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The role of craft-hubs and post-school education in textile and clothing SME development: A focus on S. A. mohair, value added through design.

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Purposes of paper:

Evaluate the South African textile and clothing value chain from a perspective of SME case studies that use mohair as a basis for value-added design.

This presentation evaluates two components:

- **Evaluate** whether **post-school learning produces graduates** that are **consistent with the needs of the industry**. Be it self-employment SME, freelance work or formal employment. Particularly **focusing on whether graduates deliberately set out to take up entrepreneurship or land up as ‘accidental entrepreneurs’** (Wedgwood, 2005).
- **Assess the role of intermediaries**, such as craft-hubs, play in **supporting both the retrenched/self taught cohort and graduate cohort in running successful SMEs** because the opportunity to create economic wealth will be missed if they cannot attain their potential (Fielden et al, 2000).

Literature

- GVC literature as an influential instrument for policy direction, telling us that **profitability lies in value-added manufacturing** and that value-adding requires innovation which is **hinged on design capabilities**.
- Patterns of **upgrading do not arise by chance** but result from a flow of a countries culture and institutions (Owen & Jones, 2003: 55). **Institutions play a central role in the production of knowledge** which is critical in an economy which is increasingly knowledge based. E.g. entrepreneurial universities forming industry partners and making research commercially available – aiding SMEs often lacking capital to commission research.

Background

- S.A. is a middle income, high growth and highly diverse country that has particularly turbulent social and economic conditions. It is facing a challenge in **negotiating tensions between efficiency**, which “requires improved competitiveness, **and equality** through the creation of opportunities for the previously disadvantaged black population” (Porter & Ketels, 2009: 7).
- **T&C** while relatively less important as generators of high wages, they are **significant employment creating sectors** (Truett & Truett, 2010), they are among largest manufacturing sectors **accounting for about 14.7% of total manufacturing employment (10.05 was in clothing)**.

Under the apartheid regime:

- Racial segregation the cornerstone of **apartheid displacing a majority of the labour force**. Directly impacting quality of education, wages, skills, access to resources and employment opportunities.
- **Sanctions by the international community resulting in an insulated economy**. This protectionism enabled the T&C to be profitable (SASTAC, 2014).
- **Discrimination within the labour practice led to the decentralization of cut-make-trim (CMT)** – the bottom-end of the market – from metropolitan cities to the outskirts of the cities where labour was considerably cheaper (Nattrass & Seekings, 2012). **CPT, JHB and KZN (metros; white women, women of colour and blacks in the outskirts)**

Background_{cont.}

Transition in the 1990s to democracy:

- **Lifting of sanctions and re-integration into the global economy.**
Liberalized in the **pursuit of export led growth.**

Trade liberalization has been met with two contrasting views;

- i. Opening the market led to local manufacturers failing to compete with low prices and extensive product ranges offered by **international competitors** and that this acted as motivation for **retailers to source internationally** (SASTAC, 2014).
 - ii. In contrast, a **SWOT analyses on S.A. clothing industry in 2000** showed **S.A. as internationally competitive in CMT** at the basic item labour-intensive end of the industry **because of faster response times from local firms compared to firms in East Asia** (Nattrass & Seekings, 2012)
- **The spread of clothing SME in S.A. resulted from the wage drive that imposed significant wage increases on large CMTs in the rural outskirts.**

S.A.s developmental trajectory

S.A. currently has no comprehensive industry strategy which all stakeholders buy into and drive (SASTAC, 2014:1).

Resulting in misalignments in sectors making up the industry: **mohair growers** (confined to agriculture); **processors of the mohair** (textile); **intermediate to final value-added products** (clothing manufacturing); **marketing and distribution** (retailing). Compartmentalized and thereby creating a quasi-hierarchy (Humphrey & Schmitz, 2002). Little mention on the roles of post school and government intermediaries is made in current research.

Scholars discussing S.A.s T&C industry focus in the main on three key areas:

- The impact of **inflexible labour market conditions in South Africa** in relation to employment, wages and poverty (see; Nattrass & Seekings, 2012; 2013; Morris et al, 2011);
- The **adoption of trade liberalization policies** –WTO agreement to reduce/eradicate trade barriers in a domestic industry that thrived under a high level of protectionism (see; Roberts & Thoburn, 2004; Morris, 2006; Truett & Truett, 2010; Edoun & Netshiozwi, 2015);
- **Agglomeration as an upgrading strategy** (see; Bhorat, 1999; Porter & Ketels, 2009; Kunene, 2008; Gereffi, Humphrey, Kaplinsky & Sturgeon, 2001)

Entrepreneurship and SMEs

- S.A. has the **lowest entrepreneurial activity rate of all developing countries** (GEM, 2005b:7) and that **South Africans are not socialized to become entrepreneurs, instead they enter labour markets as employees** (Van Aart, Van Aart & Bezuidenhout, 2000:127).
- Graduates resorting to entrepreneurship '**accidental entrepreneurs**' – insufficient employment opportunities, competing with an increasing retrenched cohort – market favors experience over qualifications. (Wedgwood, 2005). **Initially influenced by romantic notions of the world of work** (Chinyowa, 2016).
- Difference in intent between SMEs and entrepreneurship: **SME support owners** and thereby have **limited growth ambitions** (Hisrich & Peters, 2002: 13, Gundry & Welsch, 2001: 453). In contrast, **entrepreneurs are more opportunity driven**, innovative, change oriented, dynamic, formal, professional and strategic; they usually **aim for high potential ventures** (Mueller & Thomas, 2001: 57; Morrill et al, 1996: 61; Rwigyemba & Venter, 2004: 6).

Entrepreneurship and SMEs

- This is why **S.A.** although having a **low 3.6% of entrepreneurial activity** (1.4% of Africans compared to the 7.5% of whites), has a **high rate of start-up SME** exhibiting a **failure rate of between 70% and 80%** (Van Eeden, Viviers & Venter, 2003: 13).

Preliminary case study findings

Post-school education - university programmes[MaXhosa by Laduma]

- Never employed before, learned by observing his mother in informal trading.
- Not innovative through technology but through his creativity to repackage culture using local raw mat. Identified a gap in the, designed products and inserted them in an existing market (Goodwin marketing strategies).
- Not learned entrepreneurial abilities in post-school programme but through observation and trial and error. Contrasts between St Martins, London and NMMU, S.A.
- Controls his market by – operating as a branded manufacturer – taking up retail duties. Outsources production to CMTs, controls and provides design and oriented to fast fashion.

Government intermediaries, Craft-hubs

- Design Indaba, award price money of 10k pounds, provided him a platform to learn through trial and error as well as international exposure
- Learned ‘the hard way’ product development, market access and enterprise development.

conclusions

- Given S.A. challenges characterizing the T&C business environment - industry shaped by foreign ownership, market instability, skills shortages, low productivity, the inflexibility of the highly unionized labour market, tremendous buyer power, global cut-throat competition and unprecedented imports – there is a need for a comprehensive development strategy.
- A strategy cognizant of the fact that these challenges affect competitiveness differently at varying levels of the market. All stakeholders need to buy into this strategy especially post-school education and intermediary institutions in order to enable better transition from graduation to work, improve the flow of knowledge and knowledge sharing.
- In other words, there is a need to eradicate the current mismatch between post-school education and industry. Learners need to be taught skills that are consistent with the needs of the industry.
- Intermediaries must work closely with institutions of higher learning to ensure visibility thereby creating a social environment conducive to entrepreneurship.

