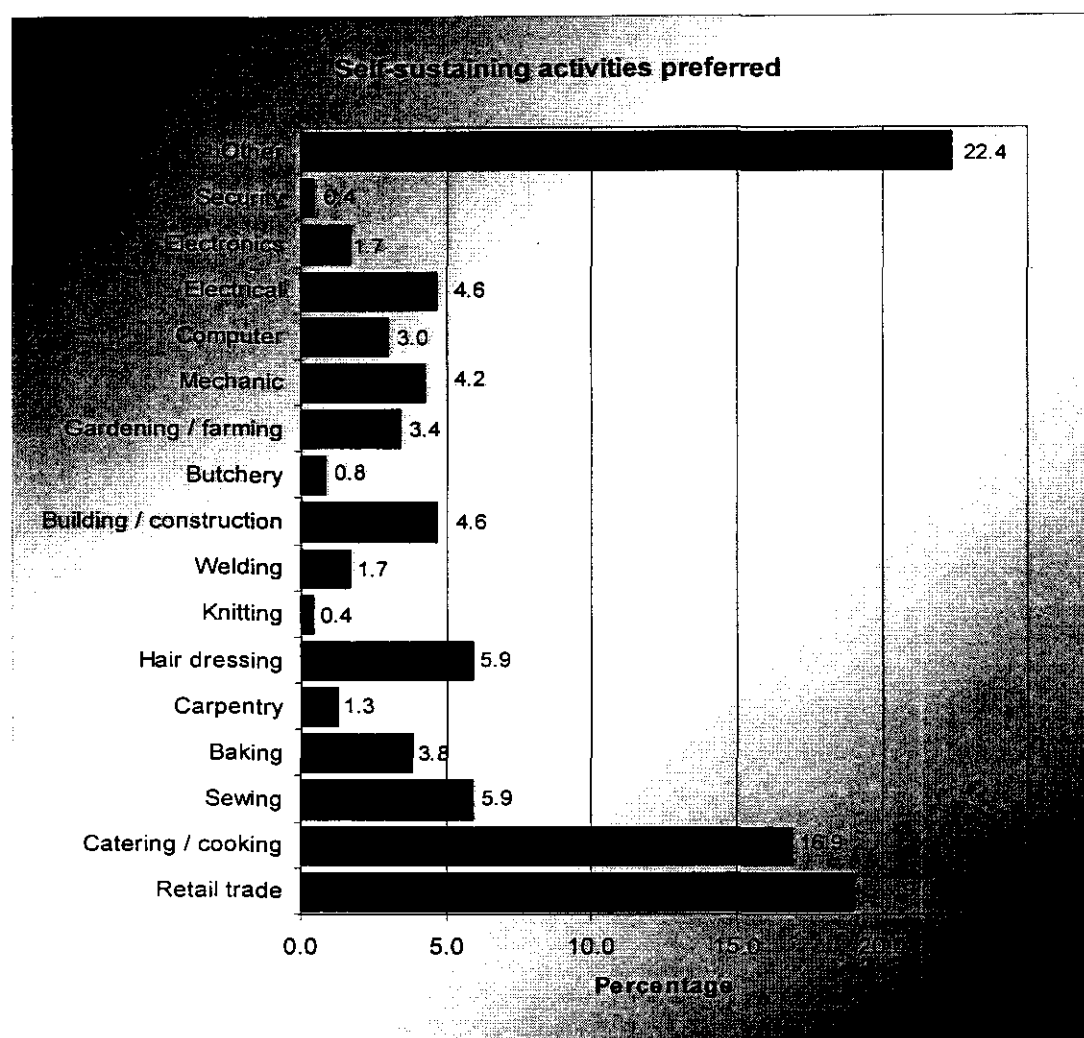


Source: Survey data, 2004

Figure 3.12 shows the self-sustaining activities (own small businesses) preferred by the unemployed to be engaged in. If compared with Figure 3.10, it is clear that the skills and preferences of the predominantly 'female' areas match quite closely

(24.9 percent have skills in these areas and 27 percent prefer these activities). The same applies to Bophelong where 45.4 percent have skills in these areas and 41.5 percent prefer these activities (Slabbert, 2003:12). Concerning the predominantly 'male' activities there is a great difference in Sharpeville, 22.9 percent have skills in these areas, and 15.2 percent prefer these activities. For Bophelong, 21.9 percent have skills in these areas, and 20.9 percent prefer these activities.

**FIGURE 3.12: SELF-SUSTAINING ACTIVITIES PREFERRED BY THE UNEMPLOYED IN SHARPEVILLE - 2004**



Source: Survey data, 2004

In both areas, females are more interested in starting their own small businesses with the skills they possess, whereas males are less interested in starting their

own businesses with the skills they have. Males seem to be more interested in getting formal jobs.

### 3.4 POVERTY

As mentioned in section 1.5.2.4, a poor household is defined as a household of which the combined income of all its members is less than the HSL as determined for the specific household.

Poverty is measured in terms of the headcount index and the poverty gap index. The headcount index is defined as *the fraction of the population below the poverty line*. In this report, the headcount index is adapted to indicate the fraction of households that fall below their individual poverty lines.

The poverty gap usually measures the average shortfall of the incomes of the poor from the poverty line while the poverty gap index measures the extent of the shortfall of incomes below the poverty line (Methodology detailed in Annexure E).

The headcount index as calculated from the survey data (2004) for Sharpeville is 0.431, meaning that from the 8 374 households in Sharpeville, 3 609 households live in poverty. That means 17 685 people are poor in Sharpeville. The poverty gap index is determined at 0.32.

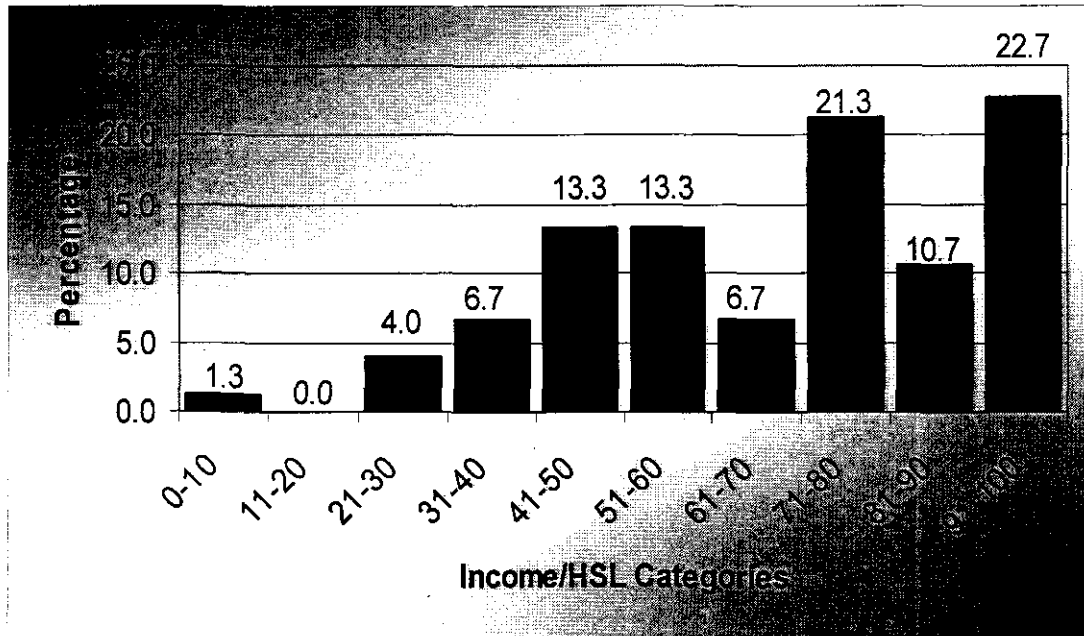
Figure 3.13 gives the distribution of the poor households' income as a percentage of their specific HSL. If a household income is above the poverty line, the household falls in the income/HSL category above 100 percent. An increase in the number of households below the poverty line indicates an increase in the proportion of the poor population.

Slabbert (2003:13) points out that "if most households earn 90 - 100 percent of their own HSL, this would indicate that the poverty is not very severe". In line with this assertion, Figure 3.13 shows that 25.3 percent of all households in Sharpeville have an income of less than 50 percent of their HSL compared to 45.8 percent for Bophelong.

The poverty gap ratio is calculated at 0.32, indicating that on average poor households' lack 32 percent of the income to attain a level equal to their poverty

line. This is far lower compared to the figure for Bophelong (48 percent) as well as Emfuleni (47 percent). The depth of poverty in Sharpeville is therefore relatively lower when compared to other areas.

**FIGURE 3.13: POOR HOUSEHOLDS AND THEIR HSL RATIOS IN SHARPEVILLE - 2004**



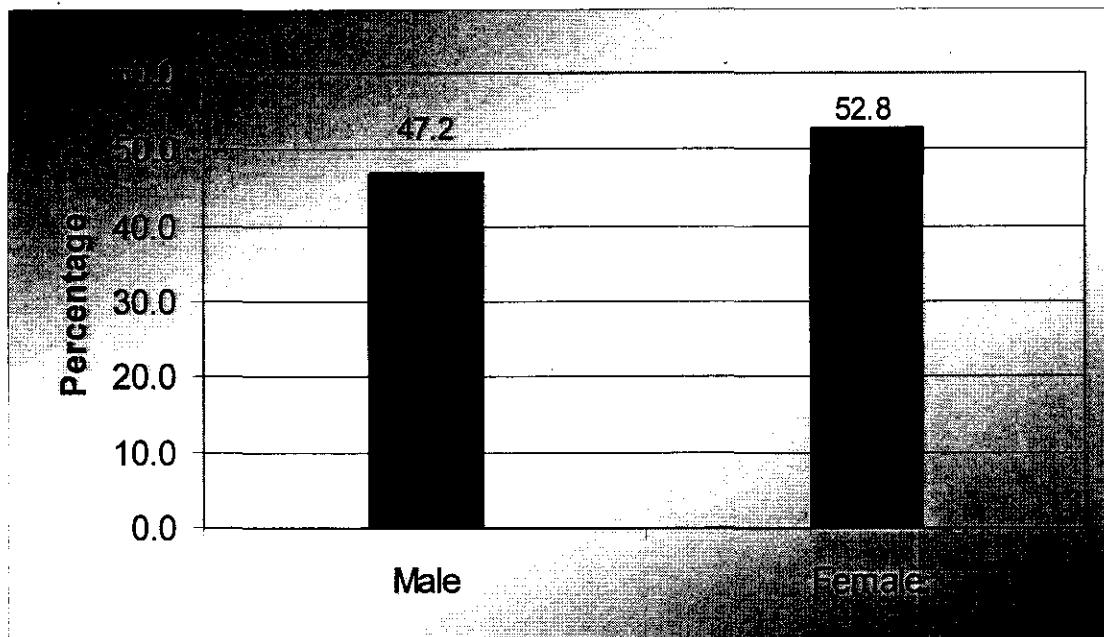
Source: Survey data, 2004

### 3.4.1 Profile of the poor

This section analyses the section of the population that has been found in the survey to be poor. A number of indicators are used to profile the poor. The purpose is to show the differences between the poor and the total population as this will be useful in determining a strategy to alleviate poverty.

As shown in Figure 3.14, 52.8 percent of the poor population is female and 47.2 percent male, compared to 56.5 percent and 43.5 percent respectively for the whole population of Sharpeville. The Bophelong data showed that 55.8 percent of the poor population is female and 44.2 percent male, compared to 53.5 percent and 46.5 percent respectively for the whole population of Bophelong (Slabbert, 2003:14). This shows that the male population in Sharpeville is slightly more affected by poverty than the female population whereas in Bophelong the female population is slightly more affected by poverty than the male population.

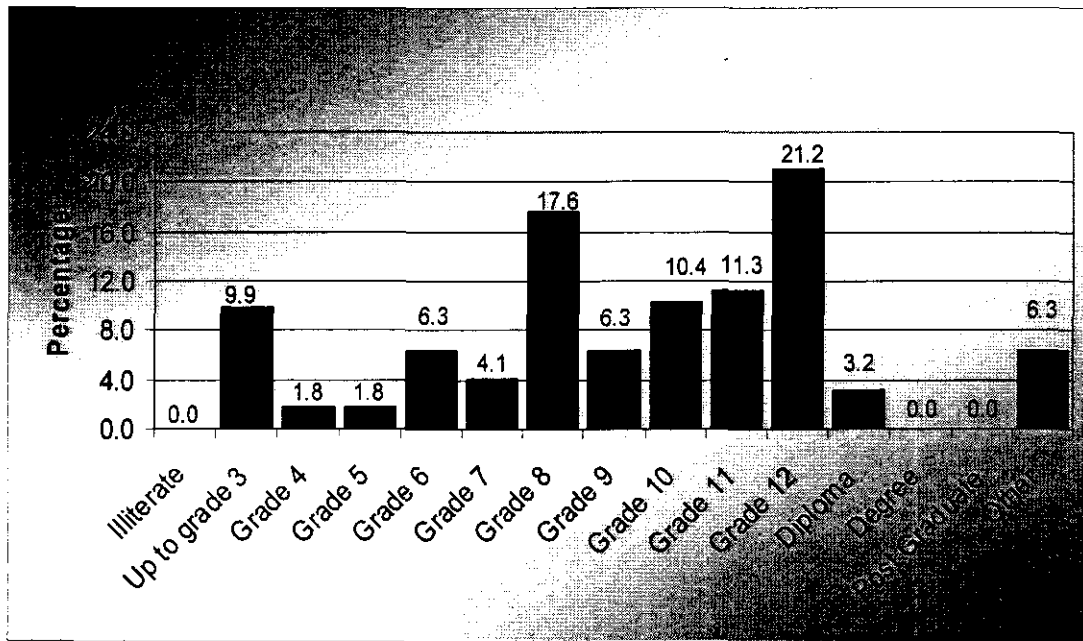
**FIGURE 3.14: GENDER DISTRIBUTION OF THE POOR POPULATION IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.15 shows the qualifications of the post-school poor population. Of the poor population 30.7 percent has a post-school qualification of grade 12 or higher, compared to 39.6 percent for the population as a whole. The figures for Bophelong show a similar trend where 16.9 percent of the poor population has post-school qualifications of grade 12 or higher, compared to 22.8 percent for the population as a whole. The population with a diploma or degree living in poor households is only 3.2 percent, compared to 8.4 percent for the population as a whole. The figure for Bophelong is 1.3 percent for the poor and 3.1 percent for the combined population. Slabbert (2003:14) concludes that this difference between the combined population and the poor shows an inverse correlation between especially higher qualification and poverty. This therefore implies that lack of education (especially higher education) may be a contributing factor to poverty.

**FIGURE 3.15: QUALIFICATIONS OF THE POST-SCHOOL POOR POPULATION IN SHARPEVILLE - 2004**



Source: Survey data, 2004

### 3.4.2 Profile of the poor employed

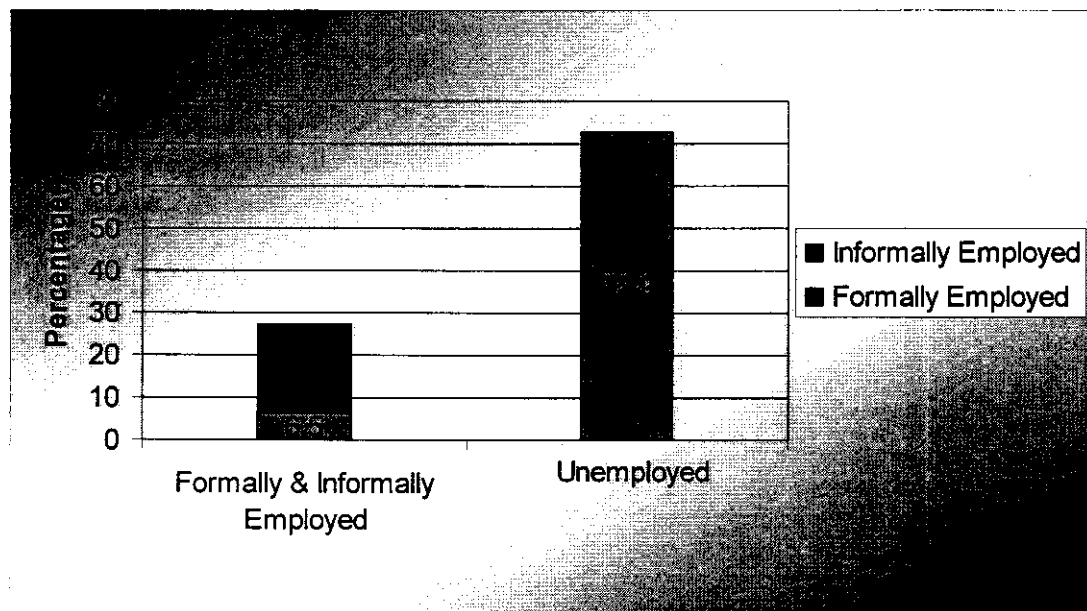
Figure 3.16 portrays the status of the labour force stemming from poor households. Of the poor labour force only 27.1 percent is employed. The unemployment rate of the poor is 72.9 percent compared to 59.2 percent in general in Sharpeville. For Bophelong, the comparative figure for the unemployed poor is 68.3 percent compared to 55 percent for the whole population (Slabbert, 2003:15) In Emfuleni, 72.8 percent of the poor are unemployed compared to 61.7 percent for the combined population. There is only a marginal difference among these townships.

Concerning the poor employed, 6.5 percent are formally employed and 20.6 percent informally employed, compared to 24.6 percent and 16.2 percent respectively for Sharpeville as a whole. The figures for the poor in Bophelong are 24.9 percent in formal and 6.7 percent in informal employment, compared to 34.9 percent and 10 percent respectively for Bophelong as a whole (Slabbert, 2003:15). In Emfuleni, the figures for the poor are 18.3 percent formal and 8.9

percent informal employment (Mokoena, 2004:117). This shows higher employment figures in Bophelong than in Sharpeville and Emfuleni.

The Sharpeville, figures show a far higher participation in informal employment for the poor than for the total employed population (20.6 percent vs. 16.2 percent). The percentage of the employed poor that are employed in the formal sector is very low, at 6.5 percent. This correlates well with the fact that informal employment usually has lower wages than formal employment (Slabbert, 2004:167).

**FIGURE 3.16: THE COMPOSITION OF THE POOR LABOUR FORCE IN SHARPEVILLE - 2004**

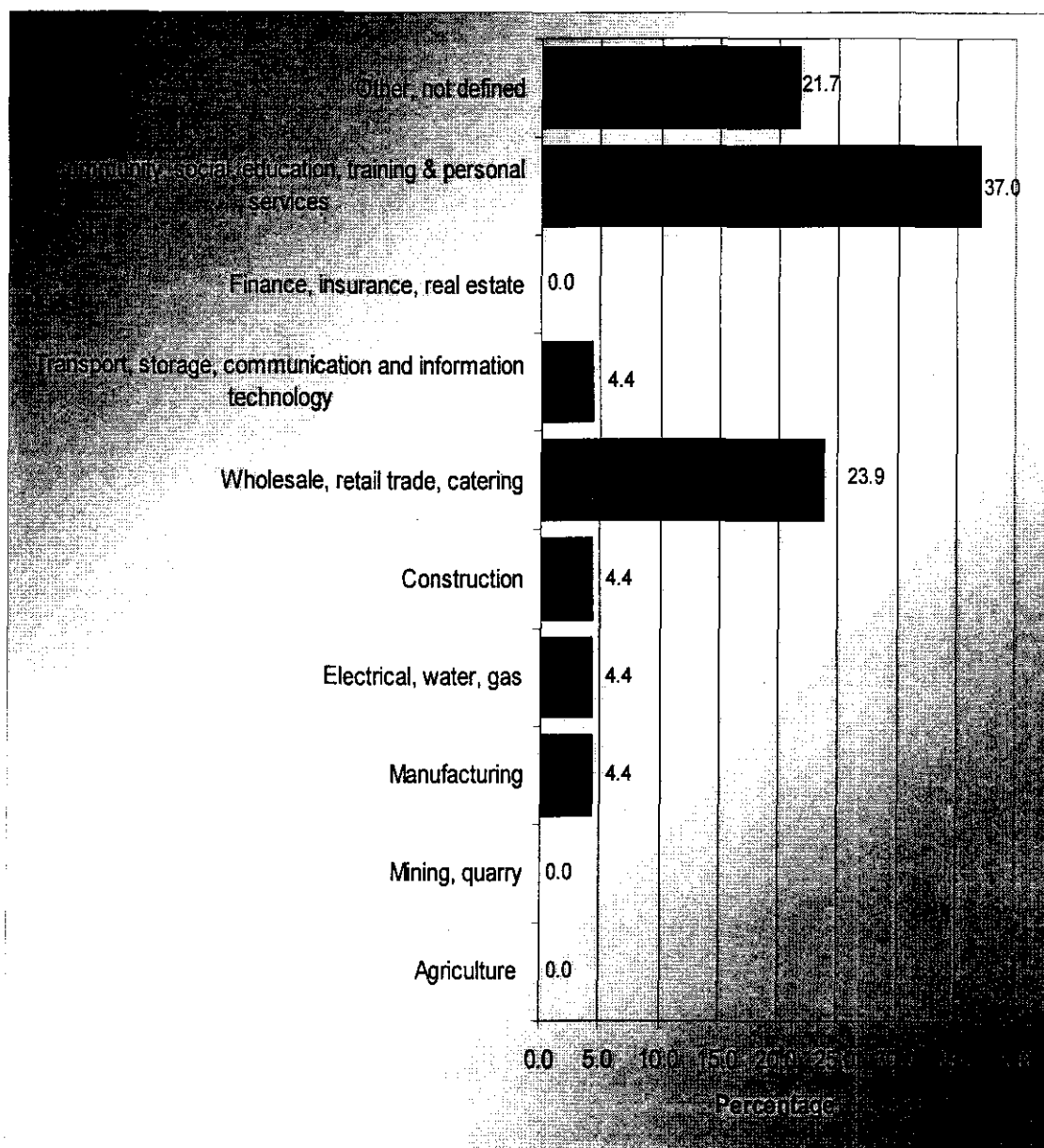


Source: Survey data, 2004

Figure 3.17 portrays the sectors where the poor employed work. A comparison with Figure 3.6 (Sectors of employment for the employed of Sharpeville as a whole) shows that a greater percentage of the poor work in the community, social, education, training & personal services sector (37 percent compared to 29.6 percent for the total population). Moreover, a greater percentage of the poor work in the trade sector (23.9 percent compared to 16.4 percent). The same categories account for 45.7 percent employed poor in Bophelong and 50 percent in the Emfuleni (Mokoena, 2004:118). These are sectors with comparatively low

wages which easily lead to perpetuation of poverty, vulnerability to shocks and income risk (Mokoena, 2004:118).

**FIGURE 3.17: SECTORS OF EMPLOYMENT FOR THE POOR EMPLOYED IN SHARPEVILLE**



Source: Survey data, 2004

Table 3.1 shows the monetary and percentage contribution of the different sectors of Emfuleni economy to the total remuneration in Emfuleni for the year 2000.

**TABLE 3.1: TOTAL REMUNERATION PER SECTOR FOR EMFULENI - 2000**

Sector of the economy	Total annual remuneration R'000	Percentage	Average wage per worker per month (R)
Agriculture	48,544	0.6	833
Mining	15,587	0.2	4,190
Manufacturing	3,097,875	40.5	5,126
Electricity/Gas/Water	258,875	3.4	6,049
Construction	277,456	3.6	2,713
Trade	681,741	8.9	4,103
Transport	445,061	5.8	6,137
Financing	536,875	7.0	3,955
Services and other	2,186,839	28.6	3,383
Other, not defined	102,593	1.3	3,929
<b>TOTAL</b>	<b>7,652,295</b>	<b>100.0</b>	<b>4,115</b>

Source: Adapted from Slabbert, 2004:75

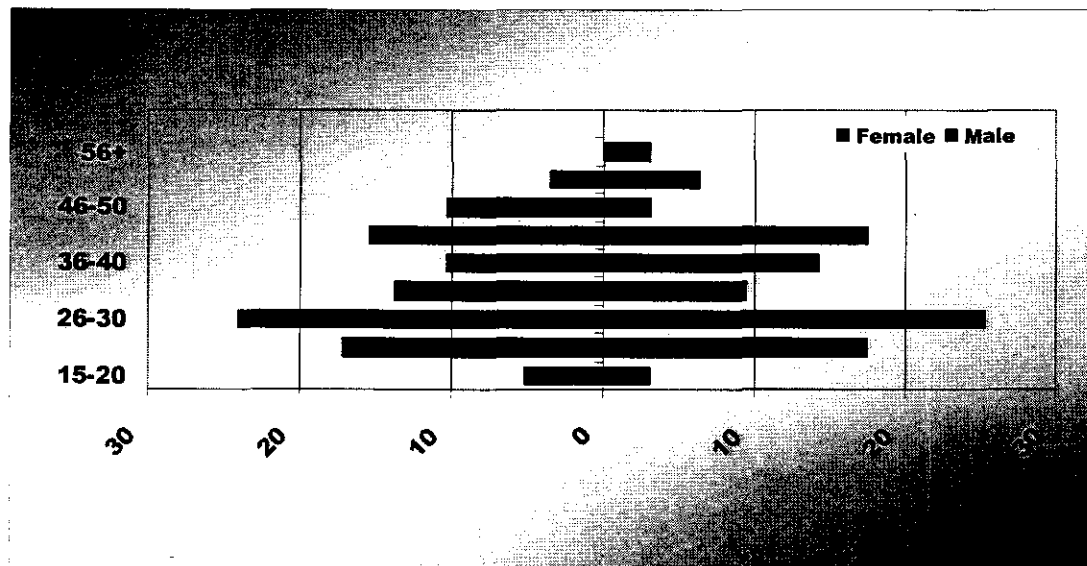
The largest percentage (40.5 percent) of remuneration is paid by the manufacturing sector, while the second largest (28.6 percent) is paid by the services and other sectors, and the third largest (8.9 percent) is paid by the trade sector. The highest average monthly wages are paid by the transport and electricity, gas and water sector, and the third highest by the manufacturing sector (Slabbert, 2004:74).

Of the poor population in Sharpeville 37 percent is employed in the services and other sector with low wages, which easily leads to relative poverty. Although 23.9 percent of the poor population are employed in the Trade sector which is one of the sectors with higher wages, that percentage is not enough to uplift the state of poverty in the area.

### 3.4.3 Profile of the poor unemployed

Figure 3.18 gives an age profile of the poor unemployed in Sharpeville. The figure shows that amongst the poor, the youth are affected most by unemployment. Of the total poor 53.7 percent unemployed are between 20 and 35 years of age. In the case of females, it is higher (55.2 percent) than in the case of males (52.4 percent). The percentage of the poor unemployed between 20 and 35 years of age is slightly lower than for the unemployed (poor and non-poor combined), which amounts to 58.2 percent for females and 57.6 percent for males. Comparatively, the figure for Bophelong for the population in this category is 58 percent (Slabbert, 2003:16-17). The combined figure for females is 61.5 percent and 52.2 percent for males. The figures for Bophelong are higher than those for Sharpeville. In both townships females are more affected.

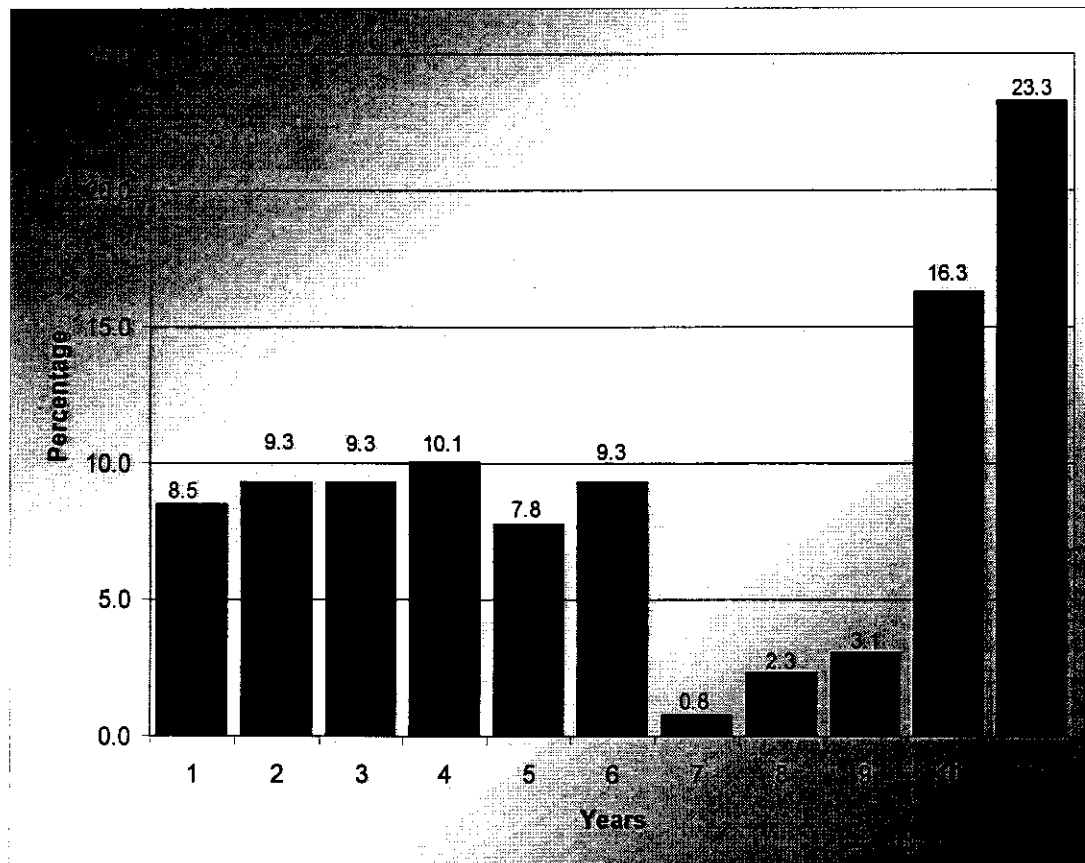
**FIGURE 3.18: AGE CATEGORIES OF THE POOR UNEMPLOYED POPULATION IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.19 shows the duration of unemployment of the poor population. This is about the same as for the Sharpeville population as a whole. The figure shows that 45 percent of the poor population has been unemployed for up to five years. The figure for Bophelong is 59.3 percent and 57.7 percent for Emfuleni (Mokoena, 2004:119). It seems that the poor in Bophelong and Emfuleni as a whole are unemployed for a shorter period than those in Sharpeville.

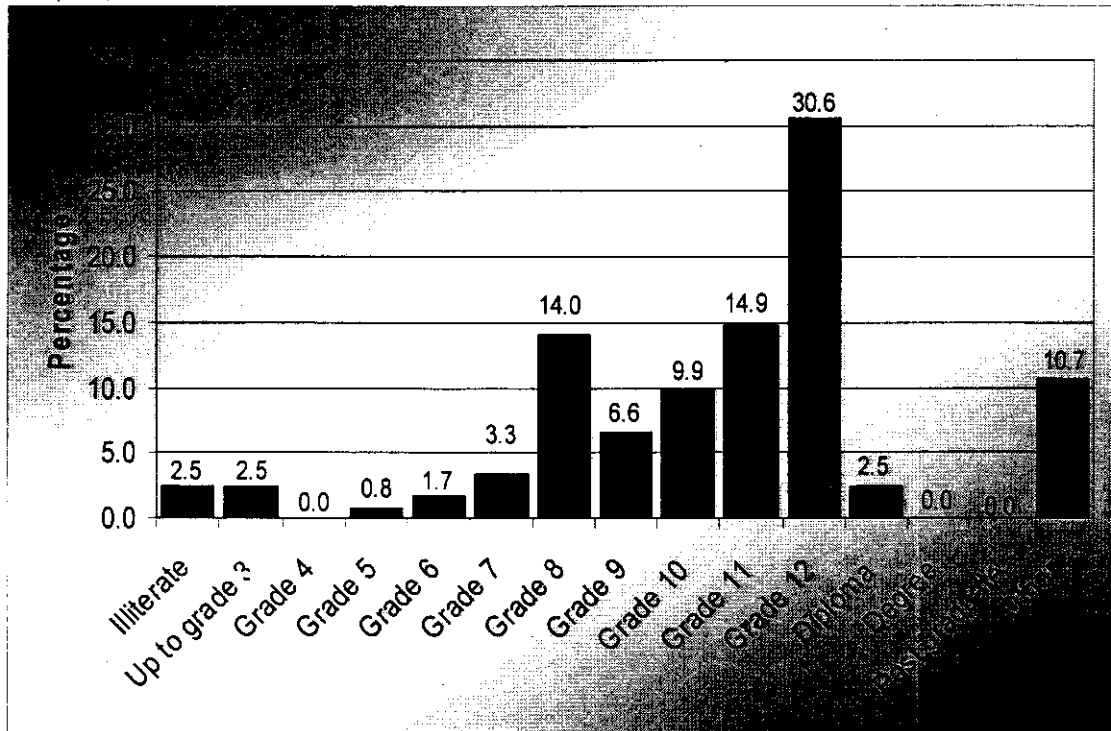
**FIGURE 3.19: DURATION OF UNEMPLOYMENT FOR THE POOR  
UNEMPLOYED POPULATION IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.20 shows the qualifications of the poor unemployed. The percentage of the poor unemployed with a grade 12 or higher qualification is 43.8. This figure is 22.7 percent for Bophelong and 25.2 percent for Emfuleni. Of the poor unemployed 2.5 percent have diplomas in Sharpeville, compared to only 1.3 percent in Bophelong. The poor unemployed population in Sharpeville are better qualified than those in Bophelong.

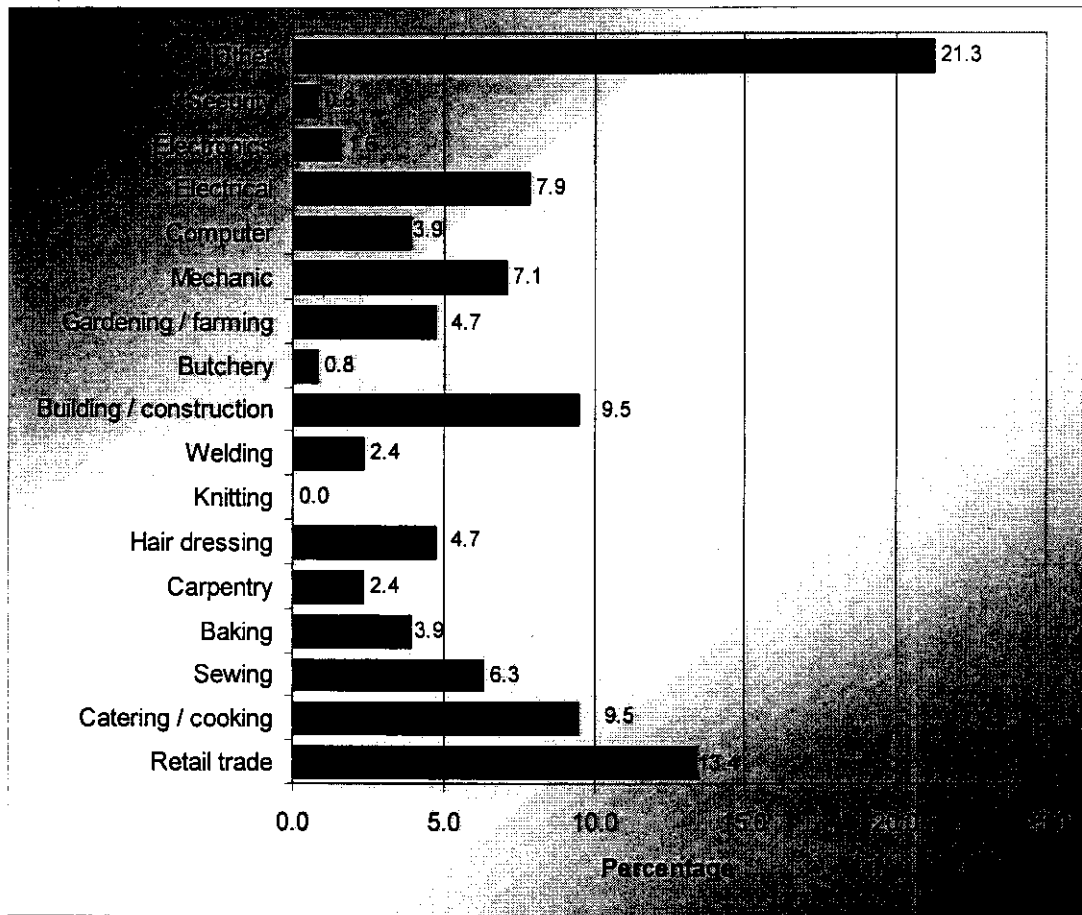
**FIGURE 3.20: QUALIFICATIONS OF THE POOR UNEMPLOYED IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.21 gives an indication of the kind of self-sustaining activities the poor unemployed would like to be trained in. The majority of the poor unemployed would like to be trained in the trading field (13.4 percent compared to 9.5 percent for the poor and non-poor unemployed). A strategy for poverty alleviation should focus on creating jobs in the trading, catering/cooking sewing fields for females, and building/construction and mechanic fields for males. This is almost the same as for Bophelong. The difference is in what is most preferred which is catering/cooking (for females) and building and welding for men.

**FIGURE 3.21: SKILLS TRAINING PREFERRED BY THE POOR UNEMPLOYED IN SHARPEVILLE - 2004**



Source: Survey data, 2004

### 3.5 INCOME AND EXPENDITURE

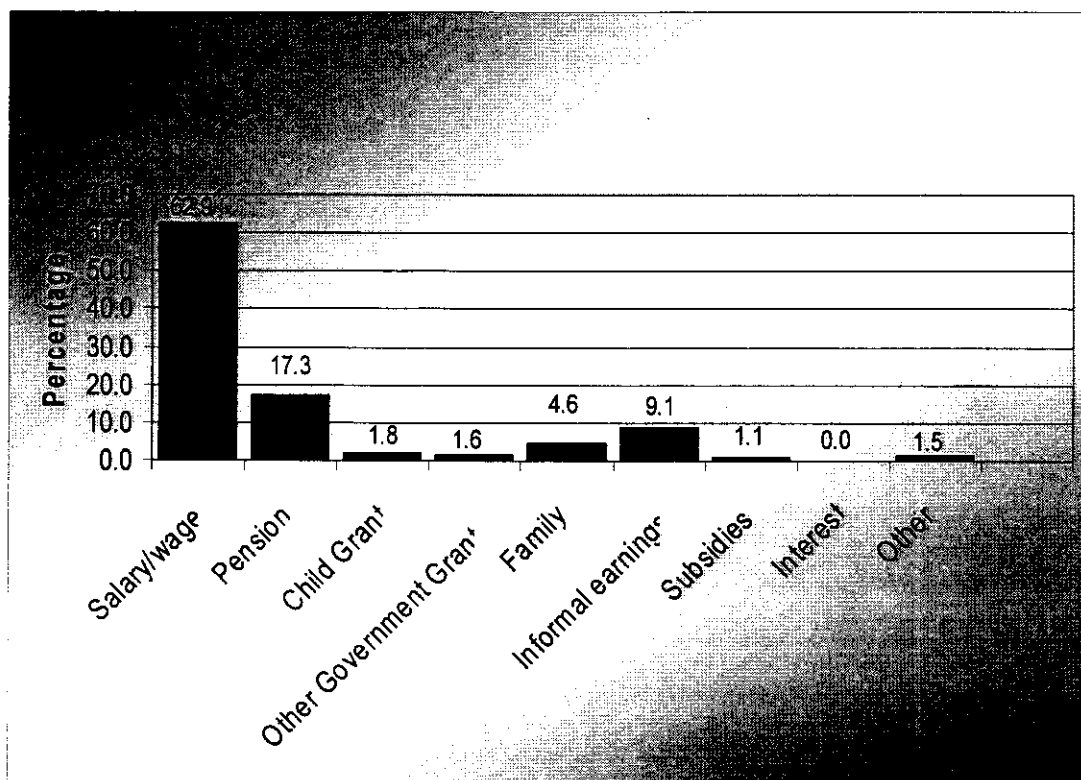
This section examines the state of income and expenditure in Sharpeville. Although much care was taken to solicit as much information as possible on the different incomes and income sources, the 'phenomenon of expenditure surplus' was observed in the survey for many households. This happens when expenditure exceeds income. The reason for this may lie in the fact that some households tend not to declare some income, especially if the source of such income is suspect (for example, income gained through illegal means), but will more readily declare expenditures (Mokoena, 2004:121).

The average household income for 2004 in Sharpeville is determined at R2 944 per household per month. In Bophelong it was determined at R1 497 per month

in 2003 (Slabbert, 2003:19). For Emfuleni it was estimated at R3 400 per household per month in 2003 (Slabbert, 2004:75). This indicates that Sharpeville has higher incomes per household than Bophelong, but lower than Emfuleni.

Figure 3.22 shows the different sources of income and their contribution to the total household income in Sharpeville. The figure shows that 62.9 percent of household income is salaries and wages in Sharpeville (61.4 percent for Bophelong and 72.2 percent for Emfuleni (Mokoena, 2004:12). This is therefore by far the primary source of household income, followed by pensions at 17.3 percent (12.1 percent for Bophelong and 12 percent for Emfuleni) and informal earnings 9.1 percent (13.2 percent for Bophelong and 7.4 percent for Emfuleni). No income comes from interests in Sharpeville whereas this source contributes 0.2 percent to the household income of Bophelong.

**FIGURE 3.22: PERCENTAGE CONTRIBUTION OF DIFFERENT SOURCES TO HOUSEHOLD INCOME IN SHARPEVILLE - 2004**

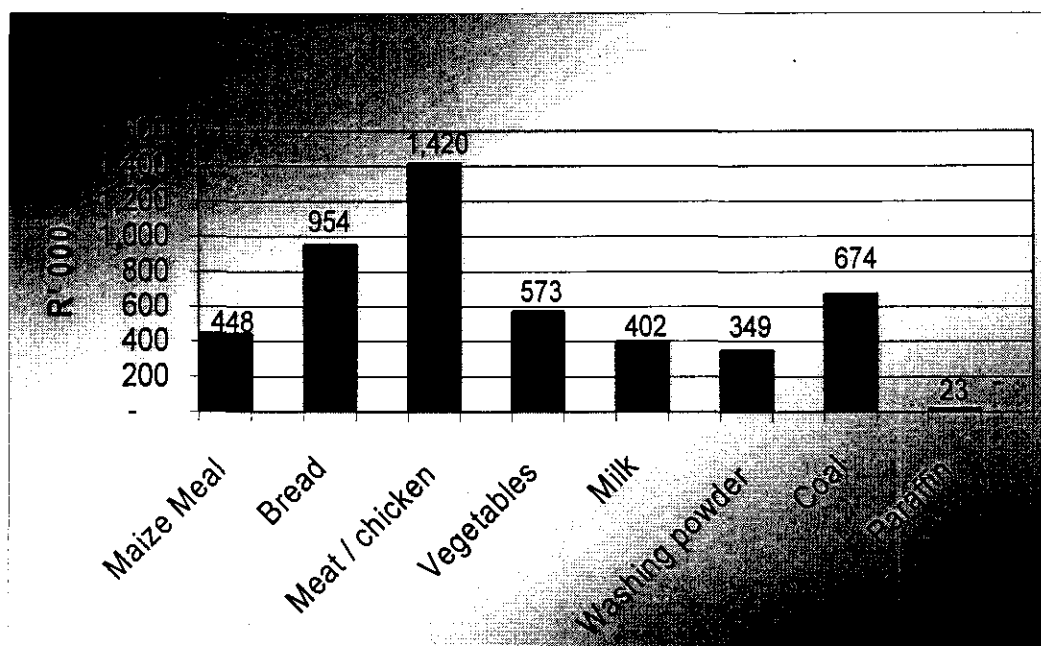


Source: Survey data, 2004

Figure 3.23 shows the average amounts spent on a few very commonly consumed items by the households of Sharpeville.

Residents in Sharpeville consume 180 543 kilograms of mealie meal per month, amounting to an expenditure of R448 000 per month (R5.4 million per year). About R954 000 is spent monthly on bread (R11.4 million per year). About R1.4 million is spent monthly on meat (R16.8 million per year). About R573 000 is spent monthly on vegetables (R6.9 million per year), R402 000 on milk per month (R4.8 million per year), R349 000 on washing powder per month (R4.2 million per year), R674 on coal per month (R8.1 million per year) and only R23 000 on paraffin (276 000 per year). The expenditure for the same items in Bophelong is lower compared to that for Sharpeville (this could be explained by the fact that the population in Bophelong is lower than the population in Sharpeville) except for mealie meal and paraffin which is higher in Bophelong.

**FIGURE 3.23: MONTHLY EXPENDITURE SPENT BY HOUSEHOLDS ON DIFFERENT ITEMS IN SHARPEVILLE - 2004**

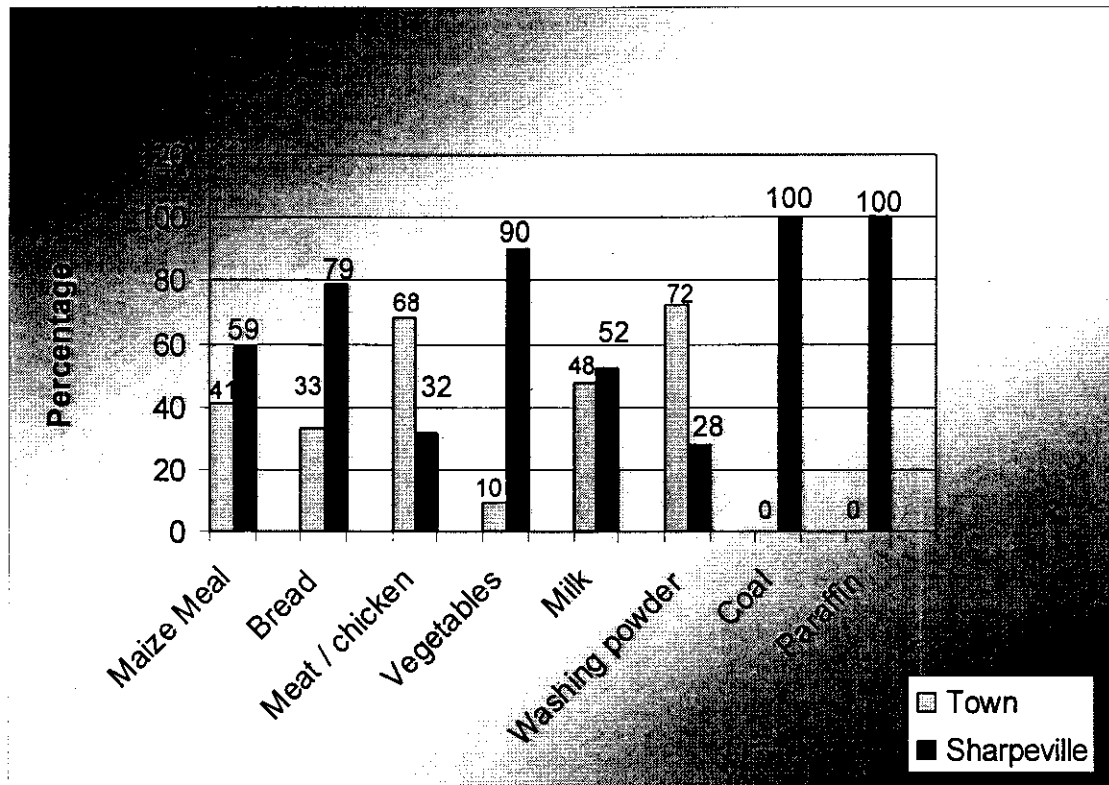


Source: Survey data, 2004

The highest items of expenditure are meat/chicken, bread and vegetables, so this identifies these items as staple food in the area. The total expenditure on the seven items (excluding paraffin with low expenditure) amounts to R57.6 million per year.

Figure 3.24 indicates the place where the products mentioned in Figure 3.23 are bought. The majority of these products are bought in Sharpeville itself, except meat and washing powder. This corresponds with Bophelong (Slabbert, 2003:21).

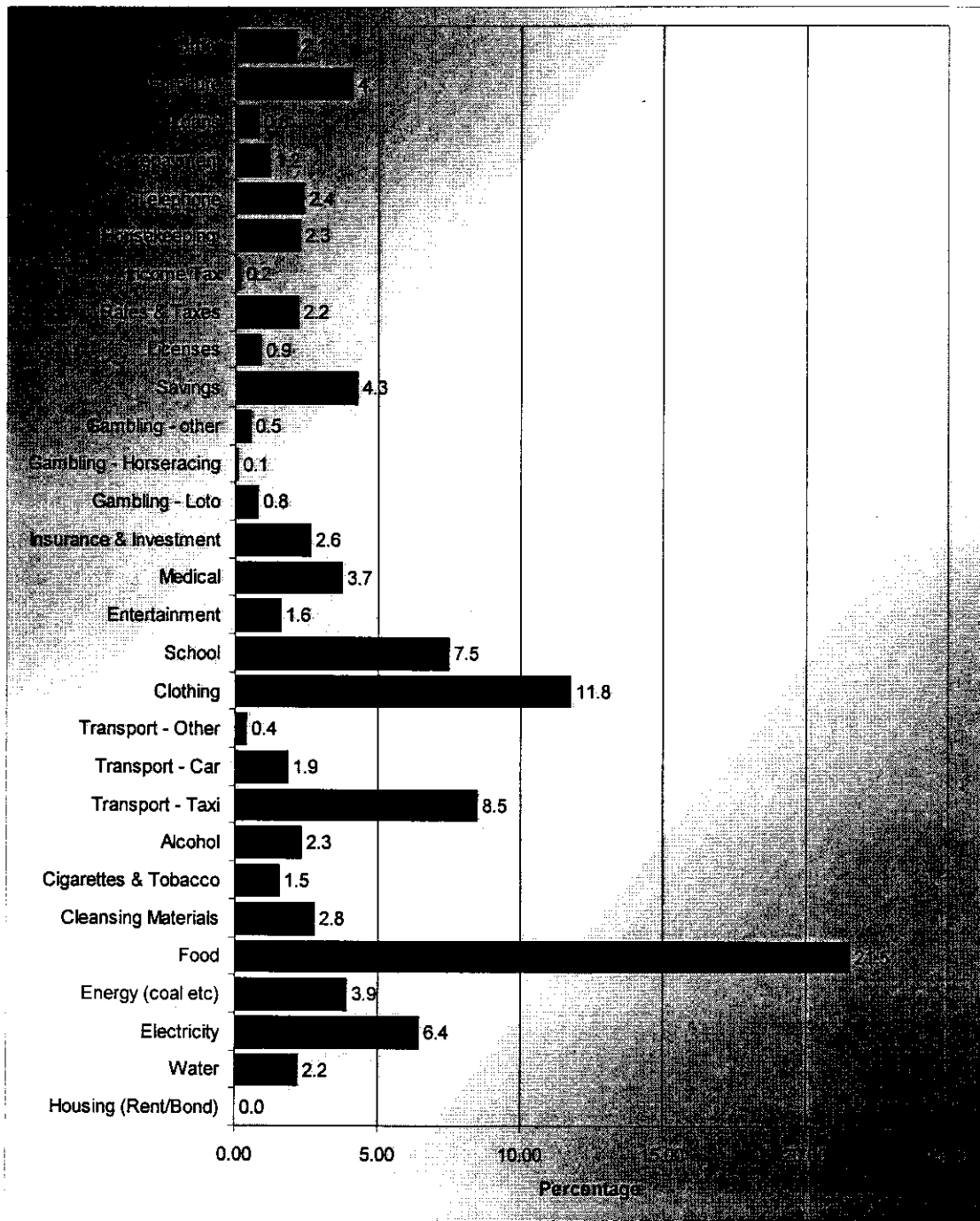
**FIGURE 3.24: PLACE WHERE HOUSEHOLD PRODUCTS ARE BOUGHT IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Although these products are bought within Sharpeville, none of them are manufactured or produced in or around the area. The total expenditure on the seven items (excluding paraffin with low expenditure) amounts to R57.6 million per year which provides an opportunity for an inward industrialisation process, whereby some of these products may be produced on a small scale by local residents for the Sharpeville community. This will have the effect that money is retained in the area and that a multiplier effect in terms of income and employment will come into effect in Sharpeville.

**FIGURE 3.25: HOUSEHOLD EXPENDITURE IN SHARPEVILLE - 2004**



Source: Survey data, 2004

Figure 3.25 depicts the average expenditure of households in Sharpeville. About 21.5 percent of all household income is spent on food, 11.8 percent on clothing, 8.5 percent on transport (taxis), 7.5 percent on school and 6.4 percent on electricity. Housing (rent/bond) is zero since the residents of Sharpeville are living in the old (four bedroom) houses previously owned by the government,

which ownership was transferred to the residents after 1994. In Bophelong, a much higher (36 percent) is spent on food, and this is usually a sign of greater poverty (Slabbert, 2003:21). The poverty gap index of Bophelong (0.48) is also higher than for Sharpeville (0.32). Therefore, this correlates well.

### **3.6 ENVIRONMENTAL ISSUES**

This section evaluates perceptions about pollution in Sharpeville compared to those in Bophelong. The section will focus on three types of pollution, namely littering, air pollution and noise pollution.

About 70 percent of the population in Sharpeville (75 percent in Bophelong and 69.7 percent in Emfuleni (Mokoena, 2004:125) feel that the environment is polluted and dirty. This probably relates to indiscriminate littering in non-designated areas. In Sharpeville 26 percent (40 percent in Bophelong and 41.7 percent in Emfuleni (Mokoena, 2004:126) of the respondents felt that the municipality should take the responsibility for cleaning the environment.

Air pollution is mostly the result of smoke and dust in the townships. Noise pollution stems mainly from loud music and vehicles. In Sharpeville, 76 percent of the respondents stated that they are affected by air pollution (55.2 percent comes from the usage of coal and 44.8 percent from nearby industries). The figure is 55 percent for Bophelong and 73.5 percent in Emfuleni (Mokoena, 2004:127). Townships like Bophelong which lie closer to large industries such as ISCOR experience higher air pollution levels (caused by industries) than those in outlying areas. In townships like Sharpeville, where coal is still widely used, inhabitants become susceptible to smoke pollution. Gravel roads in some places, as well as a lack of trees and groundcover lead to dust, especially during the dry autumn and winter months (Mokoena, 2004:127).

About 77 percent of the respondents indicated that they are affected by noise pollution in Sharpeville and 47 percent in Bophelong indicated that they are affected by noise pollution (only 34 percent in Emfuleni (Mokoena, 2004:127). In all townships most people feel that it is the police's responsibility to deal with those that cause noise pollution.

Sharpeville is polluted, dirty and experiences a high percentage of air and noise pollution. The high percentage of air pollution is mainly due to the high usage of coal in the township.

### **3.7 CRIME**

Poverty, unemployment and inequality often cause crime. Inequality of opportunities and widespread poverty give rise to criminal activities that deter economic development and sustain high poverty levels. Sociologists and criminologists have emphasised that poverty and idleness explain high crime rates. The longer the person is unemployed, the higher the relative attractiveness of crime. (Mehlum, Moene & Torvik, 2000:1).

The Anomie theory, developed by Durkheim (1893), considers that a breakdown of crucial institutions (such as the family, church, and school) that teach individuals the values and norms held within the society, will create a rise in crime. These breakdowns are taking place in poverty-stricken areas, because individuals experience "normlessness". Normlessness is usually defined as a result of a lack of standards and values within a community. However, "normlessness" according to the Anomie theory, was a result of common goals held by individuals within a society without the equal means and opportunities of achieving these goals. As a result of these goals the means gap and delinquent subcultures are often formed by status-frustrated individuals. Within these subcultures, values are constructed that often completely rejects the norms and values held by the society as a whole. These subcultures achieve goals by ways of illegitimate means, because legitimate means are not available to them, in contrast to the middle and upper class (Hagan, 1994:32).

Crime in South Africa has been publicised as one of the serious challenges facing post-apartheid democracy. The country's crime rates are among the highest in the world and no South African is insulated from its effects. The Western Cape, Gauteng and the Northern Cape occupy the three top spots in terms of crime. Gauteng appears thirteen out of fifteen times in the top three spots. Only in common assault and stock theft does Gauteng not feature in the top three spots. There is therefore a high incidence of crime in the province,

including serious crimes, such as murder, rape and robbery with aggravating circumstances (Mokoena, 2004:132).

Of the households in Sharpeville 22 percent were affected by crime in the last 12 months and 23 percent in Bophelong. This means that roughly one out of every 4 to 5 houses were exposed to some form of crime in the last 12 months in both townships.

### **3.8 SUMMARY AND CONCLUSIONS**

This chapter utilised various household level indicators to assess the level of poverty and unemployment in Sharpeville. This was done primarily in comparison with Bophelong.

The Sharpeville population has more females than males and the majority of the males are younger than 19 years old, while the majority of women fall in the age category between 20 and 40. In Bophelong the majority of both males and females are between 20 and 40 years of age. Males are more affected by poverty in Sharpeville while it is the other way round in Bophelong where females are more affected by poverty.

The dependency ratio, an indicator of the number of persons who depend on the income of one earner, was determined to be 4.4 for Sharpeville, compared to 3.6 for Bophelong.

The poor post-school population in Sharpeville is less qualified than the poor and non-poor population combined. The population of Sharpeville is more qualified than that of Bophelong with those with no education calculated at zero percent for Sharpeville and 5 percent for Bophelong.

Sharpeville has a higher rate of unemployment (59.2 percent) compared to Bophelong (55 percent). The Bophelong labour force is more concentrated in the formal sector whereas the Sharpeville labour force is more in the informal sector where average wages are low. Still, the poverty gap ratio is lower in Sharpeville, it could be that those who have formal jobs or even informal jobs may be getting higher wages than those in Bophelong.

The average household size in Sharpeville is 4.9 persons with 1.3 members of the household unemployed and the figure for Bophelong is 3.8 persons per household with one person unemployed.

It was indicated that in both areas those employed are mostly employed in the community, social, education, training and personal services sector (37 percent for the poor population in Sharpeville), 23.9 percent of the poor are employed in the trade sector.

A high percentage (59.5 percent) of the unemployed in Sharpeville were unemployed for more than 5 years than in Bophelong where 53.7 percent were unemployed for less than 5 years. This explains the higher unemployment rate in Sharpeville. In both townships, unemployment is concentrated among the youth between 20 and 35 years of age (for both poor and non-poor populations).

In both townships, a high percentage of the population have skills in catering, and the residents in both townships prefer training in skills they already possess. Females are more interested in starting their own businesses with the skills that they already have, while men are interested in getting formal jobs. A greater percentage of the poor population in Sharpeville prefers training in trading, while in Bophelong, they mainly prefer training in catering.

The headcount index as calculated from the survey data (2004) for Sharpeville is 0.431, meaning that 3 609 households live in poverty. That means 17 685 people are poor in Sharpeville. Only 25.3 percent of the population in Sharpeville have income less than 50 percent of their HSL, and a poverty gap ratio of 0.32 indicating that on average poor households lack 32 percent of their income to attain a level equal to their poverty line. The figure for Bophelong is 45.8 percent of households below their HSL, and a poverty gap ratio of 0.48 indicating that on average poor households' lack 48 percent of their income to attain a level equal to their poverty line. This shows that Sharpeville is less poor compared to Bophelong.

The average household income in Sharpeville is almost twice as high (R2 944) compared to that for Bophelong (R1 497). Expenditure on certain commonly

used items (like mealie meal, bread, meat/chicken, vegetables, milk and washing powder) in both townships follow the same pattern, but the Bophelong expenditure is low compared to that of Sharpeville except for mealie meal and paraffin which is higher in Bophelong. This could be explained by the fact that the population of Bophelong is lower than the population in Sharpeville. Both townships spend a high percentage of their income on food, with Bophelong spending much higher than Sharpeville which indicates a higher level of poverty in Bophelong.

A high percentage of the populations in both areas indicated that they are affected by pollution (air, dust and noise pollution). Roughly one out of every 4 to 5 houses was exposed to some form of crime in the last 12 months in both townships. Poverty and idleness explain high crime rates. The longer the person is unemployed, the higher the relative attractiveness of crime.

Sharpeville experiences higher unemployment rates and lower levels of poverty based on the indicators employed. It shows that, compared to Bophelong, most indicators (except for unemployment) show that Sharpeville is better off. The high unemployment rate and low level of poverty could be due to the fact that the employed are earning high wages (the average household income in Sharpeville is almost twice as high (R2 944) compared to that for Bophelong of R1 497).

## **CHAPTER 4**

### **A COMPARISON OF INFORMAL CLOTHING MANUFACTURERS IN SHARPEVILLE TO THOSE IN MITCHELL'S PLAIN**

#### **4.1 INTRODUCTION**

This chapter is an investigation into the business operations of informal clothing manufacturers in Sharpeville compared to those in Mitchell's Plain. The rationale behind comparing informal clothing manufacturing in Sharpeville with Mitchell's Plain lies in the fact that a similar study to this was done in Mitchell's Plain thirteen years ago and the results showed that the employment creation potential of the informal sector small scale CMT industry is not as limited as has been found in other informal sector studies (see Dewar & Watson, 1981, Maasdorp & Pillay, 1983 and Desmidt, 1988).

The information for Sharpeville is analysed from interviews conducted during August 2004 with 25 randomly selected operators (see Annexure A and C). The information for Mitchell's Plain is based on a study conducted by Koch in 1991 (interviews were conducted in 1989). The sample comprised 15 randomly selected operators from Small Business Development Corporation (SBDC) clients and a further 16 operators contacted from other sources, including referrals from SBDC clients, giving an overall sample of 31. All the individuals interviewed in Mitchell's Plain operated their own clothing manufacturing businesses from home.

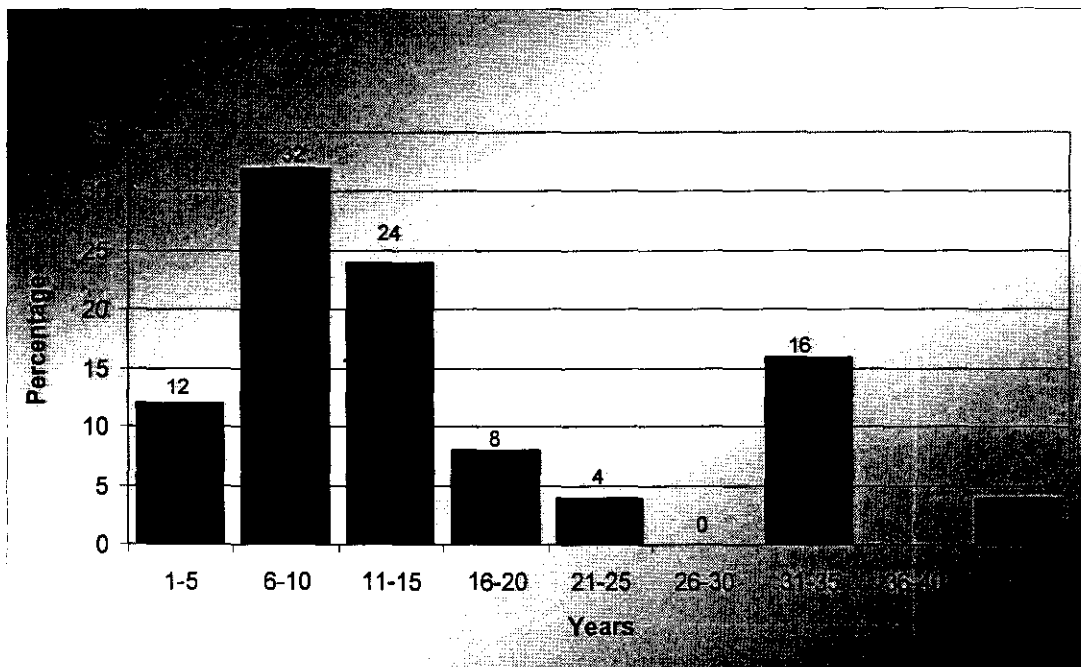
#### **4.2 BACKGROUND OF OPERATORS AND THEIR BUSINESSES**

This section gives some insight into the background of the operators concerned. Areas covered are the period engaged in informal and formal clothing manufacturing, how or where operators acquired their sewing skills, reasons for starting own businesses, number of people involved in the businesses, source of start-up capital, type of market operators target, months good for business and whether operators can provide training to others or not.

#### 4.2.1 Period engaged in informal and formal clothing manufacturing

Figure 4.1 shows the period operators in Sharpeville have been engaged in informal clothing manufacturing. The figure reveals that 88 percent of operators have been engaged in the running of their own business for more than 5 years. In 1988, 87 percent of operators in Mitchell's Plain were engaged in the running of their own businesses for less than 4 years, the mean being 2.5 years (Koch, 1991:19).

**FIGURE 4.1: PERCENTAGE DISTRIBUTION OF YEARS IN INFORMAL OPERATION FOR SHARPEVILLE OPERATORS - 2004**



Source: Survey data, 2004

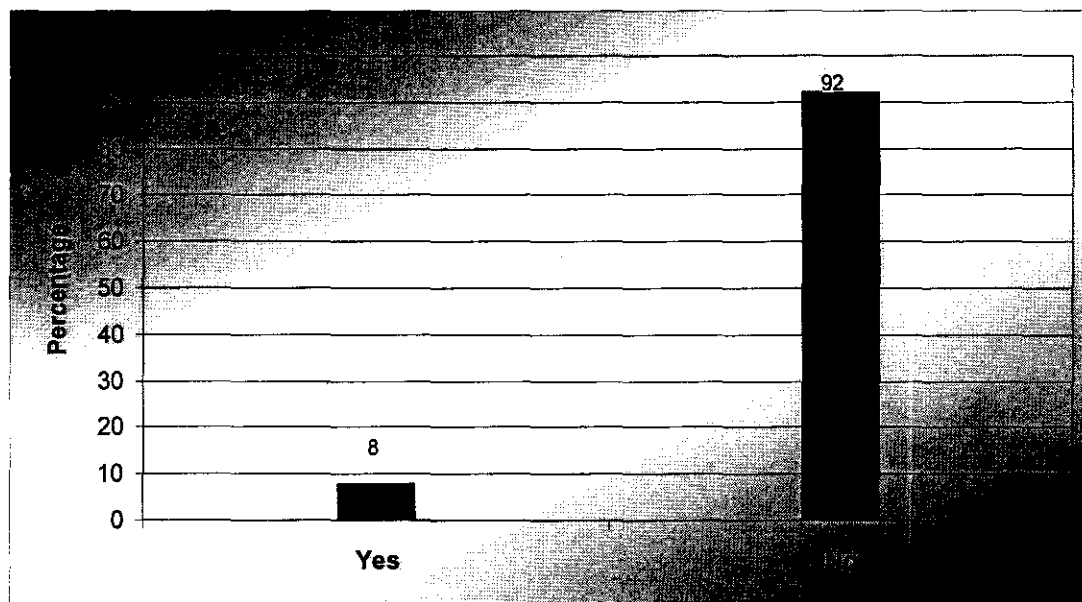
Figure 4.2 shows the percentage distribution as to whether operators in Sharpeville have been involved in the formal clothing manufacturing before or not. It was found that of the 25 operators, only 2 (8 percent) have been involved in formal clothing manufacturing before joining the informal sector. As for the years of involvement in the formal sector, one indicated having been involved in the formal sector for 25 years and the other for 16 years. For both with more than 15 years of experience, this means that they are highly experienced. With regard to the positions they held while in the formal sector, the one with 25 years experience indicated having held various positions such as a machinist, cutter,

checker and supervisor. The other one held positions such as a bid worker and machinist (Survey data, 2004).

For Mitchell's Plain, it was revealed that 74 percent of the operators had more than 10 years experience in the formal clothing manufacturing industry and were therefore relatively experienced. As for the positions they held, only 5 of the 31 operators held positions other than machinists at the time of leaving formal employment. Of those operators, one was a pattern maker, two were sample machinists and two were in supervisory positions (Koch, 1991:16).

In Sharpeville, the operators have been longer involved in the informal clothing manufacturing sector than in Mitchell's Plain, but had less experience in the formal sector.

**FIGURE 4.2: INVOLVEMENT OF THE SHARPEVILLE OPERATORS IN THE FORMAL CLOTHING MANUFACTURING - 2004**



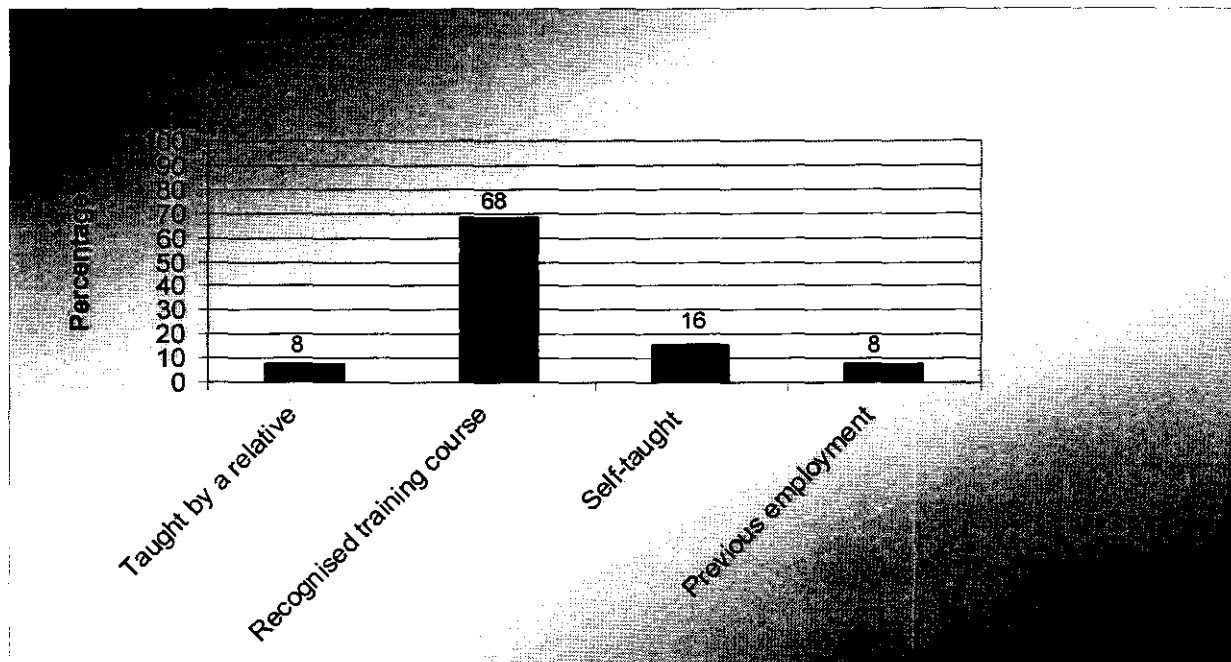
Source: Survey data, 2004

#### 4.2.2 How or where operators acquired their sewing skills

Figure 4.3 shows that 68 percent of the operators in Sharpeville acquired their sewing skills through a recognised training course, while 16 percent were self-taught, 8 percent of the operators stated that they learnt to sew while engaged in formal employment, and the remainder 8 percent were taught by a relative. In

Mitchell's Plain, 68 percent of the operators indicated that they learnt to sew while engaged in formal employment while the remainder of 32 percent was self-taught. In both areas the majority of operators learnt their skills either through a recognised training course, or while in formal employment.

**FIGURE 4.3: HOW OPERATORS IN SHARPEVILLE LEARNT THEIR SEWING SKILLS - 2004**



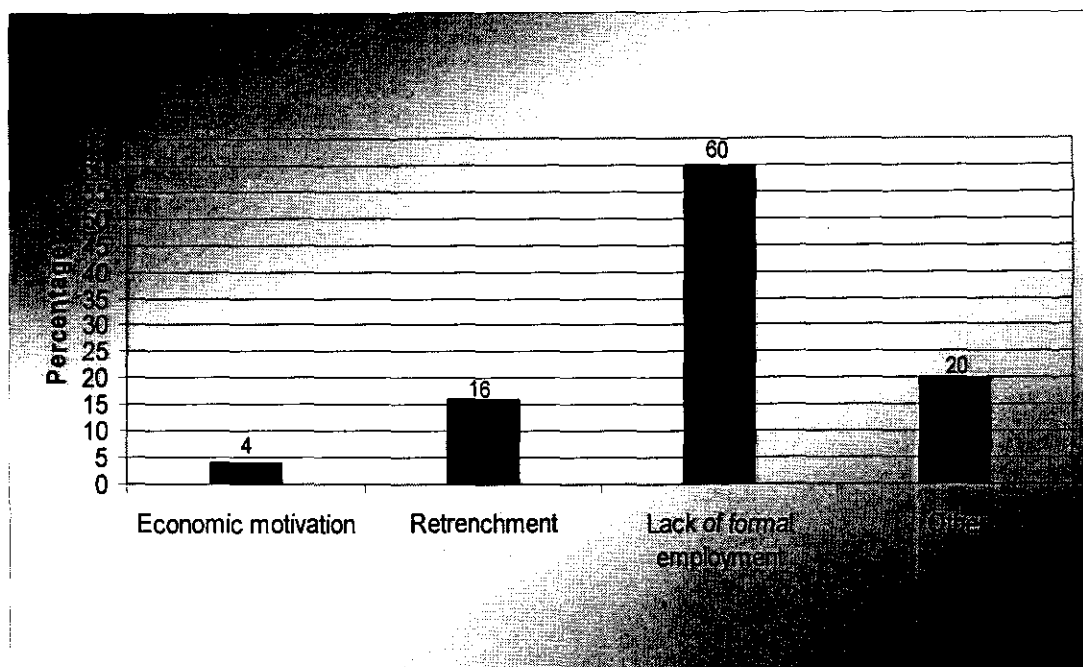
Source: Survey data, 2004

#### 4.2.3 Reasons for starting own businesses

Figure 4.4 shows the reasons for starting their own businesses. These findings indicate that the majority of the sample (60 percent) in Sharpeville started their own businesses due to a lack of formal employment, 16 percent indicated they started their own businesses due to retrenchment and 4 percent stated that it was due to economic motivation that they started their own businesses. In Mitchell's Plain it was the other way round where the majority of the operators indicated that they started their own businesses due to economic motivation, and were not forced into informal employment due to retrenchment or lack of formal employment as is the case in Sharpeville. Of the operators in Mitchell's Plain, 71 percent stated that they had started their own businesses because of either

better earnings potential or independence which could be interpreted as having entrepreneurial foundation (Koch, 1991:18).

**FIGURE 4.4: REASONS FOR STARTING OWN BUSINESSES IN SHARPEVILLE - 2004**



Source: Survey data, 2004

#### 4.2.4 Number of people involved in the business

Table 4.1 shows the number of employees employed when the business started and at present. The table reveals that 60 percent of the sample in Sharpeville started their businesses alone and are still working alone at the present moment, while 20 percent started with two employees and are still together now. It also indicates that 4 percent of the sample started its business with 10 employees, but is now left with only one person running the business.

The study in Mitchell's Plain shows that over time the number of operators employing no workers fell from nearly half to less than a quarter and the number of workers employed increased threefold from 27 percent to 88 percent. According to Koch (1991:31), these figures do not support the contention that the employment creation potential of the informal sector is limited. Although the number of people working in the informal clothing industry in Sharpeville actually

decreased over time, in the Mitchell's Plain survey this increased. This does not mean that employment creation in the informal sector is restricted, but that in the small scale CMT industry there is scope for considerable growth.

**TABLE 4.1: Number of people involved when the business started and at present in Sharpeville - 2004**

When business started	At present	Frequency	Percentage
1 person	1 person	15	60.0
1 person	2 persons	1	4.0
2 persons	1 person	2	8.0
2 persons	2 persons	5	20.0
2 persons	3 persons	1	4.0
10 persons	1 person	1	4.0
Total		25	100.0

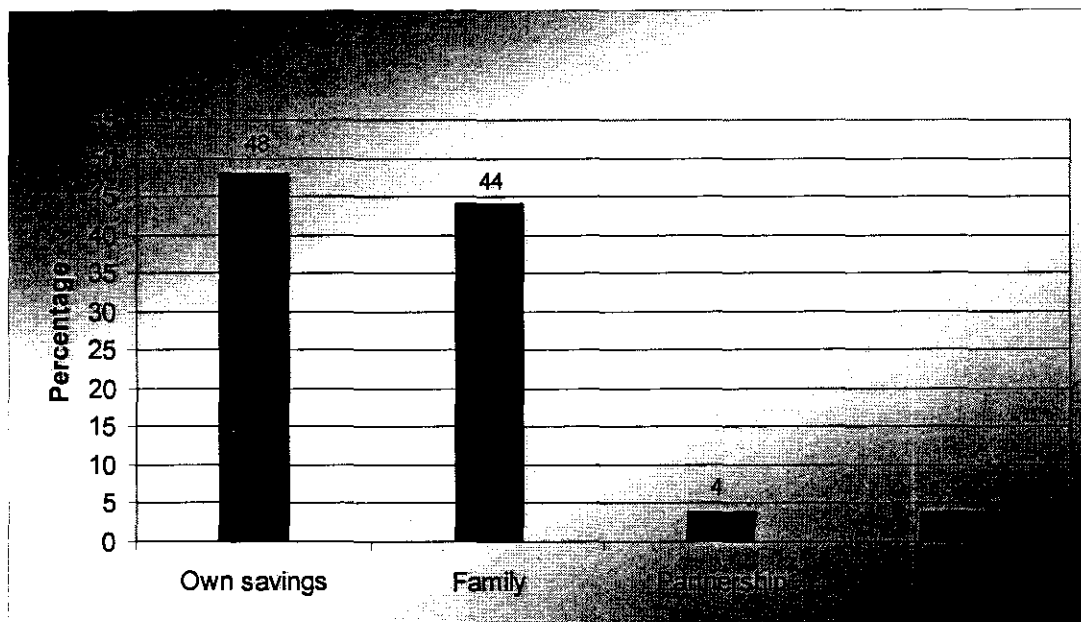
Source: Survey data, 2004

#### 4.2.5 Source of start-up capital

Figure 4.5 reveals the sources of start-up capital for the operators. About 48 percent of the operators indicated that they funded their business operations out of their own savings, 44 percent borrowed from family, who include, *inter alia*, brothers, sisters, mothers, fathers and husbands, 4 percent of the sample managed to secure a loan while the other 4 percent acquired their start-up capital through a partnership. In Mitchell's Plain, 58 percent revealed that they received assistance from the SBDC and the remaining 42 percent indicated they funded their business operations out of savings or borrowings from family members.

There seems to be a lack of entry to loans for the small clothing manufacturers in Sharpeville, as opposed to Mitchell's Plain. It could also be that they do not know how to access the available funds.

**FIGURE 4.5: SOURCE OF START-UP CAPITAL IN SHARPEVILLE - 2004**

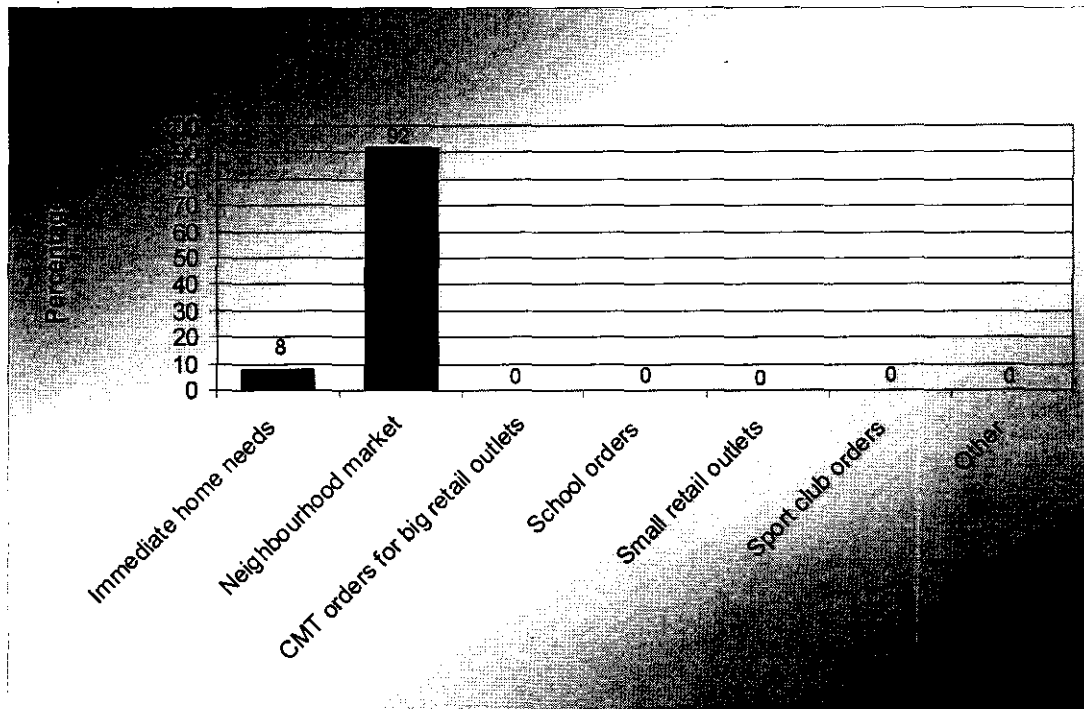


Source: Survey data, 2004

#### 4.2.6 Type of market

Figure 4.6 shows that 92 percent of the operators are targeting the neighbourhood market, while 8 percent target immediate home needs. With regard to Mitchell's Plain, at inception, only 16.1 percent of operators did CMT work exclusively for major fashion houses (i.e. they supplied an exclusive service to the formal sector). However, at the date of interview, it had increased to 48.7 percent. Furthermore, 61 percent of the operators did more than 50 percent of their work for large fashion houses. The remainder of their production involved work done for small informal traders, boutiques, and odd jobs for family and friends (Koch, 1991:33-34). Supplying services to the formal sector contributed to the success of operators in Mitchell's Plain which it is not the case in Sharpeville.

**FIGURE 4.6: TYPE OF MARKET TARGETED BY SHARPEVILLE OPERATORS - 2004**

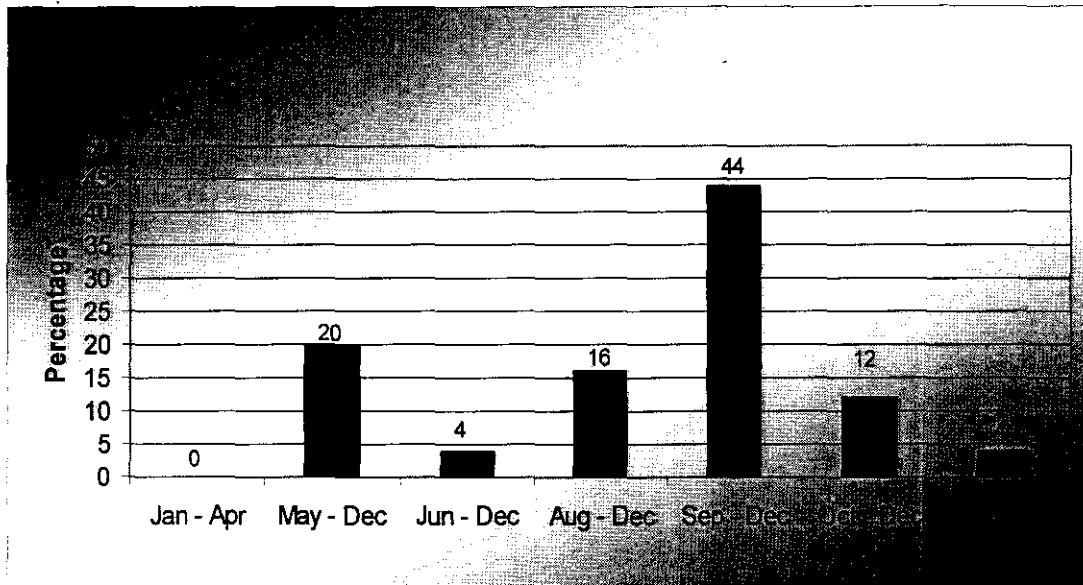


Source: Survey data, 2004

#### 4.2.7 Active months for the business

Figure 4.7 shows the months in which business is more active or was more active since operators started with their businesses in Sharpeville. Of the operators, 44 percent stated that business is more active from September to December, and 20 percent indicated that May to December are the more active months for business. The figure also shows that business is not good from January to April. All in all, the results indicate that business is active from May till December. The operators questioned in Mitchell's Plain were vulnerable to fluctuation in demand in the clothing industry. They indicated that demand for CMT work peaks from October till November in preparation for the increased demand in the Christmas season and has a trough in the early winter months (Koch, 1991:20).

**FIGURE 4.7: ACTIVE MONTHS FOR THE BUSINESS IN SHARPEVILLE - 2004**

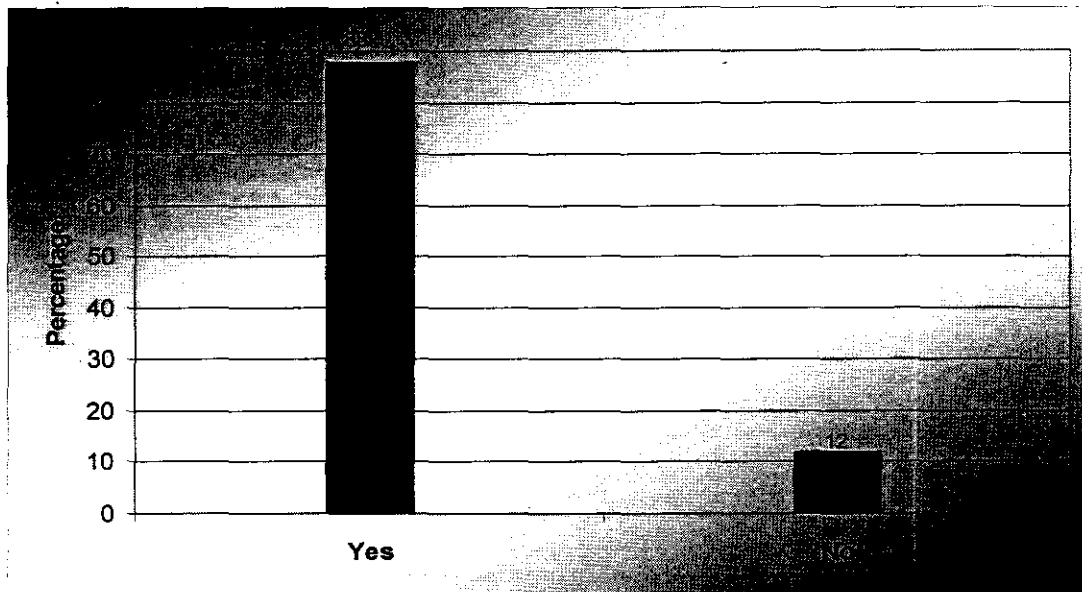


Source: Survey data, 2004

#### **4.2.8 Can operators provide training to others?**

As to the question whether operators can provide training to others, 88 percent answered positively, while 12 percent answered negatively (Figure 4.8). The majority of the operators in Mitchell's Plain were also positive in providing training to others. They stated that they could train a promising machinist in six months (Koch, 1991:32).

**FIGURE 4.8: CAN OPERATORS IN SHARPEVILLE PROVIDE TRAINING TO OTHERS - 2004**



Source: Survey data, 2004

### **4.3 BUSINESS MANAGEMENT**

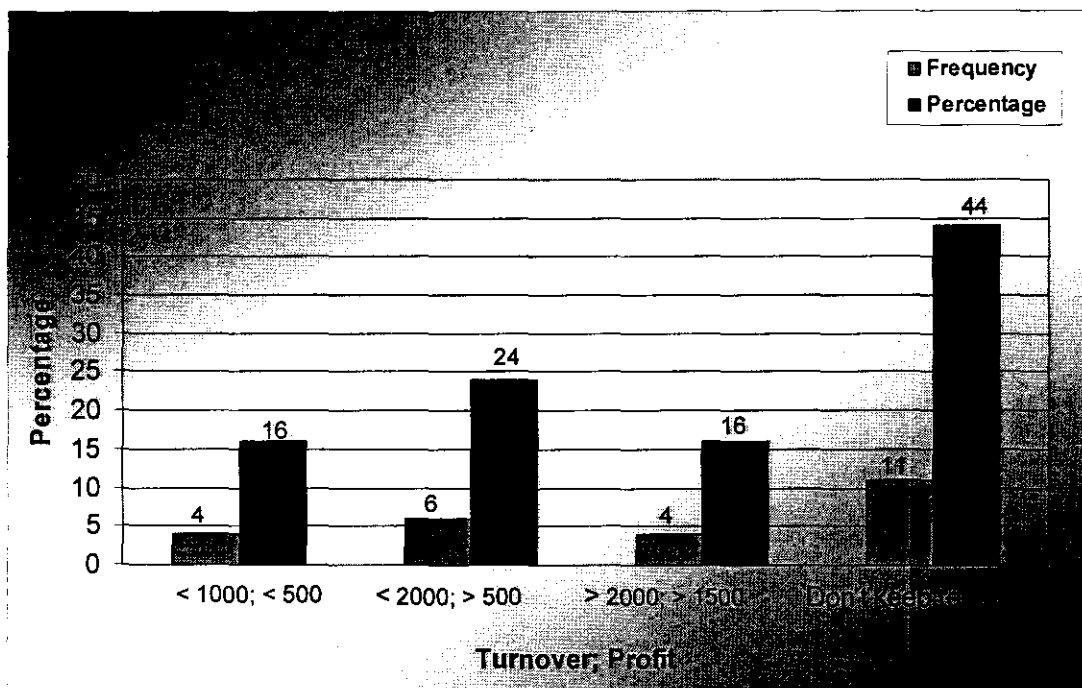
This section deals with the internal operation of the various informal operators under investigation. The fact that some operators do not keep business records is related to education, and important in the management of business. These operators keep a rough mental account of their business activities. From the study done by Nobanda (1998) in Soweto for the informal metal and steel works and the clothing manufacturing, it is evident that education plays an important role when it comes to the management of the business. Nobanda (1998:74) established the reasons why those operators did not keep business records as stemming from low levels of education as is especially true for those operators who attended only the primary school.

#### **4.3.1 Business records**

Figure 4.9 shows that 44 percent of the operators in Sharpeville don't keep business records. This leads to ignorance about their business's profit rates and retards the general performance of the business as the owner has no knowledge of the overall direction of the business (Nobanda, 1998:75). About 24 percent of the operators indicated that they receive a turnover of less than R2 000 per

month for which they get a profit of R500 and above, 16 percent indicated they receive a turnover of less than R1 000 and a profit of less than R500 and the other 16 percent receive a turnover of more than R2 000 and a profit of more than R1 500. Although 56 percent of the operators claim to keep business records, it is only a handful that keeps books that can be used to evaluate the business performance. The study in Mitchell's Plain revealed that the operators didn't keep business records, but 57 percent of the sample indicated that they earned more than 50 percent of the family income (i.e. more than their husbands).

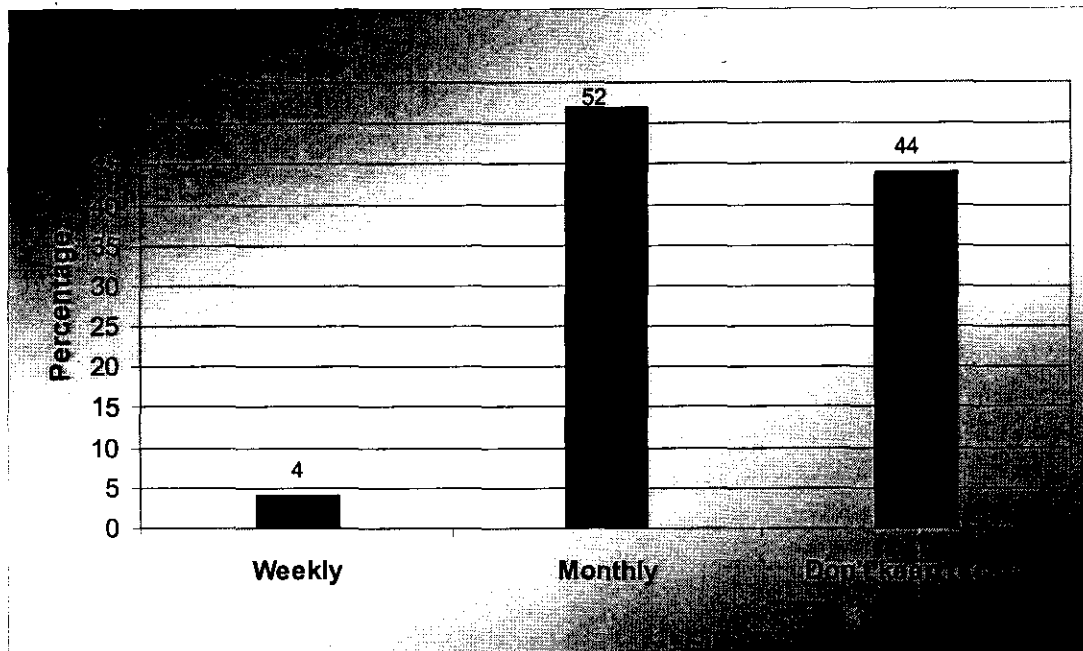
**FIGURE 4.9: OPERATORS' TURNOVER AND PROFIT IN SHARPEVILLE PER MONTH - 2004**



Source: Survey data, 2004

Figure 4.10 shows that for those who keep business records, 52 percent indicated they calculate their income on a monthly basis, while 4 percent calculate it on a weekly basis and 44 percent are those that don't keep records. Only 29 percent of the operators in Mitchell's Plain stated that they calculate their profits on a regular basis (Koch, 1991:21). It could be concluded that there is a great lack of business skills and a need for training in book keeping and profit calculation.

**FIGURE 4.10: PERIOD FOR CALCULATING INCOME IN SHARPEVILLE - 2004**

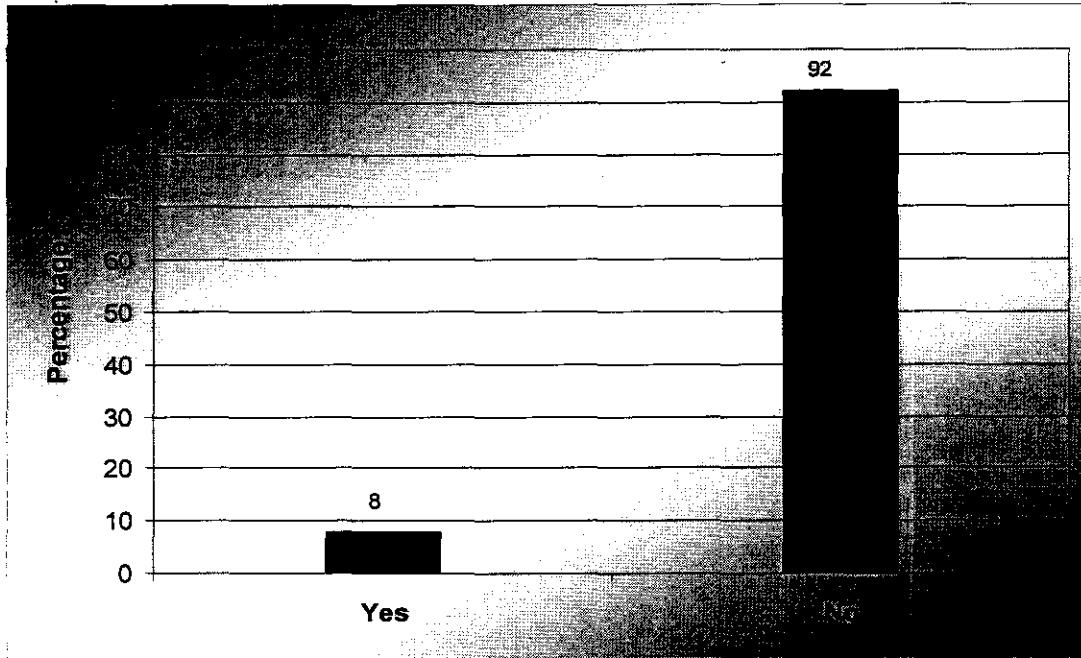


Source: Survey data, 2004

#### **4.3.2 Banking procedures**

Figure 4.11 shows the responses to the question whether operators in Sharpeville keep separate bank accounts for their businesses. It was found that all operators hold bank accounts, but only 2 (8 percent) of the operators hold a separate bank account for their businesses and the other 23 (92 percent) don't have separate bank accounts for their businesses. Not separating their private funds from their operating funds could be seen as the underlying cause for the majority of the sample not keeping business records. In Mitchell's Plain it was found that 26 of the 31 operators held bank accounts, but only 4 of the operators held separate bank accounts for their businesses. Not separating their private funds from their operating funds could be seen as the underlying cause for the majority of the sample not calculating profits (Koch, 1991:21). There seems to be a need for education about the importance of having separate accounts as this would help operators realise their profits.

**FIGURE 4.11: DO OPERATORS IN SHARPEVILLE HOLD SEPARATE BANK ACCOUNTS FOR THEIR BUSINESSES - 2004**



Source: Survey data, 2004

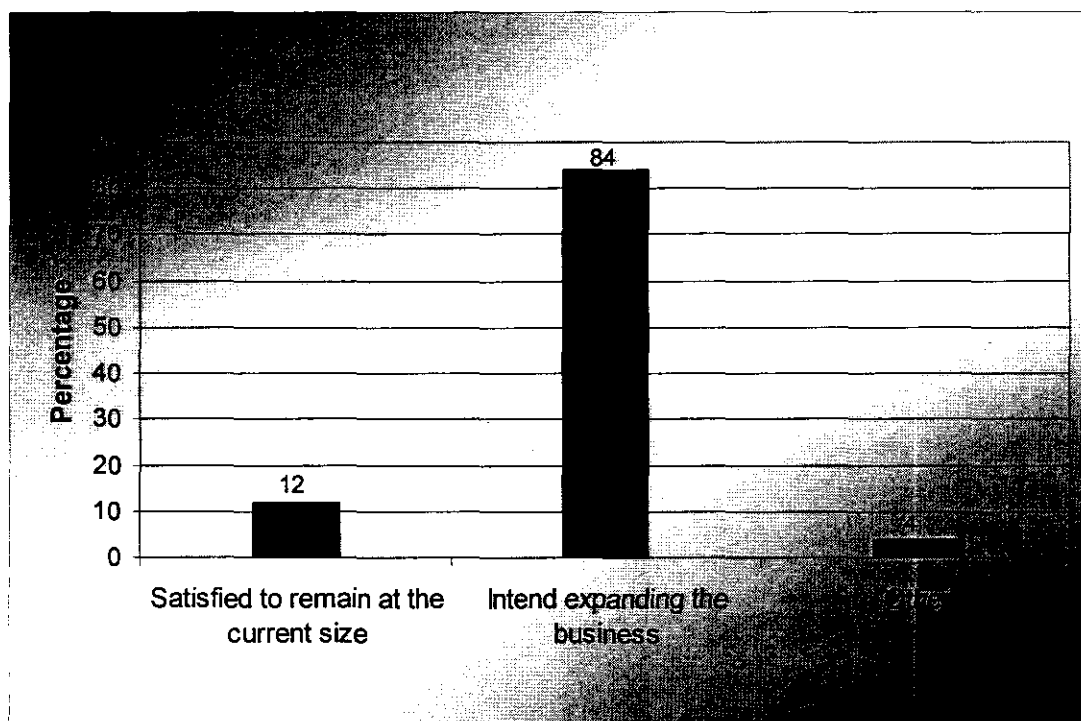
#### **4.4 FUTURE PLANS FOR THE BUSINESS**

This question about the operator's future plans for the business was incorporated in the questionnaire to give some idea as to the feeling that operators in Sharpeville have about future prospects for their business. Figure 4.12 shows that 12 percent of the operators state they wish to remain as they are (i.e. are satisfied to remain at their current size). 84 percent of the operators have a positive outlook for the future and intend expanding their business operations.

Bearing in mind the fact that the average period of operation in Mitchell's Plain was two-and-a-half years, it was quite remarkable that 32 percent of the operators stated that they would remain as they were (i.e. were satisfied to remain at their current size). This means that those operators were satisfied with the growth of their businesses and were receiving an adequate income from the activities concerned. Koch (1991:19) points out that "by any standard, for a business to develop to the stage where the owner/operator feels secure in less than four years is quite remarkable." The remainder of the sample (68 percent) intended expanding their business operations.

For both areas to have a high percentage of operators intending to expand their business operations, signifies that the majority of the respondents are positive with regards to the growth potential of the informal clothing manufacturing.

**FIGURE 4.12: SHARPEVILLE'S OPERATORS' PLANS FOR THE BUSINESSES - 2004**

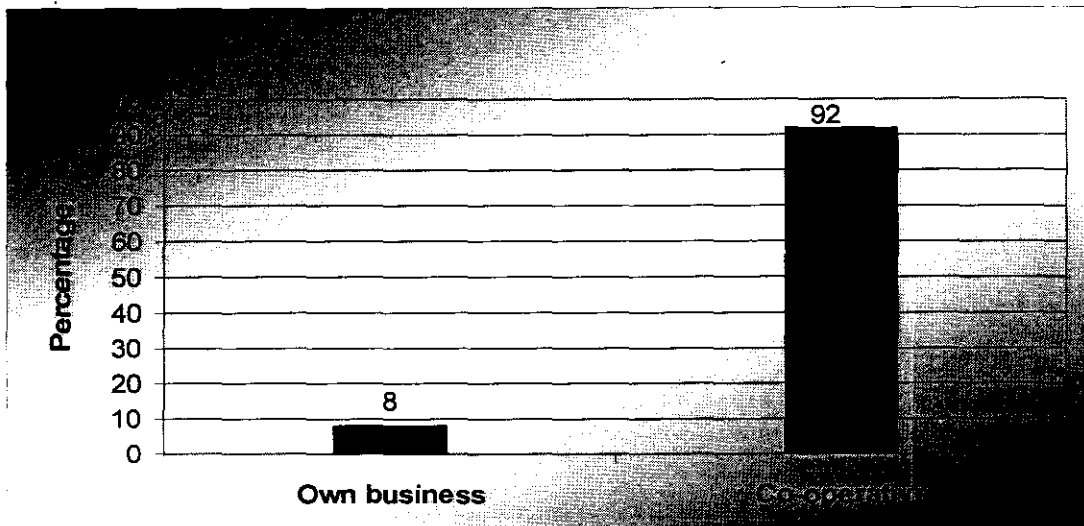


Source: Survey data, 2004

#### 4.5 WORKING CONDITIONS PREFERRED

In response to the question whether operators would like to work as part of a co-operative or continue working alone, 92 percent stated they would like to work as part of a co-operative and the other 8 percent stated they want to continue running their own businesses. Figure 4.13 shows that there is a good chance of forming co-operatives in Sharpeville. Operators in Mitchell's Plain see more potential in fostering links with the formal sector than in merging together.

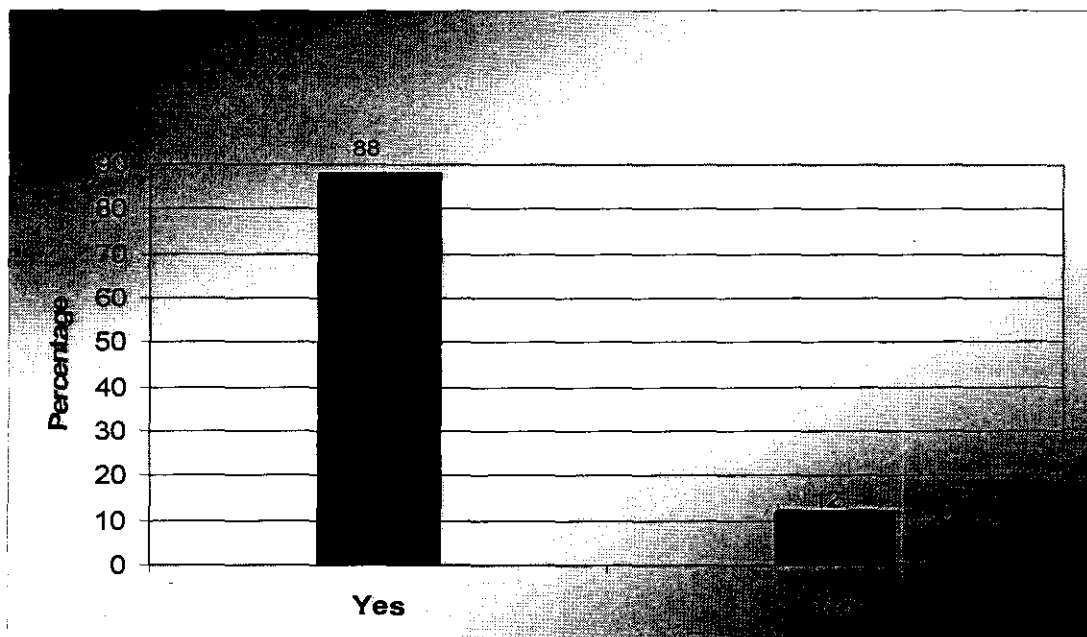
**FIGURE 4.13: WORK CONDITIONS IN SHARPEVILLE: OWN BUSINESS OR CO-OPERATIVES - 2004**



Source: Survey data, 2004

Figure 4.14 shows that 88 percent of the operators in Sharpeville are interested in the idea of working together with a big factory, while 12 percent are not. In Mitchell's Plain, 55 percent of the operators saw contact with big businesses as all important for the expansion of their operations (Koch, 1991:22).

**FIGURE 4.14: INTEREST IN WORKING TOGETHER WITH A BIG FACTORY IN SHARPEVILLE - 2004**



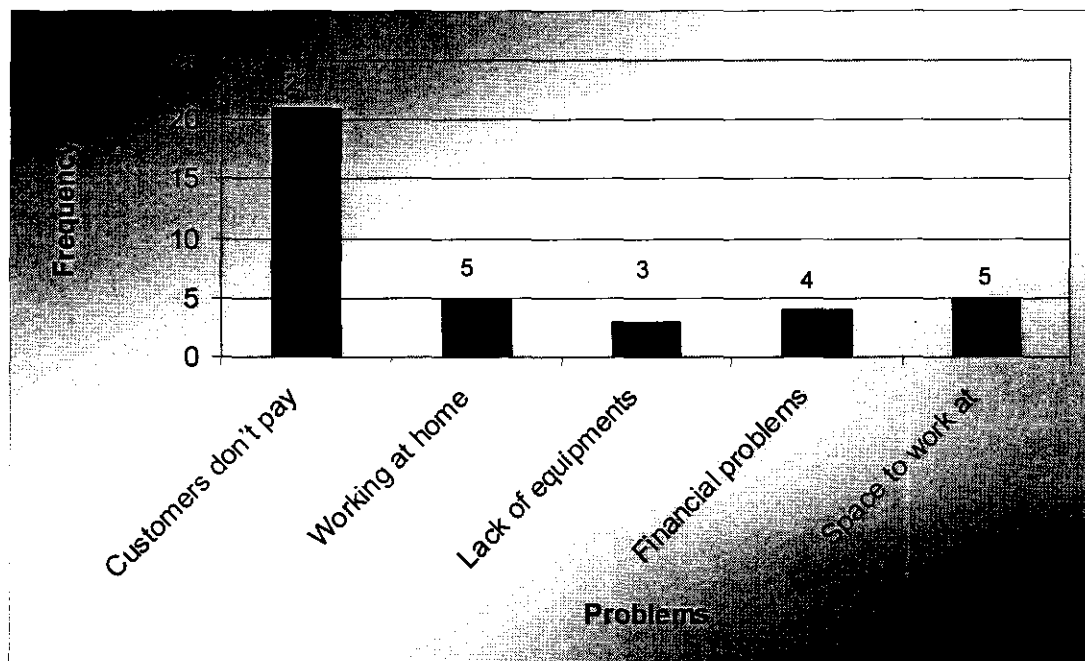
Source: Survey data, 2004

#### 4.6 CONSTRAINTS FACED BY INFORMAL OPERATORS

Figure 4.15 shows some problems encountered, which operators feel are impinging on the growth of their operations. As in any other business, operators are complaining about customers who don't pay. Operators face a combination of almost all the problems. Figure 4.15 shows that 21 of the operators are facing problems with customers, for 5 operators working at home is a problem, 5 others are facing space problems, 4 experience financial problems and the other 3 have a lack of equipment. With regards to working at home, operators indicated that this is problematic, because they tend to concentrate too much on house chores rather than on the business.

Operators in Mitchell's Plain indicated lack a of finance (29 percent), productivity of labour (22.6 percent) and the availability of skilled workers (19.4 percent) as most problematic. Other problem areas were labour costs, competition, and management ability, and marketing, lack of subcontracting, government regulations and suppliers (Koch, 1991:34).

**FIGURE 4.15: CONSTRAINTS FACED BY OPERATORS IN SHARPEVILLE - 2004**



Source: Survey data, 2004

#### 4.7 SUMMARY AND CONCLUSIONS

This chapter compares a sample of small-scale informal clothing manufacturers in Sharpeville with small scale clothing manufacturing industries in Mitchell's Plain. The majority of the operators in Mitchell's Plain had been involved in formal clothing manufacturing before joining the informal sector which is not the case with operators in Sharpeville. 74 percent of the operators in Mitchell's Plain had more than 10 years experience in the formal sector. The majority or 68 percent of operators in Sharpeville acquired their skills through a recognised training course.

Of the operators in Sharpeville 88 percent have been involved in the informal clothing manufacturing for more than five years, whereas at the time of the study (1988), operators in Mitchell's Plain had been involved in the informal clothing manufacturing for less than 4 years with a mean of 2.5 years. The high percentage of involvement in the formal clothing manufacturing could be attributed to the fact that Cape Town is one of the largest clusters of clothing producers in South Africa.

The majority or 68 percent of operators in Mitchell's Plain acquired their sewing skills in the formal sector and the rest claimed that they were self-taught. However in Sharpeville the majority or 68 percent acquired their skills through a recognised training course. This shows that, unlike the people in Mitchell's Plain, people in Sharpeville are not exposed to formal clothing manufacturing. The 8 percent that acquired their skills in the formal sector, indicated that they did not acquire their skills in Sharpeville, or the Vaal Triangle for that matter, but outside the area.

As indicated in Chapter 3, Sharpeville has a high rate of unemployment with a high percentage of unemployment of more than 5 years. The lack of employment was indicated as the reason for the majority of operators starting their own businesses in Sharpeville, contrary to Mitchell's Plain where it was due to economic motivation.

About 58 percent of operators in Mitchell's Plain got assistance for their start-up capital from an institution and the rest from their own savings or borrowings from family and friends, whereas in Sharpeville 92 percent acquired their start-up capital from their own savings or from family, and almost nothing from loans. This could also be attributed to the fact that people in Sharpeville are not informed in clothing manufacturing matters, like the assistance available for small manufacturers or that they are aware of the types of assistance available, but that it is out of reach for them.

In Sharpeville 92 percent of the operators target the neighbourhood market and the other 8 percent target immediate home needs. At inception 16.1 percent of operators in Mitchell's Plain did CMT work exclusively for major fashion houses and at the date of the interview, it has increased to 48.7 percent. In Mitchell's Plain 61 percent of the operators did more than 50 percent of their work for large fashion houses. This could also be attributed to their exposure in clothing manufacturing so they know good marketing strategies. The festive season is considered in both areas to be the most favourable time for business. The majority of operators in both areas indicated that they can provide training to others.

Most of the operators in both areas don't keep business records. They also do not hold separate bank accounts for their businesses. Not keeping private funds separate from business funds can be seen as the underlying cause of many operators not keeping business records.

Low education levels could be the underlying cause for the general lack of business skills and control over financial matters. There is a need for training programmes relating to bookkeeping, profit calculation and the importance of holding separate bank accounts.

The majority of operators in both areas saw the future prospects of the informal clothing manufacturing as positive and they intended expanding their businesses. It is remarkable that in Mitchell's Plain with an average operation of 2.5 years, 32 percent of the operators wanted to remain at the same size (which means that they were satisfied with their businesses). In Sharpeville 92 percent of the

operators are interested in taking part in a co-operative whereas operators in Mitchell's Plain saw more potential in fostering links with the formal sector than merging together. As for working together with a big business, operators in both areas saw that as important.

From the study of the small scale clothing manufacturing industries in Mitchell's Plain, it could be concluded that informal clothing manufacturing can create job opportunities, and therefore alleviate poverty. Operators in Mitchell's Plain showed high rates of capital growth and employment growth, and easy access to capital enhances this growth. The SBDC assisted sample experienced greater capital growth on average. The loans received by operators from the SBDC indicate that an early injection of capital into an enterprise enhances its future growth. Those loans do not necessarily place a heavy burden on the tax payer as enterprises generate enough surpluses to repay loans.

There seems to be a lack of entry to loans for the small clothing manufacturer in Sharpeville, as opposed to Mitchell's Plain. This could be one of the reasons why employment in the clothing sector did not increase in Sharpeville as it did in Mitchell's Plain.

For Sharpeville operators, a direct and committed support association is needed, to look at all problems faced by operators, not only those of accessing markets, credit and training, but also those to facilitate horizontal linkages. Involvement by industry (for mentorship) and training institutions (in providing entrepreneurial and other skills) will be essential in establishing SMMEs in the clothing sector. Easy access to capital in the early stages of business development will enhance future growth prospects. Government policy makers and the regional service councils could encourage big business to support informal clothing manufactures. The support needs are discussed in detail in the Section 5.2.

## **CHAPTER 5**

### **JOB CREATION IN SHARPEVILLE**

#### **5.1 INTRODUCTION**

This chapter focuses on job creation in Sharpeville through clothing manufacturing co-operatives. It was indicated in Chapter 3 that Sharpeville has a high unemployment rate of 59.2 percent. Therefore, the impact that job creation in general and specifically clothing manufacturing co-operatives could have in terms of job creation and poverty alleviation in the township, is analysed in this chapter.

An overview of the clothing sector is discussed, followed by the support needs of informal clothing manufacturers as it was indicated in Section 4.7 that informal clothing manufacturers need support to grow. The opportunities that the South African clothing sector is exposed to are also discussed in this chapter. Co-operatives including forms of co-operatives and the description of the form of co-operative suitable for Sharpeville are discussed, as well as clothing manufacturing in Sharpeville, focusing on clothing manufacturing co-operatives and the possibility of a market for the co-operative. Finally, the impact of job creation is analysed looking at general job creation and job creation through clothing manufacturing co-operatives.

##### **5.1.1 An overview of the clothing sector**

In 1994, the textiles, clothing and leather goods contributed 1.5 percent of the Gross Domestic Product (GDP) of just over R500 billion. By 1999, the sector generated 1.1 percent of a R600 million GDP. In 2001, the formal clothing sector employed 70 000 people, down from nearly 100 000 in 1996. The leather industry, which employed 36 000 people in 1987, then had about 12 000 employees. Job cuts were particularly severe during the two years 1999 and 2000 and estimated to June 2001, when 32 200 jobs were lost. This included 22 700 in clothing, 5 700 in footwear and 3 800 in textiles (MacGregor, 2001:63).

South Africa's clothing and textile sector provides an important source of employment creation, especially for the semi-skilled and unskilled workers who make up 83 percent of the workforce. The sector contributed 2.5 percent to the country's total manufacturing output and 4.2 percent to total employment in South Africa. During the last decade, this sector has experienced significant economic pressure as a result of trade liberation, weak domestic demand, an old capital base and low levels of productivity, which has caused nearly 50 percent of the workforce to lose their jobs. In addition, the strong Rand against the dollar has recently threatened exports to the United States, though the Rand to Euro ratio has not changed much (Joubert, 2003).

While the African Growth and Opportunities Act (AGOA) export agreement with the United States of America (USA) has been a great boost for manufacturing, the weakening of the Dollar against the Rand has now made it unprofitable for local manufacturers to export at the previously agreed prices. Within all of this, employment opportunities continue to diminish (Joubert, 2003).

## **5.2 SUPPORT NEEDS OF THE INFORMAL CLOTHING MANUFACTURERS**

From examining the operations of the informal clothing manufacturers in Sharpeville and Mitchell's Plain, it is evident that they need support for their businesses to grow. This section looks at the support needs for informal clothing manufacturers.

### **5.2.1 Access to finance**

World Bank research conducted on small clothing producers in the early 1990s showed that a lack of access to finance was not a core constraint on medium sized enterprises. Nevertheless, for most informal and small clothing manufacturers, the matter of finance, especially access to working capital, is a constraint hindering their long term growth and development. The lack of funding to small, medium and micro enterprises (SMMEs) to cover working capital needs is considered an important constraint on the success of initiatives to promote large enterprises and SMMEs linkage arrangements (Rogerson, 2001:54).

According to Nobanda (1998:81) the lack of access to operating capital stifles the intensive growth of enterprises.

### **5.2.2 Markets**

The vertical integration of large retailing firms with their own established factories means that emerging producers are denied market opportunities. This competition from established producers results in emerging SMME entrepreneurs being largely confined to a set of narrow economic spaces in which their growth potential is highly constrained, while it is uncommon for them to enter into different markets or to diversify into different product lines. It has been argued that the key is to get access to external markets, but that there is no evidence of any public or private export organisation at the disposal of black manufacturing SMMEs (Rogerson, 2001:54).

### **5.2.3 Inadequate education and training**

Low education levels and minimal skills training are a constraint on the emerging manufacturing economy. In particular, the weakness of human capital constrains an entrepreneur's capacity to learn to compete in a globalising and increasingly competitive market environment. In the informal clothing economy, where the majority of African producers had either taught themselves the necessary technical skills or were taught by a relative, formal skills training is sorely lacking. World Bank research shows that only a tiny fraction of African producers have the essential skills to compete in terms of the quality and timely delivery standards necessary to be subcontractors. This means that it is very difficult for entrepreneurs to diversify their product ranges and break out of saturated markets into potentially more lucrative higher value production chains (Rogerson, 2001:55).

### **5.2.4 The role of macro-economic policies**

Macro-economic policies remain a critical area in determining the external environment in which SMMEs operate. The national policies affect restrictions and liberalisation of foreign control which may, in turn, impact on import restrictions and relaxations. The clothing sub-sector is one particular sub-sector

which is hit hard by competition from cheap imported clothes. Continued shedding of labour in the clothing industry, as has been the case in the past few years, may increase pressure in the informal sector as more retrenched workers come in. Therefore, total liberalisation of imports could be problematic in this sector (Nobanda, 1998:86).

Contrary to this, total protection from imports may unleash new problems relating to little learning as a result of international isolation. It is thus pointed out that the philosophy and the execution of the policy framework must be concerned with small-scale industry with the view that small-scale industry is diverse and the required enabling conditions thereof are diverse. An understanding and careful manipulation of these over-arching policies is critical in ensuring that there is synergy in what the government does with its limited resources (Nobanda, 1998:86).

### **5.3 OPPORTUNITIES OF THE SOUTH AFRICAN CLOTHING SECTOR**

The clothing and textile sectors in the Southern African Development Community (SADC) have the potential to be a source of employment and income for many people in the region, as well as an earner of significant amounts of foreign exchange. However, in order to do so, they must make use of the opportunities afforded to them under various trade agreements. Sub-Saharan Africa as a market is limited, because of low incomes and poverty. Thus the SADC has to look to the richer countries as markets with large buying power (Tagg, 2002:4).

Peter Riches, economic consultant of the Clothing Federation of South Africa (Clofed) and a former Clofed president, told the 16<sup>th</sup> World Apparel Convention, held in San Francisco in 2000, that South Africa was standing on the threshold of a big opportunity, because of the following key factors (MacGregor, 2001:66):

- ❖ Under the SADC Trade Agreement, tariffs and duties will be lowered from 85 percent to zero percent in an eight year phase.
- ❖ The AGOA allows importing of some quota and duty free clothing products into the United States as long as garments are made from yarn and fabric produced in Africa, south of the Sahara. It will provide African

countries with new prospects in the US market, opportunities for sustainable growth in South Africa's clothing and textile industries, and is expected to expand African exports from \$584 million to \$4.2 billion in eight years.

- ❖ Under the European Union Agreement (EUA), there is a six year period of phased tariff reductions down to duty free. Paul Theron, Clofed's consultant economist, calculates that this agreement has the potential for South Africa's clothing industry to increase its employment levels by 100 000 over 10 years (MacGregor, 2001:66).

Threats to the clothing and textiles sector come from cheaper imports, as well as competition from cheaper or better quality products in the United States and European Union export markets. In addition to cheaper imports (often cheaper because the exporter avoids tariffs), firms also face competition from second hand goods. These goods enter the country, because customs officials are not able to enforce regulations or impose duties (Tagg, 2002:4).

## **5.4 CO-OPERATIVES**

The Presidential Growth and Development Summit, held in July 2003, endorsed special measures to support co-operatives as part of strategies for job creation in the South African economy. Responsibility for co-operatives in government has been transferred from the Department of Agriculture to the Department of Trade and Industry, where a Co-operative Enterprise Development Division has now been established (Philip, 2003:2).

### **5.4.1 Forms of co-operatives**

There are many different forms of co-operatives, all covered by the Co-operatives' Principles of the International Co-operative Alliance, and they all have different priorities, have faced different challenges, and have different track-records and social impacts. Yet these different forms of co-operatives fall into two main categories: worker-owned co-operatives, and user-owned co-operatives (Philip, 2003:4). Understanding the differences between these is a key to the

concluding arguments about the role and potential of co-operatives in job creation in the Sharpeville context.

#### **5.4.1.1 Worker co-operatives**

The key defining feature of worker co-operatives is that worker-members in the co-operative own and control it, on the basis of 'one member one vote'. In this way, worker co-operatives potentially provide a radical alternative to the employment relationship found in conventional enterprises; and many of the difficulties they face relate precisely to this attempt to redraw the relationships between 'owners' and 'producers', when co-operative members combine both roles. Worker co-operatives combine worker ownership with mechanisms for the democratic control of production within the enterprise, and are usually initiated as part of attempting to find more empowering alternatives to conventional employment and ownership relations in society. Debates about the role of co-operatives interface with a wider literature on the productivity and empowerment benefits of worker participation in enterprise decision-making, as well as debates about the benefits of various forms of worker participation in capital ownership, including share equity schemes (Philip, 2003:4).

#### **5.4.1.2 User co-operatives**

In contrast to worker co-operatives, there are a range of co-operatives that can be characterised as 'user co-operatives', or 'client-owned co-operatives'. While there are differences between these forms of co-operatives, they share an essential feature that distinguishes them from worker co-operatives. In these co-operatives, the members are users of the co-operative's economic services, rather than necessarily being workers in the enterprise (Philip, 2003:4).

In these co-operatives, members use collective organisation to create economies of scale, as a way to enhance their economic access or to gain economic advantage, whether in relation to purchasing, marketing, access to financial services, access to housing, or social services such as education and health. Typically, members of user co-operatives are not directly dependent on the co-operative for their livelihood; the co-operative is a way of reducing costs or

enhancing income, whether for the member as a consumer, or to enhance the viability of their business. In user co-operatives, the employees of the co-operative generally have no special ownership relationship to the co-operative, and the employment relationships in such co-operatives are usually no different from employment relations in any conventional business. There is no necessary component of worker ownership in a user co-operative (Philip, 2003:4).

#### **5.4.2 Which co-operative is suitable for Sharpeville's manufacturers?**

Usually, clothing manufacturers choose a worker co-operative rather than a user co-operative. But in the case of Sharpeville, both co-operatives could be established. In Section 4.5 it was indicated that 92 percent of the operators indicated that they would be interested to take part in a co-operative, while the remaining 8 percent indicated that they prefer running their own businesses.

This 92 percent of the operators could form a worker co-operative which is usually initiated as part of attempting to find more empowering alternatives to conventional employment and ownership relations in society.

The other 8 percent of manufacturers could form a user co-operative, among themselves, with other parties or together with the worker co-operative. Since they prefer running their own businesses, a user co-operative is best for them, because they won't have any direct relationship with the co-operative. They would be allowed the freedom to run their own businesses. Manufacturers in user co-operatives will not be directly dependent on the co-operative for their livelihood, but the co-operative will be a way of reducing costs or enhancing income, whether for the member as a consumer, or to enhance the viability of their business.

### **5.5 CLOTHING MANUFACTURING IN SHARPEVILLE**

This section shows the possibility of job creation through clothing manufacturing co-operatives in Sharpeville. It also looks at the availability of a market if clothing manufacturing co-operatives could be established.

### **5.5.1 Clothing manufacturing co-operatives**

In Section 3.3.2, the percentage of those unemployed who prefer training in sewing were determined at 6.3 percent (an estimated 374 unemployed persons). Chapter 4 examined the operations of those who are already in the clothing manufacturing business. From the interviews with those already in the business, 92 percent of the operators indicated that they would like to work as part of a co-operative. The two groups (those who prefer training and those already in the business) could establish a worker co-operative or even a user co-operative depending on their preferences as to the two forms of co-operatives.

Assuming those unemployed together with those who are already in the clothing manufacturing business could be assisted to form clothing manufacturing co-operatives, producing clothing in Sharpeville for the local and nearby communities, then assistance should be in the form of access to finance, exposure to information regarding accessing finance, training facilities (like infrastructure, machines all other necessary equipments) and education. A direct and committed support association that will look at all problems, not only those of accessing markets, credit and training, but also that of helping to facilitate the horizontal linkages is needed.

### **5.5.2 Is there a market?**

Looking at the amounts the Sharpeville community spend on clothing, clothing manufacturing co-operatives in the township could benefit the community as a whole including nearby townships. In Section 3.5, it was indicated that the residents of Sharpeville spends 11.8 percent of their income on clothing, which they buy mainly outside the township. Clothing manufacturing co-operatives in Sharpeville could help retain that part of their income in the township, including transport cost they incur going to town to buy clothes. It is also indicated in Section 3.5 that the Sharpeville community spends 8.5 percent of their income on transport (taxis), part of which is for trips taken to buy clothes.

On average, the Sharpeville community spent R2.9 million per month on clothing (R34.8 million per year). This means that if clothing manufacturing co-operatives

can be established in the township targeting the local community by producing clothing that are in demand or commonly bought in the community, the co-operative could theoretically have a turnover of R2.9 million per month and R34.8 million per year which shows that this could be a good market for the factory. Figure 4.9 showed that operators getting a turnover of around R1 000 per month make a profit of R500 per month. This means that if the clothing manufacturing co-operative could realise a turnover of more than R2.9 million per month, then profit could be estimated at more than R1.45 million per month (R34.8 million turnover per year and an estimated profit of R17.4 million)

Nearby towns and townships, like Bedworthpark, Tshepiso, Boipatong and others could also benefit. Surveys conducted in Boipatong (Maloma, 2004) show that the community of Boipatong spend 15 percent (which is more than what the Sharpeville community is spending) of their income on clothing, plus. This shows that the community of Boipatong could also benefit if a clothing manufacturing co-operative could be established in Sharpeville and they could cut on transport cost since they could walk to Sharpeville unlike taking a taxi to town to buy clothes. This makes the market larger.

On the other hand, clothing is to a great extent susceptible to fashion, which will make the market for locally produced clothing smaller again. The above amount spent on clothing also includes shoes, which form a great part of the clothing budget. This also makes the total market smaller. Assuming that the neighbouring markets cancel out the negative impact of fashion, the market potentially becomes large again.

## **5.6 THE IMPACT OF JOB CREATION IN SHARPEVILLE**

In Section 3.3, the unemployment rate for Sharpeville was determined at 59.2 percent for the year 2004. The unemployment rate amongst the poor is 72.9 percent. In Section 3.4 the number of unemployed people in Sharpeville was determined to be 17 685. About 46 percent of the population is usually economically active (amounting to 8 135 economically active poor persons in Sharpeville). With an unemployment rate for the poor of 72.9 percent, this leads to the number of unemployed poor persons in Sharpeville to be 5 930 for the

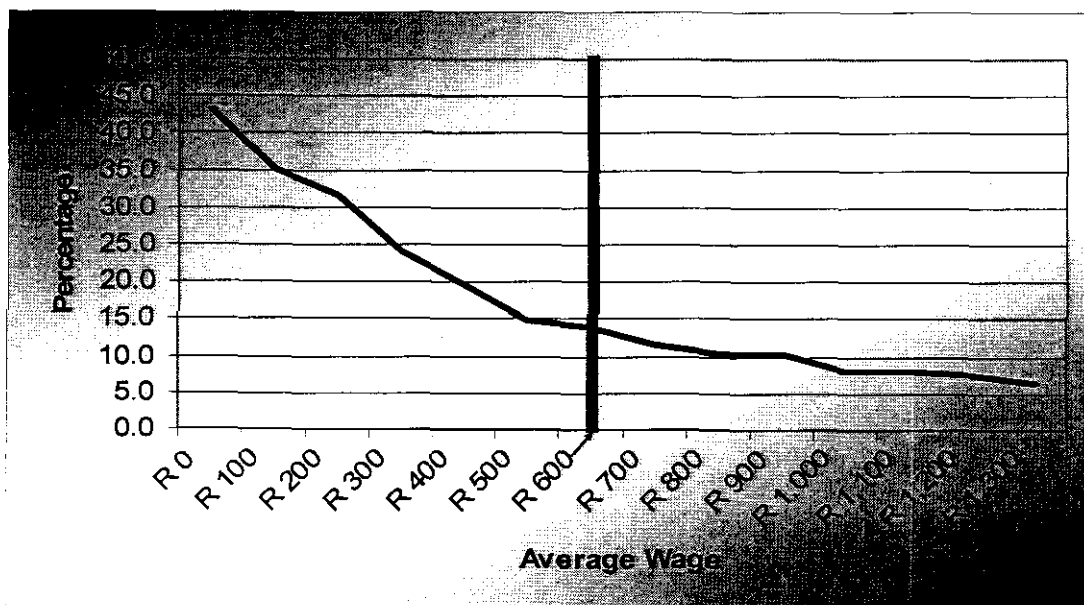
year 2004. Most of the unemployed persons that have some kind of skill, would, if they could get the opportunity, prefer to get further training in the same field and would like to start self-sustaining activities in the same field. The following impact will take place if they could be assisted:

- ❖ Of the poor unemployed population 13.4 percent prefers training in retail trading, if they could be assisted, 795 job opportunities could potentially be created.
- ❖ Of the total 9.5 percent prefers training in building/construction and 563 job opportunities could be created,
- ❖ About 9.5 percent prefers training in catering and 563 job opportunities could be created,
- ❖ About 7.9 percent prefers electrical training and 468 job opportunities could be created,
- ❖ Only 7.1 percent prefers mechanical training and 421 job opportunities could be created,
- ❖ Of the poor unemployed population 6.3 percent prefers training in sewing and 374 job opportunities could be created.

Assuming that jobs for all 5 930 unemployed poor persons in Sharpeville could be created at an average monthly income of R600 per month, the impact on the community will be that the headcount index will be reduced from 0.431 to 0.138 and the poverty gap index from 0.32 to 0.21. This implies that the percentage of households below their poverty lines would be reduced from the present 43.1 percent to only 13.8 percent. The average shortfall in income of the poor households would be reduced from 32 percent to 21 percent (without taking the multiplier effect into account). At an average monthly income of R1 000 per month, the impact on the community will be that the headcount index would be reduced from 0.431 to 0.081 and the poverty gap index from 0.32 to 0.21. This implies that the percentage of households below their poverty lines would be reduced from the present 43.1 to 8.1 percent and the average shortfall in income of the poor households would be reduced from 32 percent to 21 percent. An impact of a lower headcount index would prevail at an average income of R1 500

per month, which would be 0.056 and a poverty gap index of 0.26. The reason that the poverty gap index is not decreasing, but later increasing, is that there will be very few poor households left, mainly those who have no economically active member, but live on, for instance, pensions. As the poverty gap index is an average measure, it measures the average poverty gap of the few remaining households, that don't benefit from the increase in job opportunities.

**FIGURE 5.1: IMPACT OF JOB CREATION ON POVERTY LEVELS IN SHARPEVILLE - 2004**



Source: Survey data, 2004

The impact of job creation at different income levels on the level of poverty in Sharpeville is illustrated in Figure 5.1. At a level of R600 per unemployed person, the percentage of households below their poverty line is reduced to 13.8 percent. When all the poor-unemployed would receive incomes of R1 000 per month, the poverty rate will decrease to about 8.1 percent and at R1 500 per month the poverty rate will increase to 5.6 percent.

Assuming that clothing manufacturing co-operatives are established to manufacture clothing for local and nearby communities, the impact at different wage levels will be as follows. As stated above, those residents who prefer training in this field is 6.3 percent of the poor unemployed population of Sharpeville. If those residents could be assisted that means that 374 jobs could

be created in the clothing sector in Sharpeville. Moreover, if the 6.3 percent could be employed, this would reduce the unemployment rate from 59.2 percent to 52.9 percent.

At an average income of R600 per month, the impact will be that the poverty rate will be reduced from 43.1 percent to at least 40.8 percent and the poverty gap from R609.28 to R589.6. At an average income of R1 000 per month, the poverty rate will be 39.7 percent and the poverty gap will be R584.5. The impact with an average income of R1 500 will be that the poverty rate decrease from 43.1 percent to 39.1 percent and the poverty gap from R609.28 to R586.7. This indicates that if those residents could be assisted, the level of poverty would decrease, meaning that clothing manufacturing co-operatives can play a role in job creation and poverty alleviation in Sharpeville.

## **5.7 SUMMARY AND CONCLUSIONS**

This chapter focused on job creation and its impact on unemployment and poverty in Sharpeville. The chapter gives an overview of the clothing sector in general to try to find out why the clothing sector is singled out for job creation. The support needs of informal manufacturers were discussed with the aim to show the support needed before co-operatives are established. The following factors are regarded as the support needs for informal clothing manufacturers:

- ❖ Access to finance, especially access to working capital, as the lack of access to finance is a constraint hindering long-term growth and development of small clothing manufacturers.
- ❖ The vertical integration of large retailing firms with their own established factories means that emerging producers are denied market opportunities. There is a need for a network organisation or association that will aim at facilitating business linkages between the established business sector and SMMEs.
- ❖ The weakness of human capital constrains an entrepreneur's capacity to learn to compete in a globalising economy and increasingly competitive market environment. World Bank research shows that only a tiny fraction

of African producers have the essential skills to compete in terms of the quality and timely delivery standards necessary to be subcontractors. There is thus a need to address the “training needs” of informal clothing manufacturers.

- ❖ The role of economic policies remains a critical area in determining the external environment in which SMMEs operate. Government policy makers and the regional service councils could encourage big business to support informal activities. One way of doing this would be to offer tax incentives in much the same way as the local content programme.

South Africa is presented with some opportunities from the SADC Trade Agreement, which plans to cut tariffs from 85 percent to zero percent in a eight year phase. The AGOA which allows the importing of some quota and duty free clothing products into the United States as long as garments are made from yarn and fabric produced in Africa, south of the Sahara. Under the EUA, there is a six year period of phased tariff reductions down to duty free.

Two forms of co-operatives were distinguished to find a suitable one for Sharpeville manufacturers. These are worker co-operatives and user co-operatives. Worker co-operatives combine worker ownership with mechanisms for the democratic control of production within the enterprise. They are usually initiated as part of the attempt to find more empowering alternatives to conventional employment and ownership relations in society. In user co-operatives, members use collective organisation to create economies of scale, as a way to enhance their economic access or to gain economic advantage, whether in relation to purchasing, marketing, access to financial services, access to housing, or social services such as education and health. Both forms could be suitable in Sharpeville.

The chapter also indicates that the residents who are already in the business could be used to provide training to the other residents without skills. With the Sharpeville community spending 11.8 percent of their income on clothing, this was used as an indication for the market that the co-operative could have including also nearby communities. The co-operative could theoretically have an estimated turnover of R2.9 million per month and R34.8 per year.

The unemployment rate amongst the poor is 72.9 percent. The poor unemployed is estimated at 5 930 for the year 2004. If the poor unemployed with skills could be assisted to get further training in the same fields job opportunities could be established which are estimated as follows: retail trade 795, building/construction 563, catering 563, electrical 468, mechanical 421, and 374 in sewing.

If jobs for all the poor unemployed in Sharpeville could be created at certain incomes per month, this would have a definite impact on the Sharpeville community. At an average income of R600 per month, the impact on the Sharpeville community will be that the headcount index will be reduced from 0.431 to 0.138 and the poverty gap index from 0.32 to 0.21. This implies that the percentage of households below their poverty lines would be reduced from the present 43.1 percent to only 13.8 percent and the average shortfall in income of the poor households would be reduced from 32 percent to 21 percent (without taking the multiplier effect into account). As the average income increases, the headcount index will be reduced.

In the clothing sector, if assistance could be offered (6.3 percent of the population interested in sewing) 374 jobs could be created in the township. At an average income of R600 per month, the impact will be that the poverty rate will be reduced from 43.1 percent to 42 percent and the average poverty gap from R609.28 to R604.1. The relationship between average income and the poverty rate will be that, as the average income increases, the level of poverty will decrease.

The chapter indicates that despite the experiences the clothing sector had been through in the last decade, the sector provides an important source of employment creation, especially for the semi-skilled and unskilled. If clothing manufacturing co-operatives could be established, the unemployment rate could decrease from 59.2 percent to 52.9 percent and the poverty rate would decrease from 43.1 percent to 42 percent at an average income of R600. The decrease could even be more at an average income of R1 500, from 43.1 percent to 41.4 percent.

## **CHAPTER 6**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **6.1 INTRODUCTION**

The main objective of this study was to investigate the role that clothing manufacturing co-operatives could play in creating job opportunities and alleviating poverty in Sharpeville. The previous chapters gave a profile of the poor Sharpeville population in which the level of unemployment and the rate of poverty was indicated. This chapter provides a summary of the main points of the dissertation and draws some conclusions and recommendations from the findings in the other chapters.

#### **6.2 SUMMARY OF THE DISSERTATION**

Unemployment and poverty are increasingly seen as multi-dimensional concepts, resulting in a much wider range of factors being considered with poverty including the deprivation in a range of capabilities, such as education, health and human and civil rights.

The problem of unemployment in South Africa is a complex one and without obvious causes. Factors such as the absence of adequate economic growth which led to stagnation in the labour market, inability of the formal sector to create sufficient employment opportunities for a growing population, general low levels of skills in the labour force and general uncertainty regarding the future economic prospects of South Africa are regarded as some of the underlying causes of unemployment in the country. In South Africa, unemployment is more concentrated among African people, women, especially Black women, and the youth.

Various methods are used to measure unemployment. The following are more or less standards methods:

- ❖ Census methods, which are used for measuring the economic status of the entire population. It takes place periodically and when it does, only a

limited number of questions pertaining to employment can be included. This method was not used in this study for that reason.

- ❖ Registration method, which provides for the unemployed to register at the placement offices (in South Africa at the offices of the Department of Manpower). Due to the fact that registered figures published by the Department of Labour in South Africa do not show the level of unemployment accurately, particularly for Blacks, this method was also not considered for this study.
- ❖ Sample surveys, which are undertaken on a sample basis to obtain the data required to calculate unemployment rates for the specific groups of people. This method was used for this study to determine the unemployment rate in Sharpeville.

Despite its relative wealth and a well-developed modern economy, the new South Africa remains plagued with widespread poverty. Defining poverty is not an easy task. Many works on the subject become so technical that it is very difficult to draw conclusions from them or employ them in policy making endeavours. The important factor with definitions of poverty is that the definition of poverty drives policies. How poverty is defined and measured tend to determine the types and direction of policies aimed at reducing it. Factors such as political and cultural influences, deprivation and basic needs are essential to note in an attempt to define poverty. Many definitions of poverty are based on income or material-based poverty, and this then militates in favour of income-based policies in poverty reduction.

The apartheid era, and the increasing level of unemployment since 1994 accounts heavily for the high incidence and persistence of poverty in South Africa. Women tend to have less access to resources than men and it is estimated that between 57 percent and 75 percent of women and children are living in varying degrees of poverty in South Africa. Although an increasing number of Black people are joining the middle class, the situation of most African households, both in rural and urban areas, is in many ways worse than fifteen years ago, with the poorest third of Black households falling into long term destitution, even in urban centres.

As with the definitions of poverty, there are factors that need to be considered in order to come to an agreeable measurement of poverty. The followings are important:

- ❖ Individuals and households. A state of deprivation is an individual matter, and individuals are members of a household with whom they share resources.
- ❖ Income. Many measurements of poverty make use of the concept income. It is therefore important to outline what is being understood by income.
- ❖ Qualitative and quantitative approaches. Qualitative measurements of poverty draw from the experiences of poverty by those individuals actually suffering from it whereas qualitative measures make use of data independent of feelings and emotions.

A poverty line is a quantitative approach which is used to measure poverty in this study. A poverty line is a line which shows the level of income necessary to offer a minimum subsistence level. Poverty lines are income and price elastic, they are adjusted for changes in the median or mean income or consumption of the general population as well as for changes in the general price level.

Examples of poverty lines used in South Africa are the PDL, MLL, SLL, HSL and the HEL. The HSL was used in this study. It is defined as an estimate of theoretical income needed by an individual household to maintain a defined minimum level of health and decency in the short-term and is calculated at the lowest retail cost of a basket of necessities of adequate quality. The basket includes food, clothing, fuel and lighting, and washing and cleaning material for each individual in a household and for the whole household and the cost of rent and transport. The reasons for using the HSL in this study are: Firstly, the HSL covers all major centres in South Africa. Secondly, it has been the most frequently used measure in recent years. Finally, as this study includes a comparison between Sharpeville and Bophelong, the HSL offers a common measure.

Other measures used to measure poverty, are the headcount index, the poverty gap ratio and the dependency ratio. For the purpose of this study, the headcount index was adapted to indicate the fraction of households that fall below their individual poverty lines, that is below their HSL. The poverty gap measures the average shortfall of the incomes of the poor from the poverty line while the poverty gap index measures the extent of the shortfall of incomes below the poverty line. The dependency ratio refers to the ratio of the number of non-income earners that depends on income earners.

Employment in the formal sector in South Africa is shown to be decreasing while increasing in the informal sector. Only 29 percent of the South African workforce is formally employed, compared to 69 percent a decade ago, while the proportion of workers active in the informal sector has grown from 14 percent to 21 percent. The promotion and fostering of informal business activities have been presented as macro-economic solutions to the country's unemployment and growth problems. The informal sector is defined as including all those who work in small unregistered enterprises, both employers and employees, as well as self-employed persons who work in their own or family businesses.

The clothing industry, being the most labour intensive industry in South Africa, provides a key to alleviating the drastic unemployment situation in the country. Improving competitiveness in order to promote expansion in the clothing industry is very inexpensive. The most important productivity improvements are implemented organisationally, and do not necessarily require substantial capital investment. Therefore, clothing manufacturing is a relatively cheap, non-forex consuming industry. Particularly if foreign investment were encouraged, easy entry means that the industry can expand very quickly.

The study argues that clothing manufacturing co-operatives can play a role in job creation and poverty alleviation in Sharpeville. A co-operative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise. Despite challenges of many kinds, and diverse trajectories of development, the co-operation model has continued to

inspire people. Co-operative movements have endured and thrived in many countries of the world.

There are many different forms of co-operatives, all covered by the co-operatives' principles of the International Co-operative Alliance, and they all have different priorities, have faced different challenges, and have different track-records and social impacts. Yet these different forms of co-operatives fall into two main categories: worker-owned co-operatives, and user-owned co-operatives. Worker co-operatives combine worker ownership with mechanisms for the democratic control of production within the enterprise, and are usually initiated as part of attempting to find more empowering alternatives to conventional employment and ownership relations in society. In the user co-operatives, members use collective organisation to create economies of scale as a way to enhance their economic access or to gain economic advantage, whether in relation to purchasing, marketing, access to financial services, access to housing, or social services such as education and health.

The study utilises various household level indicators to assess the level of poverty and unemployment in Sharpeville, primarily in comparison with Bophelong township. The population in Sharpeville was estimated at 41 031 which is higher than Bophelong (37 779), both for 2001. The Sharpeville population is shown to have more females than males and the majority of the males are younger than 19 years of age, while the majority of women fall in the age category of between 20 and 40 years.

The dependency ratio, an indicator of the number of persons who depend on the income of one earner, was determined to be 4.4 for Sharpeville and 3.6 for Bophelong.

The poor population in Sharpeville is less qualified than the poor and non-poor population combined. The population of Sharpeville is more qualified than that of Bophelong for those with no education calculated at zero percent for Sharpeville and 5 percent for Bophelong.

The unemployment rate in Sharpeville was determined at 59.2 percent (72 percent for the poor population), which is slightly higher than for Bophelong which was determined to be 55 percent (68.3 percent) in 2003. The population of Sharpeville is more concentrated in the informal sector (16.2 percent for the poor and non-poor population and 20.6 percent for the poor population) compared to Bophelong (10 percent and 6.7 percent respectively). The average household size in Sharpeville is 4.9 persons with 1.3 members of the household unemployed and the figure for Bophelong is 3.6 persons per household with one person unemployed.

In both areas, the greatest percentage is employed in the community, social, education, training and personal services sector (37 percent for the poor population compared to 29.6 percent for the whole population in Sharpeville and 27.2 percent and 21.9 percent respectively for Bophelong). Of the poor 23.9 percent are employed in the trade sector compared to 16.4 for the whole population, the figures for Bophelong are 18.5 percent compared to 15.6 percent respectively.

A higher percentage (59.5 percent) of the unemployed in Sharpeville was unemployed for more than 5 years whereas in Bophelong a higher percentage (53.7 percent) was unemployed for less than 5 years. This explains the higher unemployment rate in Sharpeville. In both townships unemployment is concentrated among the youth between 20 and 35 years of age (for both poor and non-poor populations).

In both townships, a high percentage of the population has skills in catering, and the residents in both townships prefer training in skills they already possess. Females are more interested in starting their own businesses with the skills that they already have while men are more interested in getting formal jobs. The greatest percentage of the poor population in Sharpeville prefers training in trading, and in Bophelong the poor prefer training in catering.

The headcount index for Sharpeville is 0.431, meaning that 3 609 households live in poverty. That means 17 685 people are poor in Sharpeville. About 25.3 percent of the population have incomes less than 50 percent of their HSL, and a

poverty gap ratio of 0.32 indicating that on average poor households' lack 32 percent of their income to attain a level equal to their poverty line. The figure for Bophelong is 45.8 percent of households below their HSL, and a poverty gap ratio of 0.48, indicating that Sharpeville has a lower level of poverty than Bophelong.

The average monthly household income in Sharpeville was determined to be almost twice as high as in Bophelong at R2 944, compared to that of Bophelong R1 497. Expenditure on certain commonly used items in both townships follow the same pattern, but the Bophelong expenditure is lower compared to that of Sharpeville except for paraffin. Both townships spent a high percentage of their income on food, but the figure for Bophelong is higher than for Sharpeville which indicates a lower level of poverty for Sharpeville.

A high percentage of the populations in both areas indicate that they are affected by pollution (air, dust and noise pollution). Roughly one out of every 4 to 5 houses was exposed to some form of crime in the last 12 months in both townships.

Sharpeville experiences a higher unemployment rates and lower levels of poverty based on the indicators employed. Compared to Bophelong, most indicators (except for unemployment) show that Sharpeville is better off.

The comparison of informal clothing manufacturers in Sharpeville and Mitchell's Plain indicated that the majority of the operators in Mitchell's Plain had been involved in formal clothing manufacturing before joining the informal sector which is not the case with operators in Sharpeville. In Mitchell's Plain 74 percent of the operators had more than 10 years experience in the formal sector. In Sharpeville, only 8 percent of the operators had been involved in the formal clothing manufacturing. In Sharpeville, 88 percent of the operators have been involved in the informal clothing manufacturing for more than five years, whereas at the time of the study (1988), operators in Mitchell's Plain had been involved in the informal clothing manufacturing for less than 4 years with a mean of 2.5 years. The high percentage of involvement in the formal clothing manufacturing could

be attributed to the fact that Cape Town is one of the largest clusters of clothing producers in South Africa.

In Mitchell's Plain 68 percent of the operators acquired their sewing skills in the formal sector whereas in Sharpeville the majority or 68 percent acquired their skills through a recognised training course. This shows that, unlike the people in Mitchell's Plain, the people in Sharpeville are not exposed to formal clothing manufacturing. The 8 percent in Sharpeville that acquired their skills in the formal sector, indicated that they did not acquire their skills in Sharpeville, or the Vaal Triangle for that matter, but outside the area. The lack of employment was indicated as the reason for the majority of operators starting their own businesses in Sharpeville, contrary to Mitchell's Plain where it was due to economic motivation.

About 58 percent of the operators in Mitchell's Plain got assistance from the SBDC for their start-up capital and the rest from their own savings or borrowings from family and friends, whereas in Sharpeville 92 percent acquired their start-up capital from their own savings and from family. The SBDC assisted sample in Mitchell's Plain experienced greater capital growth than the unassisted sample. The loans received by operators from the SBDC indicate that an early injection of capital into an enterprise does enhance its future growth.

In Sharpeville 92 percent of operators target the neighbourhood market and the. At inception, 16.1 percent of operators in Mitchell's Plain did CMT work exclusively for major fashion houses and at the date of the interview, it had increased to 48.7 percent. 61 percent of those operators in Mitchell's Plain did more than 50 percent of their work for large fashion houses. This could also be attributed to their exposure in clothing manufacturing, so they know good marketing strategies. The festive season is considered in both areas to be the most favourable time for business.

Most of the operators in both areas don't keep business records; most don't even hold separate bank accounts for their businesses. Not keeping private funds separate from business funds can be seen as the underlying cause of many operators not keeping business records.

The majority of operators in both areas saw the future prospects of the informal clothing manufacturing as positive and they intended expanding their businesses. It is remarkable that in Mitchell's Plain with an average operation of 2.5 years, 32 percent of the operators wanted to remain at the same size (which means that they were satisfied with their businesses).

About 92 percent of the operators in Sharpeville are interested in taking part as a co-operative whereas operators in Mitchell's Plain saw more potential in fostering links with the formal sector than merging together. As for working together with a big business, operators in both areas saw that as important. The majority of operators in both areas indicated that they can provide training to others.

The unemployment rate amongst the poor was determined at 72.9 percent and the poor unemployed estimated at 5 930 for the year 2004. If the poor unemployed with skills could be assisted to get further training in the same fields, job opportunities could be established which are estimated as follows: retail trade 795 building/construction 563, catering 563, electrical 468 and mechanical 421.

Assuming that jobs for all 5 930 unemployed poor persons in Sharpeville could be created at an average monthly income of R600 per month, the impact on the Sharpeville community will be that the headcount index will be reduced from 0.431 to 0.138 and the poverty gap index from 0.32 to 0.21. This implies that the percentage of households below their poverty lines would be reduced from the present 43.1 percent to only 13.8 percent and the average shortfall in income of the poor households would be reduced from 32 percent to 21 percent (without taking the multiplier effect into account). As the average income increases, the headcount index will be reduced.

In the clothing sector, if assistance could be offered (to the 6.3 percent of the population interested in sewing) 374 jobs could be created in the township. At an average income of R600 per month the impact will be that the poverty rate will be reduced from 43.1 percent to 40.8 percent and the poverty gap from R609.28 to R589.6. At an average income of R1 500 per month the impact will be that the poverty rate will be reduced from 43.1 percent to 39.1 percent and the poverty gap from R609.28 to R586.7. The relationship between average income and the

poverty rate will be that, as the average income increases, the level of poverty will decrease.

### **6.3 CONCLUSIONS**

Sharpeville, like any other township in the Vaal Triangle, is facing high levels of unemployment and high rates of poverty. The level of unemployment in Sharpeville was determined at 59.2 percent. The level of unemployment for the poor population was determined to be 73 percent. The average size of households is 4.9, of which, on average, 1.3 persons are unemployed. Especially among the poor population, the unemployment rate is very high. The rate of poverty is 43.1 percent, and the poverty gap ratio is 0.32 which means that on average, the poor households fall 32 percent income short of their respective HSL's. From the above information, the hypothesis is proved to be true on saying that Sharpeville has a high level of unemployment and high a high rate of poverty.

Clothing manufacturing co-operatives show potential in creation job opportunities and alleviating poverty in Sharpeville. If necessary, assistance could be offered to the 6.3 percent of the population interested in sewing 374 jobs could be created in the township. With the Sharpeville community spending 11.8 percent of their income on clothing, this was used as an indication for the market that the co-operative could have including also nearby communities. The co-operative could have an estimated income of R2.9 million per month (and an estimated profit of R1.45 million) and R34.8 million per year (estimated profit of 17.4), but since clothing depends on fashion and taste the market could become small but when considering nearby communities the market becomes bigger.

At an average income of R600 per month the impact of job creation in clothing manufacturing will be that the poverty rate will be reduced from 43.1 percent to 40.8 percent and the poverty gap from R609.28 to R589.6. The relationship between average income and the poverty rate will be that, as the average income increases, the level of poverty will decrease.

From the above information and figures, one could conclude that the hypothesis is proved true by saying that Sharpeville, like other townships in the Vaal Triangle, has a high level of poverty, which is partly due to unemployment; therefore stimulating job creation in the form of clothing manufacturing co-operatives will alleviate poverty and reduce unemployment.

## **6.4 RECOMMENDATIONS**

### **6.4.1 Employment creation in various fields**

From the analysis, it appears that there are ample opportunities for an Inward Industrialisation Process, especially with regards to the production of mealie meal, bread, meat/chicken and vegetables, and even washing powder. It is recommended that the production of these products on small scale with labour intensive techniques be investigated, as well as the skill requirements to operate such enterprises.

As part of their social responsibility, industries could be approached to “adopt an enterprise”, in the sense that they could help to establish one of the above mentioned production units or alternatively identify downstream industries that will use some of their base products. Retailing, electrical, catering, mechanic, hair dressing and building and construction have quite high priority on the preferred activities and skills training list, so possibilities should be investigated for the establishment of SMMEs in those fields. Involvement of industry and training institutions will also be required to establish SMMEs.

### **6.4.2 Employment creation in clothing manufacturing**

From the analysis, it appears that if those with skills and interest in sewing could be assisted to form clothing manufacturing co-operatives, job opportunities could be created, and because of the close correlation of poverty and unemployment, poverty could be alleviated. Recommendations as to the assistance of those residents are as follows:

- ❖ Involvement by industry (for mentorship) and training institutions (in providing entrepreneurial and other skills) will be essential in establishing SMMEs in the clothing sector.
- ❖ The formation of an association that will look on all problems, not only those of accessing markets, credit and training, but also those of helping to facilitate horizontal linkages, is needed.
- ❖ The problem of geographic accessibility of service providers needs to be addressed. More efforts on the part of service providers should be undertaken to locate their support facilities at geographically convenient areas for the entrepreneurs they are meant to serve.
- ❖ As much as the private and profit making service providers have a role due to their capacity and expertise, the nature of service provision should be a blend of both profit making and non-profit making agencies. This mix would ensure that those who cannot afford to pay for services (such as training, counseling and access to information) are not left out. This could go along in ensuring that entrepreneurs, who need assistance, are not turned away on the basis of inability to afford.
- ❖ Government assistance should become more specific, giving more priority to sectors that have the potential to do well, rather than offering generic programmes to all types of SMMEs - often with little success. In other words, the programmes should be measurable and deliberate.
- ❖ The creation of a sector-sensitive policy framework that would not only provide an enabling environment, but would ensure that there is minimal conflict between what the government does with its limited support resources on the one hand, and the implementation of sectoral policies (such as trade liberalisation) on the other.
- ❖ The formation of a network organisation or association that will aim at facilitating business linkages between the established business sector and SMMEs.

### **6.4.3 Environmental improvement**

A smoke-free environment will have a major impact on the community. In monetary terms it could release the community of an estimated environmental "burden" of R31.2 million per year. An investigation needs to be done as how to introduce residents using coal for heating and cooking purposes, to alternative heating and cooking methods, in order to reduce smoke pollution.

A large percentage of the respondents feel that everyone is responsible for cleaning up the environment. Concerning dust pollution, research needs to be conducted to determine the causes of dust pollution and to find ways and means to reduce the volumes of dust in the community. The planting of trees may serve as windbreaks that may reduce the volumes of dust. Taking into account that almost one quarter of the households (almost every 4<sup>th</sup> household) was affected by crime in the last 12 months, the problem of noise pollution and crime should be addressed by the local police.

## **ANNEXURE A**

### **SURVEY DESIGN AND APPLICATION**

#### **Questionnaires**

Two questionnaires were employed in soliciting data from households and clothing manufacturers in Sharpeville: the Household Survey Questionnaire and the Clothing Manufacturers Survey Questionnaire. Both were carefully constructed to utilise specific indicators. The Household Survey Questionnaire was compiled from a number of other questionnaires used in the field such as by Slabbert (2003). In total, 174 household questionnaires and 25 manufacturers' questionnaires were employed.

Maps of Sharpeville were obtained from the Emfuleni City Council. These were used to stratify the area and allocate questionnaires evenly throughout. Household Questionnaires were completed on site. Details with regard to the site were listed, but no names were recorded with regard to the head of the household or other persons living at the site. This was done to ensure anonymity, thereby encouraging honest and reliable information.

Clothing Manufacturers' Questionnaires were also completed on the site. Samples of both questionnaires are annexed.

#### **Fieldworkers**

Two researchers interviewed a total of 174 households. All the households approached were willing to partake in the survey and 174 questionnaires were completed in August 2004.

The clothing manufacturers' survey was conducted by the researcher and all questionnaires were also completed in August.

# ANNEXURE B

## HOUSEHOLD QUESTIONNAIRE JUNE 2004

*N.B.: The information in this questionnaire will be treated in strict confidence. (9 June 2004)*

SHARPEVILLE	Section: Old / RDP / shack	Date:	Questionnaire no:
Street:	House number:	Interviewer:	

Please note that the Head of the Household should preferably answer this questionnaire.

### A: BACKGROUND INFORMATION

1. What is the position of the respondent in the Household? Cross \*

Head of household	Spouse or child	Extended family member	Boarder
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2. How many housing units are on the site?

3. How many people stay permanently on the site?

4. How long have you (respondent) stayed in the Vaal Triangle (years)?

### B: ENVIRONMENTAL

5. How do you feel about the environment in which you stay? (Mark 2 options) \*

1. It is clean and pleasant	2. It is littered, untidy and dirty	3. Indifferent – No opinion	4. Something should be done to clean it	5. It can be left as it is
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6. If you feel it should be cleaned up, who should take the initiative and responsibility? (\* More)

1. The municipality	2. A street committee	3. Everyone should be made responsible	4. A campaign should be organised	5. Other: explain
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7. If you would have the money, what would you be prepared to pay monthly to have your environment cleaned up?

8. How do you experience, especially in winter, the smoke levels (air pollution) in your area? \*

1. Not affected	2. Slightly affected	3. Affected	4. Badly affected	5. Unbearable (Severely Affected)
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9. If you are making fire for cooking & heating purposes, would you like to be introduced to technologies that will reduce the smoke levels at your house? \*

1. Not making fire: using electricity for cooking & heating	2. Making coal / wood fire: but not interested	3. Making coal / wood fire: And interested	4. Using paraffin: Not interested	5. Using paraffin: Interested
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10. What would you be prepared to pay monthly to have your environment smoke-free?

a) What % of the smoke pollution do you think comes from industry?  and coal fires?

b) Number of persons in your household whose health is affected by air pollution?

c) What are most of them suffering from? \_\_\_\_\_

11. How do you experience, especially in winter, the dust levels in your area? \*

1. Not affected	2. Slightly affected	3. Affected	4. Badly affected	5. Unbearable (Severely Affected)
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12. What would you be prepared to pay monthly to have your environment dust free?

13. Especially in the spring & summer some people are using amplifiers to make loud music. How are you affected by this in your area? \*

1. Not affected (quiet in the area).	2. I hear it but I don't care (accepting it)	3. I hear it and it is affecting me (don't like it)	4. I hear it and I am badly affected	5. I hear it and it is unbearable (severely affected)
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14. If you feel that something should be done in your area to reduce the noise levels, who should be responsible and what should be done? (Mark \* more than one option)

1. The municipality should control & restrict people to play loud music.	2. The police should control & restrict people to play loud music.	3. A street committee should control & restrict people to play loud music.	4. People who disturb the neighbourhood with noise should be fined / punished	5. The instruments of those who disturb the neighbourhood should be confiscated
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15. If you would have the money, what would you be prepared to pay monthly to have your environment quiet?

16. Has any person in your household been a victim of crime in the last 12 months?  Yes  No

17. What kind of crime? (Can mark \* more than one option)

1. Assault	2. Robbery	3. Rape	4. Murder	5. Abduction	6. Other
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**C: CONSUMPTION**

18. How much of the following items does your household buy per week/per month & about how much does your household spend on these items per week/per month?

Product	Kilograms / litres per week	Kilograms / litres per month	Rand per week	Rand per month	Town ✓	Township ✓
1. Maize Meal						
2. Bread						
3. Meat / chicken						
4. Vegetables						
5. Milk						
6. Washing powder						
7. Coal						
8. Paraffin						

19. How does your household spend their income monthly?

Item	Rand per month	Name of shop	Town	T/ship	
Housing (Rent/Bond)					1
Water					2
Electricity					3
Other energy (coal, paraffin etc)					4
Food					5
Cleaning materials					6
Cigarettes & Tobacco					7
Beer, wine & spirits					8
Transport: Taxi..... Car..... Other.....		Total			9
Clothing					10
School					11
Entertainment					12
Medical Expenses					13
Insurance					14
GAMBLING: Lotto.....					15
Horseracing.....					16
Other (casino etc).....					17
Savings					18
Licenses (e.g. TV, Vehicle)					19
Rates and taxes					20
Housekeeping Services (e.g. Garden)					21
Telephone.....					22
Cell.....					23
Car Repayment					24
Loan repayments					25
Furniture					26
Other: Specify					27

**D: EMPLOYMENT & EDUCATION STATUS**

**20. How does your household spend their income monthly?**

	1	2	3	4	5	6	7	8
1. Number of people in the household								
2. Composition of members (Code list 2)								
3. Age of each member in years								
4. Sex (Male = 1; female = 2)								
5. Marital Status (code list 5)								
6. Qualifications (still at school) (Code list 6)								
7. Qualifications (not at school) (Code list 7)								
8. Employment Status (Code list 8)								
9. Sector of employment (Code list 9)								
10. Has your salary increased as a result of minimum wages? (10)								
11. Can employer afford increases because of minimum wages?								
12. Working hours been reduced because of minimum wages?								
13. (10 – 17 for <b>unemployed only</b> ) Skills of the unemployed								
14. Duration of unemployment in years								
15. Dismissed because employer could not afford minimum wage								
16. Willingness & type of Skills Training required (code list 13)								
17. What is the Unemployed doing presently								
18. Do you have matric exemption?								
19. If persons would like to study further: preferences								
20. Preferences to start self-sustaining activities								
21. Minimum wage required to take a job								
22. Income: Wages/salaries per month (Take home pay)								
23. Pension/Remittance								
24. Child Grant from Government								
25. Other Grants from Government								
26. Help (family/relatives/etc) Also help in kind								
27. Informal activities (e.g. SMME)								
28. Subsidies (e.g. Housing)								
29. Interest/dividends								
30. Other (Specify)								

21. Does someone in your household have a vegetable garden?.....
22. Would someone in your household be interested in receiving assistance to start a food garden in your yard? 

Yes	No
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23. Would someone in your household like to be involved in a community food garden project? 

Yes	No
-----	----
24. Would someone in your household be interested in farming? 

Yes	No
-----	----
25. Do you know small farmers in the area? If so, give the address: \_\_\_\_\_ 

Yes	No
-----	----
26. Does someone in your household own a sewing machine? 

Yes	No
-----	----
27. Do you know a clothing manufacturing business in your township? If so, give the address: \_\_\_\_\_ 

Yes	No
-----	----
28. Do you know any small scale welding / metal work firm in the township? If so, give the address: \_\_\_\_\_ 

Yes	No
-----	----
29. Has any member of your household operated a SMME / still operating one? If so, what kind of SMME? \_\_\_\_\_ 

Yes	No
-----	----
30. Taking into account your skills (or that of your household members), would you or someone in your household (unemployed persons) be interested in starting your own business or rather work together with others in a cooperative? 

Own business	Cooperative
--------------	-------------
31. What kind of business would you like to start? \_\_\_\_\_
32. If you would like to start your own business, what kind of support do you think you will need? \_\_\_\_\_
33. Do you know somebody with a catering business in your township? If so, give the address: \_\_\_\_\_ 

Yes	No
-----	----
34. Do you think you will get a job if you are better trained? 

Yes	No
-----	----

**THANK YOU FOR YOUR COOPERATION!**

Source: Adapted from questionnaires of Slabbert

## ANNEXURE C

### CLOTHING MANUFACTURERS' QUESTIONNAIRE AUGUST 2004

*N.B.: The information in this questionnaire will be treated in strict confidence.*

SHARPEVILLE	Section: Old / RDP / shack	Date:	Questionnaire no:
Street:	House number:	Interviewer:	

1. How long have you been engaged in the informal clothing manufacturing industry (years)?

2. Have you been involved in formal clothing manufacturing before?  Yes  No

3. (a) If yes, for how long (years)?, and  
What position did you occupy?

(b) If no, where did you acquire your sewing skills?  
\_\_\_\_\_

4. How many people were involved when the business started and at present?

5. What was the reason for starting your own business?

1. Economic motivation	2. Retrenchment	3. Lack of formal employment	4. Other: (explain)
------------------------	-----------------	------------------------------	---------------------

6. How did you acquire your initial capital?  
\_\_\_\_\_

7. What type of market are you targeting?

1. Immediate home needs	2. Neighbourhood market	3. CTM orders for big retail outlets	4. School orders	5. Small retail outlets	6. Sport club orders	7. Other (explain)
-------------------------	-------------------------	--------------------------------------	------------------	-------------------------	----------------------	--------------------

8. Since you started with your business, which months can you say are good for business?  
\_\_\_\_\_

9. With the skills that you have, can you provide training to others?  Yes  No

10. How much income do you get per week/month?

Turnover:	Profit:
-----------	---------

Do you hold a separate bank account for your business?

Yes  No

11. What are your future plans for the business?

1. Satisfied to remain at the current size	2. Intend expanding the business	3. Other (explain)
--	----------------------------------	--------------------

12. Can you be interested to work together with a big factory?

Yes	No
-----	----

13. Taking into account your skills, would you be interested in working together with others in a cooperative or you rather continue operating your own business?

Own business	Cooperative
--------------	-------------

15. What problems are you encountering now with the running of your business?

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**THANK YOU FOR YOUR COOPERATION!**

Source: Own construction

## **ANNEXURE D**

### **METHODOLOGY FOR THE MEASURING OF UNEMPLOYMENT**

#### **METHODS FOR THE MEASUREMENT OF UNEMPLOYMENT**

Various methods are used to measure unemployment. The following three are more or less standard methods (Slabbert & Levin, 1997):

a. The census method

This method is used for measuring the economic status of the entire population. However, censuses take place only periodically and even then only a limited number of questions pertaining to employment can be included.

b. Registration method

This method provides for the unemployed to register at placement offices - in South Africa these are offices of the Department of Labour. Registration is compulsory to qualify for unemployment benefits. In South Africa some categories of civil servants, domestic workers, farm workers, casual and seasonal workers, those earning more than the ceiling income and those whose period of benefit (6 months) has run out, are excluded from the fund. Many persons, therefore, have no reason to register. Registered unemployment figures published by the Department of Labour in South Africa consequently do not show the level of unemployment accurately.

c. Sample surveys

Surveys are undertaken on a sample basis to obtain the data required to calculate unemployment rates for specific groups of people. In earlier years the Central Statistical Services conducted surveys on a monthly basis for Blacks, Coloureds and Asians. It was called the CPS. However, since the figures obtained for Blacks were found to be inaccurate, their results have not been published since April 1990 (Barker, 1992: 83). In 1994, the CPS was terminated and the October Household Survey was introduced. STATS SA has OHS since 1996. It is an annual survey, based on a probability sample of a large number of

households. It covers a range of development and poverty indicators, including unemployment (official and expanded), according to the definitions of the ILO.

Because of the lack of reliable sources of information on a regional basis, surveys were conducted in the Vaal Triangle by Slabbert (1997; 2003 & 2004) and Mokoena (2001) to determine the unemployment and poverty rate. The method used to determine the unemployment rate in Sedibeng district is explained below.

## DEFINITION OF UNEMPLOYMENT

Statistics South Africa (Stats SA) uses the following definition of unemployment as its official definition:

*The unemployed are those people within the economically active population who:*

- a) did not work during the seven days prior to the interview;*
- b) want to work and are available to start within a week of the interview; and*
- c) have taken active steps to look for work or to start some form of self-employment in the four weeks prior to the interview.*

These general criteria are translated into statistically meaningful criteria, namely:

- ❖ the population of potential working age (i.e. 15 years and older);
- ❖ the economically non-active (i.e. those who prefer not to or who cannot work – for instance housewives, persons 65 years and older, the disabled, etc);
- ❖ the economically active population (all those who are fit to work, wish to work, have no employment and are ready for and actively looking for work, plus the employed and self-employed).

The unemployment rate (Ur) then, is calculated according to the standard equation:

$$\frac{\text{number of unemployed}}{\text{Economically active population (EAP)}} \times \frac{100}{1} = Ur$$

In developed countries, this definition is relatively simple to apply. The criteria for measuring unemployment are straight and definite, i.e. a person is out of work, and is actively looking for a job by means of a listing at a placement or other government office. However, in developing countries circumstances are very different, and it is not always clear whether or not a person is seeking employment. In South Africa some unemployed persons become discouraged and therefore refrain from taking active steps to seek employment.

In the survey for this section, only one criterion was taken as an indication of seeking work, namely if a person "has the desire to work and to take up employment or self-employment". The question asked was simply: "Do you want to work?" When the standard Stats SA definition is used, but its strict criteria are relaxed - as was done in this survey - it is referred to as an expanded definition of unemployment. The expanded definition includes (a) and (b) but not (c) (STATS SA, 2000: xv).

Stats SA's definition for employment which defines 'employed' as those who performed work for pay, profit or family gain in the seven days prior to the household survey interview, or who were absent from work during these seven days, but had some form of paid work to which they can return (STATS SA, 2000) was also simplified. The question was simply asked: "Do you work for a business, for yourself or for your family?" Working for a business was regarded as formal employment. Self-employment and family employment were taken as working in the informal sector.

Source: Slabbert & Slabbert, 2002:17.



The poverty gap of an individual household (in monetary terms) can therefore be expressed by the equation:

$$G_i(y; z) = z_i - y_i$$

Where:  $G_i$  = the income shortfall of a household;  
 $y_i$  = the income of a specific household; and  
 $z_i$  = the poverty line of a specific household.

From the three equations above it is clear that the poverty gap can only be reduced by increasing household income.

Source: Slabbert, 1997:47.

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