

***THE RESPONSE OF SMALL INFORMAL
FIRMS TO GLOBAL TRENDS:***

***The Case of Clothing Stalls at the
Essenwood Craft Market***

BY

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DECLARATION

This dissertation represents original work by the author and has not been previously submitted in any other form to any university. Where use has been made of the work of others, this has been duly acknowledged and referenced in the text.

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ABSTRACT

Globally, the nature of competition is changing. Growing international prosperity, combined with the forces of globalisation, are creating a demand for greater product variety and quality. For producers this has meant the need to focus production on niche markets and to move from Fordist mass production to post-Fordist flexible production systems that emphasise small batches of high quality customised products. Accompanying this shift is an increasing awareness within industry of the need to respond flexibly and rapidly to changing customer demands.

In this increasingly competitive environment marketing and retailing arrangements are becoming critical to firm success. Close contact with customers has become increasingly important, promoting new forms of retailing arrangements, and a growing understanding of the role retail arrangements play in satisfying consumer demand. At the same time, the growth in batch production for niche markets has created room for small enterprises to effectively compete with larger firms in producing for increasingly fragmented markets. Internationally, small firms have found that their competitive position can be strengthened through geographic clustering into what are sometimes called Industrial Districts. Clustered firms co-operate around a range of issues such as input purchasing, marketing and exporting. Finally, a shift to flexible production has been reflected in informalisation, the systematic shifting of production into the informal sector.

These trends - the shifting basis of competition, the growth in flexible production, widening opportunities for small enterprises and growing informalisation - are particularly obvious in the clothing sector. They are especially relevant in South Africa where competition from low cost producers in Asia is forcing local clothing enterprises to concentrate production on high quality, high fashion garments for upper market segments in order to retain a share of the domestic market. This study attempts to determine to what extent the behaviour of a particular group of clothing enterprises - the small, mostly informal clothing enterprises operating at the Essenwood Craft Market - reflects these global trends.

The activities of the Essenwood clothing enterprises were found to reflect the shift in the nature of competition, and particularly the growing importance of retailing and marketing arrangements for competitiveness. The enterprises were targeting niche markets, and emphasising product quality and design innovation. Retailing through the Craft Market allowed these small enterprises to benefit from an environment conducive to consumption, while facilitating close contact with customers. The firms were not, however, taking advantage of the clustering of retail arrangements to co-operate with one another on matters of mutual interest. The informal nature of these enterprises seemed to reflect a desire for economic independence, rather than the negative effects of economic restructuring, or a strategic shift of production from the formal to the informal sector. The study suggests that informal enterprises can be dynamic and growth-orientated, and questions whether the White Paper on Small Business recognises this. Useful support for dynamic, growth-orientated informal enterprises could include domestic and export marketing support, and the facilitation of co-operation between enterprises to encourage improved purchasing and lobbying power.

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LIST OF ABBREVIATIONS

ATC	-	Agreement on Textiles and Clothing
CMT	-	Cut, Make and Trim
DMA	-	Durban Metropolitan Area
DTI	-	The Department of Trade and Industry
GATT	-	General Agreement on Trade and Tariffs
GDP	-	Gross Domestic Product
GEIS	-	General Export Incentive Scheme
ILO	-	International Labour Organisation
KZN	-	KwaZulu Natal
MFA	-	Multi-Fibre Agreement
SACTWU	-	The Southern African Clothing and Textile Workers' Union
SAFTO	-	The South African Foreign Trade Organisation
SANDF	-	South African National Defence Force
SBDC	-	Small Business Development Corporation
SEWU	-	Self-Employed Women's Union
SMMEs	-	Small Medium and Micro-Enterprises
WTO	-	World Trade Organisation

CHAPTER 1:

Introduction and Methodology

Every Saturday a small, quiet municipal park in Musgrave, an upmarket suburb of Durban, is transformed into a vibrant and bustling market in which small, mostly informal businesses sell their wares directly to the public. Every week this scene is played out in numerous venues throughout Durban, as open spaces are temporarily transformed into centres of economic (and social) activity. Such flea markets or craft markets as they are variously known come in many guises. Markets are highly differentiated in terms of the income groups they attract and the level of product innovation they display. Parks, parking-lots, thoroughfares (including major roads), halls, warehouses and stables can all form market venues as tables and chairs are set up to accommodate retailers. Markets are set up in the city centre, in outlying suburbs, in tourist areas and in small towns. They can operate on anything from a daily to a monthly basis, during the day or at night, outdoors or indoors. Stall-holders can be formal business owners looking for a way to increase sales and publicise their products, or informal traders who may variously be eking out a living, supplementing formal income or prospering at the expense of the taxman. Products range from mass produced items “Made in Taiwan” to process-intensive, hand-crafted items. Customers are drawn to markets in search of bargains as much as in search of unusual, quality keepsakes. What all markets appear to have in common, however, is that they are a growing phenomenon, increasing in number, size and popularity.

1.1 Focus of the Study

This study seeks to explain the growth and activity of informal markets by examining the trend within the context of a particular group of small enterprises operating at a particular type of market. A scan of several markets in the Durban area suggested that clothing stalls form a large portion of the activity at these markets. In view of the fact that the clothing sector is one of the areas which has been researched by the KwaZulu-Natal (KZN) Industrial Restructuring Project based in the Centre for Social and Development Studies at the University of Natal, it

was decided to use these enterprises as the focus of the study. In order to reduce the study to manageable proportions, attention was focused on the clothing stalls at just one market.

The Essenwood Craft Market operates out of the Berea Park in Musgrave every Saturday between 9 a.m. and 2 p.m.. The market, which aims to provide an outlet for high quality goods with an emphasis on craft produced items, targets upper-middle income customers (pers. comm.¹). About 200 stalls showcase a range of goods and services, from foods to upholstery; from photography to hand-crafted glassware; from fresh cut flowers to children's toys. Just under a quarter of the stalls at the Essenwood Craft Market sell clothing.

For several reasons the Essenwood Craft Market was considered the best market around which to base the study. Firstly, the small size of the market made it a more manageable option given the requirements of the dissertation and the limits of time. Secondly, the organiser of the market had expressed an interest in participating in such a study. Thirdly, the craft orientation of this particular market meant that the enterprises trading there were more likely to be small, informal enterprises dependent on the market for accessing customers, as opposed to large, formal enterprises operating market stalls in addition to formal retail outlets. Finally, the stated focus of the Essenwood Craft Market is on innovative, design-intensive craft products aimed at the upper income groups. This made it ideal for the purposes of examining the growth of markets within the context of shifting global consumption patterns, the rise of flexible production, and the proposed shift of South African clothing production towards upper market niches in the face of growing international competition from low cost producers.

1.2 Background Assumptions²

The starting point of this dissertation is the assumption that the growth in markets, and in particular the growth in *upmarket craft markets*, as well as the activities of enterprises operating at these markets, reflects wider trends in the global economy. The central trend

¹ Interview with Jennet Brown, organiser of the Essenwood Craft Market

² This section provides a concise summary of the theoretical basis for this study, discussed in detail in Chapters 2, 3 and 4. There is an extensive literature around the shifting trends in demand and production, see for example Harvey 1989; Kaplinsky 1994 and Womack and Jones 1996. For more detailed referencing, please consult the aforementioned chapters.

characterising industrial production globally is a shift in international consumption patterns which reflects itself in a shift in production arrangements. This shift is variously described as being from Fordism to post-Fordism, from mass production to flexible specialisation and batch production, and from "old competition" to "new competition".

Growing international prosperity, combined with the forces of globalisation are increasingly bringing about changes in consumption patterns, creating a demand for greater product variety and quality. Improved international communication means the rapid transmission of new trends from any part of the globe to consumers throughout the world. For a widening section of the population disposable incomes are increasing, and price alone is no longer the deciding factor in consumption. For producers this means the need to identify niche markets and to move from Fordist mass production to a post-Fordist production system emphasising small batches of high quality customised products. Accompanying this shift is an increasing awareness within industry of the need to respond flexibly and rapidly to changing customer demands.

These shifts clearly have implications for firms wishing to succeed in the new competitive environment. While there are obvious implications in terms of the type of product produced and the organisation of production, other issues such as marketing and retailing arrangements, the optimum size and the nature of successful firms are also receiving increasing attention. Close contact with customers becomes increasingly important, promoting new forms of retail arrangements, and growing attention to the role retail arrangements play in satisfying consumer demand. The growth in batch production creates room for small enterprises to effectively compete with larger firms in producing for increasingly fragmented markets. An associated trend in the nature of enterprises is apparent in what is known as informalisation, the systematic shifting of production into the informal sector.

These trends - the shifting basis of competition, the growth in flexible production, widening opportunities for small enterprises and growing informalisation - are particularly obvious in the clothing sector. They are especially relevant in South Africa where competition from low cost producers in Asia is forcing local clothing enterprises to concentrate production on high

quality, high fashion garments for upper market segments in order to retain a share of the domestic market. This study attempts to determine to what extent the behaviour of a particular group of clothing enterprises - small, mostly informal enterprises operating out of a craft market targeting upper market segments - reflects these global trends.

1.3 Research Questions

Drawing on the background assumptions discussed above, specific questions which will be investigated in an attempt to explain the activities of the Essenwood Craft Market clothing enterprises are:

- Firstly, to what extent are the activities of the Essenwood Craft Market clothing firms a reflection of shifts in the broader competitive environment? More specifically:
 - On what basis are the enterprises in question competing? How important is quality and variety versus price? How innovative are these enterprises in terms of product design?
 - How responsive are these enterprises to changing customer demands?
 - How important are marketing arrangements to the success of the enterprises?
- What is the nature of inter-firm relationships:
 - Do these relationships reflect the high levels of co-operation with suppliers (in this case also Cut Make and Trim -CMT- operators³) usually associated with flexible specialisation? Is there any indication of co-operation between competing enterprises, as outlined in the industrial district model?
 - More broadly, what is the nature of linkages between the informal clothing enterprises at the Essenwood Craft Market, and the formal sector?
- How well do the theoretical causes of informalisation explain the actual activity the clothing enterprises at the Essenwood craft market. More specifically:
 - How important is the **demand** created by the upmarket Essenwood Craft Market in explaining the existence of the clothing enterprises in question?

³ CMT operators are involved in only the production aspects of clothing manufacture, and usually operate as subcontractors to full manufacturers, or to design houses or independent retailers.

- To what extent do the informal activities at the Essenwood Craft Market reflect **political discontent**, and an attempt to disengage from the broader socio-economic environment?
- To what extent do the activities of these firms reflect an “**economic crisis**”, particularly in the clothing sector, whereby economic restructuring is forcing people into the informal sector? More specifically, are informal entrepreneurs predominantly involuntary entrants into the informal sector, excluded from the formal sector by retrenchments and lack of employment opportunities? Alternatively, has restructuring given rise to new opportunities which are being captured by informal operators?
- Do these firms reflect strategic informalisation as a **cost-cutting response** to increased competition from low wage countries, or as a means of escaping the high levels of unionisation in the formal clothing sector?
- What role has, and can, the White Paper on Small Business play in the development of innovative small enterprises targeting the upper end of the market? How does the White Paper intend to balance equity with sustainable growth in its support of small enterprises?
- Two questions sum up the focus of the study:
 - Firstly, how do the responses of the Essenwood Craft Market clothing firms to changing market conditions compare to those of firms in the broader South African clothing industry?
 - On balance, *are* the Essenwood Craft Market clothing firms (as has been assumed throughout this study) focusing on the upmarket route to competitiveness, or is informalisation in fact a reflection of a continuing emphasis on price competition?

1.4 Research Methodology

The study was initiated by a survey of the literature identified as relevant to the basic assumptions of the study. Initially the emphasis was on post-Fordist production, small enterprises and the South African clothing industry. As the study progressed the literature review was expanded to include literature on informal enterprises, and the consumption aspects of post-Fordism. A scan was also made of newspaper articles relating to flea and craft markets in Durban. The aim of the literature review was to form a theoretical framework

within which the activities of the Essenwood Craft Market clothing enterprises could be examined.

The primary research portion of this study consisted of a questionnaire-based survey and several semi-structured interviews, conducted both telephonically and in person. Key informant interviews⁴ were conducted with Jennet Brown, the organiser of the Essenwood Craft Market and Alan Wheeler, Manager of the Informal Trading Department of the Durban Metropolitan Council. Those enterprises selling clothing (excluding knitted garments) at the Essenwood Craft Market formed the target population for the survey. As it was impossible to conduct interviews at the market while stall-holders were dealing with customers, and due to logistical problems in setting up interviews elsewhere, the survey was conducted by means of a self-administered questionnaire⁵. Questions revolved around the background of the stallholder, the history and operation of the enterprise, production arrangements, relationships with other enterprises, and exporting. As the total population of clothing enterprises at the market in question is quite small (forty two stalls), questionnaires were handed to the entire population, with the exception of two potential respondents who refused to accept the questionnaire. Despite weekly follow-ups at the market over a four week period, as well as telephonic reminders where possible, response was slow. In part this can be attributed to the poor timing of the survey (a function of the academic year and personal commitments), which was conducted over the Christmas period, traditionally the busiest market period. Several stall-holders followed this busy period by going on vacation, making follow-ups more difficult. In one case a questionnaire was completed telephonically. An eventual response rate of 50% was obtained.

For purpose of analysis respondents were classified as either producers or non-producers, depending on whether they were involved in both the design and retail aspects of production, or simply retailed garments produced by another enterprise. Surveys were completed by sixteen producers and five non-producers. This classification was complicated by the casual nature of the craft market whereby informal arrangements prevailing between producers and

⁴ For an outline of the interview questions see Appendix C.

⁵ See Appendix B for a copy of the questionnaire.

stall-holders or sellers often determines whether the seller considers herself an 'agent', or simply an 'assistant'. The problem was resolved based on self-classification. The system worked well in that those who classified themselves as agents or importers were unable to answer any questions on production issues. On the other hand, those stall-holders selling on behalf of the producer were either familiar with the production process, or handed the questionnaire to the producer for completion. Clearly, to most of those so classified, being an 'agent' implied a more formal relationship with the producer. Producing enterprises were further divided into 'manufacturing-retailers', where production was internally managed by the entrepreneur, and 'designer-retailers', where the entrepreneur designed and sold garments which were physically produced by a CMT operator⁶. Eight manufacturing-retailers and eight designer-retailers completed the questionnaire. Results of the survey were analysed using the SPSS statistical computer package.

Given that such a high proportion (50%) of the so-called "producers" actually used CMT operators it became necessary to broaden the study slightly. A series of brief telephonic interviews⁷ were conducted in order to examine these links more thoroughly. The particular emphasis was on determining whether these relationships represented links between the formal and informal sector, or rather links *within* the informal sector. Information was gathered on a total of five CMT enterprises. Interviews were conducted directly with three CMT operators, while in two cases stall-holders who were reluctant to identify their CMT operator were questioned on the relationship instead. While hardly ideal, the nature of the information sought made this an acceptable alternative.

Finally, a scan was done of the flea market population in Durban in order to compile an overview of the prevalence and importance of this type of retailing arrangement. Market organisers were asked ten questions providing statistical information on the size and age of their market.

⁶ The terminology used for categorising the various enterprises was selected to reflect, as clearly as possible, the nature of their activities. This terminology will be used throughout the study to avoid confusion.

⁷ An outline of the interview questions is attached as Appendix C.

1.4.1 Limitations of the Study

While this study has served its purpose, and yielded interesting and thought-provoking information on the nature of the activities of the Essenwood Craft Market clothing enterprises, its limitations need to be defined. These limitations revolve around the size of the survey, and the nature of the data collected.

Firstly, although the 50% response rate is comparatively good as a percentage, the small initial population size resulted in a relatively small respondent population of twenty one stall-holders. An informal scan of the non-respondent population suggested that there is little to differentiate it from the respondent population in terms of any obvious criteria such as age, gender or race of stall-holders, or type of product and activity. Nonetheless, a small data pool does influence the confidence with which statistical results can be viewed.

Secondly, the informal nature of most of the enterprises contributed to a reluctance to cooperate based on an unwillingness to become involved with what was perceived as a formal study. A letter of introduction from the market organiser, coupled with personal introductions in some instances, was an essential step in establishing trust and facilitating the survey. Nonetheless, several stall-holders expressed reservations based on survey questions about turnover and profit. In most cases it was possible to allay fears by assurances of anonymity, although in the final instance it was impossible to include data on sensitive issues such as turnover as so many respondents simply ignored these questions. This reluctance to answer sensitive questions, coupled with incomplete questionnaires (due in some cases to inadequate record keeping) has further limited the extent to which the data can stand up to rigorous statistical analysis.

Having taken these limitations into consideration, the data gathered was nonetheless felt to be suitable for the nature of the study. Given the exploratory, rather than strictly hypothesis-based nature of the study, the twenty one completed surveys were considered an adequate population on which to base the study. The data gathered provided a sufficiently broad overview of the activities of the enterprises in question, and has contributed to a qualitative understanding of the underlying trends. A rigorous quantitative assessment of the activities of

such enterprises would require the extension of the survey to other, similar markets in order to capture a larger survey population.

1.4.2 The Issue of Confidentiality

Many, if not most enterprises which operate at flea or craft markets are not formally registered. As with other sectors of the informal market, such enterprises are reluctant to be brought to the attention of officialdom. Surveys with stall-holders and interviews with CMTs were conducted on the understanding that this position would be respected and confidentiality assured. Consequently, no list of survey respondents and interviewees is included in this report. For the researcher this is the only way that a position of trust can be established in order to facilitate a better understanding of the often hidden informal sector, which by some counts contributes as much as 40% to South Africa's GDP⁸ (Rogerson 1996).

1.5 Outline of the Study

The study outlines the theoretical basis for the research before detailing the findings of the survey which are then analysed in terms of the theoretical framework. **Chapter 2** looks at the shift from mass production to a post-Fordist model of flexible production. The implications of flexible specialisation for labour, small businesses and developing countries is commented on. **Chapter 3** examines the influence of flexible specialisation on the informal economy before looking at its effect on the clothing industry. **Chapter 4** details the consumption aspects of post-Fordism inherent in the term "New Competition", and moves on to examine the concept of flea and craft markets. As well as a general overview of such markets, the rise of markets in Durban, and the Essenwood Craft Market in particular is discussed. **Chapter 5** outlines the findings of the survey of the Essenwood Craft Market clothing firms, as well as the findings of the CMT portion of the study. **Chapter 6** analyses the findings of the study in terms the global trends outlined in Chapters 2, 3 and 4. Finally, **Chapter 7** offers some concluding comments on the development potential of the Essenwood Craft Market clothing enterprises.

⁸ Rogerson (1996) states that most estimates of the informal sector's contribution to GDP ranges from 8% to 12%. The Central Statistical Service (CSS) estimates the contribution at about 8%.

CHAPTER 2:

The Shifting Face of Industrial Development

The face of industrial development is not constant, but is shaped by the economic and social forces of the time. This chapter briefly examines the changing nature of consumer demand, before outlining the shift from a Fordist model of industrial development to post-Fordism or flexible specialisation. Finally the implications of the new model for labour, small enterprises and developing countries is considered.

2.1 Shifting Paradigms in Industrial Development

A predominant theme in contemporary debates around industrial development concerns the apparent shift in the nature of the industrial model from the early 1970's onwards (Kaplinsky 1994a; Piore & Sabel 1984). Increasingly, from this period onwards, changes in consumer demand placed pressure on industry to make adjustments to the type and nature of the products they were producing if their hold on markets was to be maintained. Inevitably, changes in the nature of products brought with it changes in the nature of the optimum production process. An altered production process in turn provided incentives to reconsider work organisation, including the locus of managerial control, intra- and inter-organisation communications and relations, and the division of labour (Kaplinsky 1994a; Womack & Jones 1996).

It is around these changes, in the nature of products, production and work organisation that current industrial debates tend to be situated. As pointed out by Amin (1994) the literature around the supposed "new" paradigm in industrial development is far from definitive, and is still classed very much as a debate. Discussion abounds as to whether these changes do in fact represent a distinct shift to a new phase of capitalist development, or merely an evolution of complementary forms of industrial organisation (Amin 1994; Kaplinsky 1994a; Tomaney 1994). If one accepts that some sort of definitive shift *is* underway, what are the nature and defining characteristics of the evolving industrial pattern? Questions are raised as to what this means for those involved in both production and consumption - for labour, for small

businesses, and for developing countries. The purpose of this chapter is, through a review of some of the extensive literature, to identify a theoretical foundation for the study in question by touching on some of these debates and key themes. In Chapter 5 we will draw on this theoretical framework in order to better understand how the emergence of clothing enterprises at craft markets is situated within the wider tapestry of industrial development: in the global context, in South Africa, and at the level of the clothing industry itself.

What then are the paradigms (or eras, or phases) of industrial development, under discussion? The ascendancy of mass production as the industrial model of the post World War II “Golden Age” of capitalism is widely accepted (Harvey 1989; Kaplinsky 1994a). What is less broadly agreed upon is the nature of the *emerging* model, which is built around a demand for more distinctive feature-intensive products. If we refer to the post-war era as one of mass production, then we might consider the currently emerging era as one of “flexible specialisation” (Piore & Sabel 1984). Reflecting the bias of the writer, the new era has variously (and amongst others) been referred to as one of “lean production” (Womack & Jones 1996), “World Class Manufacturing” (Schonberger 1996) or “new competition”. The varying nomenclature and its implications for the debate will be touched upon throughout this paper. Before looking at both the mass production and flexible specialisation paradigms in more detail, some space will be given to the changing nature of consumer demand, which in the economic equation of supply and demand, is the counterpart of the shifting production model.

2.2 The Changing Nature of Consumer Demand

An understanding of the evolution of consumer demand from the first part of this century until the present is a necessary foundation to an analysis of the industrial models which optimally produce the goods to satisfy this demand. From early this century, and particularly in the years after the Second World War, consumer demand was rooted in a desire for low cost, standard feature goods, with an emphasis on functionality and efficiency. Slowly, however, this began to change as demand diversified, and product quality and features, rather than price became the key to market control (Fine & Leopold 1993; Harvey 1989). “Keeping up with the Jones” went from meaning owning the identical products to possessing a more interesting,

innovative and attractive product. A 1971 essay usefully highlights the shift in consumer demand by identifying the consumer movement as:

“... a product of economic evolution. It is an aspect of the transition from a producer’s economy to a consumer’s economy: from an economy of scarcity to one of plenty; and, with certain limitations, from a seller’s market to a buyer’s market (Dameron 1971: 6).”

In this buyer’s market producers must look to product quality, innovation and differentiation as a means of satisfying a more demanding consumer (Kaplinsky 1994a).

The explanation for this shift in consumer demand is multi-faceted. Harvey (1994) attributes it in part to the 1960’s cultural revolution with its rejection of the excessive functionality and rationality of design. This era of protest brought with it a rejection of materialism and consumerism, and a greater selectivity in consumption patterns. Globalisation, as epitomised by a growth in rapid communication links between the far-flung reaches of the globe, brought a greater awareness of diversity in life-styles and fashion, encouraging both more varied and more rapidly changing consumer demand (Harvey 1989). Rising per capita incomes in both developed and developing countries served simultaneously to make price less important in limiting demand, and to force producers to search for ways, other than through price competition, to capture market shares (Kaplinsky 1994a). Interestingly, Sassen (1994) links the demand for standardised products in the post-World War II era to the large middle class that dominated the economic affairs of that time, suggesting that economic polarisation increasingly differentiates the demand for goods. In the United States at least, the recession of the first half of the 1970’s which whittled away at the middle class, coupled with the inflow of poor immigrants from both South America and the Far East contributed to just such a polarisation.

Amin (1994) observes that in the post-Fordist era it is no longer possible to separate economic and production issues (post-Fordism), from issues of culture, life-style and consumption (post-modernism). Commodities are no longer valued simply for their *functional* utility, but increasingly for their *aesthetic* ‘utility’ (Harvey 1989; Fine & Leopold 1993). This idea is strongly linked to the growing demand for “symbolic capital”, those “luxury goods attesting

the taste and distinction of the owner” (Bourdieu⁹ in Harvey 1994: 374). If producers are to survive in this new competitive environment, they must turn their attention from an emphasis on functionality and cost, to versatility and aesthetic appeal (Fine & Leopold 1993). This recognition that changes in the competitive environment lies at the heart of changes in the organisation of production, brings us to another dichotomy applied to the mass production / flexible specialisation debate: that of “old competition” versus “new competition”.

2.3 The Mass Production Model

When price is the primary determinant of market demand, control of markets rests on the ability of the enterprise to produce as many of a good as possible, as cheaply as possible. It was with this situation that industry was faced in the Golden Age of standardised consumption, and over time a model of industry evolved which most efficiently met the needs of that particular market¹⁰. Given the demand situation which rested on price, economies of scale became a key determinant of profitability for industry (Kaplinsky 1994a). Capital investment was high, and moving production lines with high levels of automation were introduced to increase productivity levels. The standardised nature of products lent itself to repetitive production processes, with workers and machinery specialising in narrow areas of production. Labour, in this scenario, became little more than another cog in the machinery of production: levels of skill were low and specific, tasks highly specialised and costs in the form of wages, although rising, were kept to a minimum. (Amin 1994; Kaplinsky 1991; Kaplinsky 1994a). The epitome of successful mass production remains Henry Ford’s assembly line production of automobiles in the 1920’s and 1930’s, which leads to frequent references to the era of mass production as the Fordist era (Amin 1994).

For a time the mass production or Fordist system was a highly efficient one, relying for its stability on what Jessop (1994) refers to as a “virtuous circle of growth”, whereby increasing productivity led to increasing profitability, which facilitated increasing investment and increasing wages, which in turn created increases in demand. Increased demand combined

⁹ Bourdieu, P. (1977) *Outline of a Theory of Practice*. Cambridge: Cambridge University Press.

¹⁰ Harvey (1989) notes that the relationship between production and consumption is not linear - mass production encouraged mass consumption’s, just as the less differentiated demand of mass consumption encouraged mass production.

with increased investment generated technological advances and economies of scale, raising productivity. Importantly however it should be noted that the system was kept afloat by the benefits of productivity increases which rested on advances made in the technology of assembly line production and specialisation of machine. These benefits could only be reaped as long as producers could concentrate production on a narrow product line (Kaplinsky 1994a), which depended on consumer demand being relatively standardised and concentrated.

2.4 Post-Fordism: An Overview

As the demand for standardised products began to splinter into a more differentiated form of market demand, the inadequacies of the old mass production system in meeting the needs of consumers became apparent. A system where efficiencies were built on economies of scale ran into problems when called upon to produce smaller batches of products of varying design and features. Special purpose machinery and assembly line production were not well suited to a multi-faceted production process (Kaplinsky 1994a; Womack & Jones 1996). Over time it became apparent that existing firms were adjusting (and new firms springing up) in order to respond more efficiently to the changing market signals (Schonberger 1996; Womack & Jones 1996). To put it another way, firms began to re-align their manufacturing strategy in response to their changing firm strategies, dictated in turn by shifting market demand (Bessant & Kaplinsky 1995). As we have noted in relation to Fordism, a model of optimum industrial development can be viewed from different perspectives, for instance from a production or from an organisational viewpoint. This is particularly apparent in regard to post-Fordism, where we can include any number of enterprise responses and arrangements which overcome the rigidities of the Fordist system, and enable industry to react *flexibly* to splintered and rapidly shifting consumption patterns (Harvey 1989; Piore & Sabel 1984¹¹). This section will provide a brief overview of some of the features and demands of a system of “flexible specialisation” as opposed to the system of mass production. Thereafter, the emerging debates around key issues which are of relevance to this study will be discussed in more detail.

¹¹ Harvey (1989) discusses *internal* flexibility in terms of labour processes and labour markets, while Piore & Sabel (1984) discuss external inter-firm arrangements in their “four faces of flexible specialisation” - regional conglomerations, federated enterprises, solar firms and workshop factories.

Womack & Jones (1996: 239) summarise the key themes of lean production as revolving around product development, production, supply chain management and customer relations systems. Key to understanding the nature of the post-Fordist regime is recognising that the emerging system is based on the development of market niches, with a shift in consumer emphasis from price to quality¹² and features as a selling point (Kaplinsky 1994a). Furthermore, the style of product in demand changes rapidly. The design and marketing of products takes on an importance unprecedented in the "seller's market" of mass production. Customer focus becomes the key to success, with close customer contact facilitating rapid and flexible firm responses to changes in demand (Kaplinsky 1994a; Schonberger 1996; Womack & Jones 1996). A prime example of this is a firm such as Benneton which remains in close computer contact with all its franchise stores world-wide, and dyes completed garments just prior to shipping so as to be able to keep up to date with trends in fashion colours (Harrison 1994). If market share is to be retained, close customer contact must be complemented by a prominent and ongoing concern with product innovation (Kaplinsky 1991; Womack & Jones 1996). At the same time, *process* innovation is of equal importance if firms are to be able to respond rapidly and flexibly to customer demands. To this end technological developments, particularly in the area of information systems and flexible computer controlled automation are very important (Amin 1994; Kaplinsky 1991). Innovation can be seen in an even broader sense to include any development which supports flexible responsiveness such as new forms of work organisation, management and communication technologies (Amin 1994).

Amin (1994: 20) states that in the emerging model production relies on "skills, flexibility and networking between task-specialist units in order to produce changing volumes and combinations of goods without incurring productivity losses". This means that in post-Fordist production economies of scope, rather than scale, become crucial to profitability, so that firms strive to develop systems and organisational arrangements which promote rapid and cost-effective switching between the production of a variety of goods (Kaplinsky 1994a; Womack & Jones 1996, Schonberger 1996). Flexibility in production requires of the firm new forms of intra- and inter-firm organisation. In the post-Fordist firm workers are increasingly important

¹² Schonberger (1996: 16) suggests that in the 1990s competitive advantage has "shifted from quality to value: high quality for a low price".

in the production process, with functions such as quality control and innovation no longer the sole purvey of management. Thus the locus of control is less centralised, and lines of communications between workers and management less formal (Kaplinsky 1994a; Womack & Jones 1996). Rather than centring on a moving production line with specialised workers, flexible specialisation lends itself to multi-skilled employees working in production *teams* (Amin 1994; Schonberger 1996). Rapid changes in demand and production means that inputs vary, and inventories can no longer be purchased well in advanced and stock-piled. Pioneered by the Japanese auto-manufacturers, J-I-T, or just-in-time production, becomes the ideal. The system reduces inventory holdings by ensuring that components are ordered and delivered “just-in-time” to be processed (Kaplinsky 1994a; Womack & Jones 1996). In order to foster innovation and meet changing demand, relationships between producer and suppliers become both more intense and more reciprocal, with information flowing from producer to supplier (Kaplinsky 1991). There is a shift from short-term, arms-length, relationships with suppliers to long-term, committed relationships more suited to ongoing innovation and improvements in product quality.

The theory of flexible specialisation first developed by Piore and Sabel (1984) was closely linked to a re-emergence of “craft production”. This raises an important aspect of post-Fordism, which will be investigated further in a later section: the potential for small enterprises to compete with large firms where previously they were excluded due to their inability to reap the benefits of scale economies necessary to compete on the basis of price.

Finally, it should be noted that post-Fordism, is not an uncontested concept. A key issue amongst such critical debates is whether history can in fact be divided into clear phases of development. This criticism is particularly clear in the Marxist school of thought, where the evolutionary development of history is emphasised (Amin 1994). Piore and Sabel (1984) have come under particular attack for the way they juxtapose mass production and flexible specialisation as two opposites of industrial production, thus ignoring the diversity of production arrangements which firms use to adapt to changing market conditions (Amin 1994). By proposing such a dichotomy, the nature of continual industrial transformation is ignored (Tomaney 1994). Kaplinsky (1994a) summarises the argument as being about

whether the new elements of competitiveness are a substitute for past patterns of production, or whether they are complementary. Schonberger (1996: 116) encapsulates the latter position, claiming that “(m)ass production is not dead or dying”. He argues that industry is successfully learning to combine mass production and flexible production techniques in mass customisation, thus meeting customer demand for product variety while still capturing economies of scale.

On another level, the idea of post-Fordism or flexible specialisation as largely positive forces which open up new possibilities for previously marginalised groups has been criticised (Harrison 1994). The belief that the emerging model is largely beneficial for both labour and small businesses is discussed and critiqued in more detail in the following section.

2.5 Implications of Post-Fordism

The aspects of post-Fordism or flexible specialisation which we outlined above are broadly linked to the emergence of a new style of industrial development which can more efficiently meet the changing requirements of consumer markets. Changes in industrial process and organisational arrangements do not occur in a vacuum however, and in this section some of the implications of post-Fordism for the participants in industrial production will be investigated.

2.5.1 Labour

As has been mentioned, post-Fordist production rests on a more flexible organisation of both the technological and human inputs into the production process. The need for production flexibility and constant innovation requires a work-force able to contribute more than could the narrowly specialised worker of the Fordist automated production model. The flexible specialisation paradigm envisages a multi-skilled, integrated work-force, where a decline in barriers between management and both skilled and unskilled workers promotes, through an improved flow of knowledge, innovation in process and design (Amin 1994; Kaplinsky 1994a; Womack & Jones 1996; Schonberger 1996). These writers comment on benefits accruing to workers through the new organisation of labour, including skills-enhancement.

more satisfying work, elimination of unnecessary procedures, greater recognition for contributions to production and general democratisation of the work-place.

Theories of the democratisation of the work-place are offset, however, by the view that new forms of work organisation can serve to intensify value-creating work, and to shift the balance of power in the work-place, with employers taking advantage of high unemployment and weakened unions to push for greater workplace flexibility and more flexible contracts (Harvey 1989, Kaplinsky 1994a). The increased co-operation with labour necessitated by new forms of work organisation is not inherently beneficial to workers. Rather, changes in the way labour is dealt with amounts to finding new, and more successful forms of controlling work in an era where workers are demanding more satisfying work, rather than a real shift in power relations (Tomaney 1994). It has been pointed out that broadening the scope of tasks a worker is competent to perform does not necessarily equate with “enskillling” work, any more than involving workers in the innovation process equates with empowering workers, if control over working conditions and decision making processes remain firmly in the hands of management (Tomaney 1994).

Another contentious issue in the implications of post-Fordism for labour is that of the stability and continuity of employment. While under the Fordist system labour was considered a cost to be minimised, in the post-Fordist system labour becomes an asset to be maximised (Kaplinsky 1994a). The implication is that while labour turnover was often a ploy used by Fordist industrialists to keep wages low, in post-Fordism the need to invest in workers’ skills means that long service is encouraged (Kaplinsky 1994a). However, from another perspective, a less standardised demand means fluctuating markets, which increases the instability of demand faced by post-Fordist firms. If they are to cope they must maintain flexibility, which implies a *less* permanent workforce. This dilemma has been solved in some instances by the separation of the post-Fordist labour-force into a core post-Fordist (permanent) and peripheral Fordist (contingent) workforce (Harrison 1994; Harvey 1989). So while proponents of the flexible specialisation model suggest that divisions within the work-force hierarchy are receding, critics suggest that decentralisation of production and the core-periphery division of the work-force is in fact entrenching a greater polarisation of the work-force (Harrison 1994).

The core-periphery division of labour has further negative implications for labour in terms of the working conditions experienced by the two groups. Core positions are within the down-sized, or “lean” companies of the formal sector. Such jobs are often well paid with good benefits, and offer job-satisfaction and security (Harvey 1989). The flip-side of this scenario is the growth of small, often informal enterprises which exist primarily to produce inputs for “lean” companies. For these peripheral workers, working conditions are often very bad, with non-unionised, marginalised, women workers making up the bulk of employees in many industries. Skills levels are low and opportunities for training rare. Hours are long, wages poor and benefits non-existent. More importantly, perhaps, jobs are insecure in order to introduce the flexibility required by firms producing for the era of “new competition” (Fernández-Kelly & Garcia 1989; Harrison 1994; Sassen 1994).

Clearly, flexible production holds both positive and negative implications for labour. Kaplinsky (1994b) points out that there are labour-friendly and labour-unfriendly approaches to flexibility, and in the end the domestic policy environment will play a part in determining which approach predominates.

2.5.2 Small Enterprises

Much of the discussion around the implications of the emerging industrial regime has centred around the potential for small enterprises to prosper under a model of flexible specialisation (Nadvi & Schmitz 1994; Piore & Sabel 1984; Schmitz & Musyck 1993; Sverrisson 1992). In a competitive environment where batch production becomes the norm, and innovation and flexibility the keys to success, small enterprises may be able to exploit economies of scope to compete successfully with the larger enterprises which have traditionally dominated mass markets (Humphrey 1995). Small enterprises are envisaged as having a role to play as independent producers, as sub-contractors to large firms and as co-operating networks of geographically localised firms (Rasmussen *et al* 1992). According to this viewpoint, flexible specialisation introduces a new, more central role for small enterprises in the economy:

“In the form of flexible specialisation, small-scale industry has demonstrated its economic and political strength, not in peripheral

activities but in the engine room of capitalism; not in times of easy growth but in times of crisis.” (Rasmussen *et al* 1992: 2)

This optimism about the potential of small enterprises is somewhat dampened by writers such as Harrison (1994) who attribute any increase in the number of small enterprises to the *strategic* downsizing and decentralising of large firms. Thus, rather than an increase in the number of small enterprises suggesting dynamism in this sector, it suggests that large enterprises are adapting to a changing business environment by specialising in core competencies, and outsourcing many of their former functions. Harrison (1994) is quick to point out that while this may signify a decentralisation in production, control is seen to remain with larger firms. Some proponents of flexible specialisation recognise this, offering a more nuanced view of flexible specialisation. Two alternative “paths” to flexible specialisation are identified (Kaplinsky 1991, Rasmussen *et al* 1992). The first is found in large firms and involves both internal reorganisation and closer co-operation and co-ordination with suppliers and sub-contractors, often in the form of semi-autonomous production units. The second path more closely approximates the craft production on which Piore and Sabel (1984) based their theories of the emerging industrial model. This path involves small firms co-operating in sharing costs such as marketing, design and raw material procurement, as well as in producing, particularly to fill large orders.

The small firms’ path to flexible specialisation is often associated with what some call industrial districts or industrial clusters (Nadvi & Schmitz 1994; Piore & Sabel 1984; Schmitz & Musych 1993). These terms are used to describe the sectoral and spatial clustering of small firms which, through co-operation, have been able to reap the gains of “collective efficiency”, and capture economies of both scale and scope in order to successfully compete with much larger firms (Humphrey 1995; Schmitz & Musych 1993). Firms in this model are characterised by their small size, and their close relations, built around co-operation and complementarity, rather than around unfettered competition. Firms co-operate around issues such the acquisition of raw materials, training of workers, marketing and filling orders. Production is flexible in that batch production of limited-run goods is the norm (Capecchi

1989; Schmitz 1993). Industrial districts, while first described in a European context, are also found in developing countries (Nadvi & Schmitz 1994).

2.5.3 Developing Countries

It has been suggested that the flexible specialisation model is of particular relevance to industrial growth in developing countries in that it offers an alternative to the large firm, capital-intensive, mass-production model of industrial development (Sverrisson 1992). In developing countries where capital and foreign exchange shortages and poorly educated workforces¹³ are the norm, the potential for improving flexibility, productivity and profitability through skills enhancement, better work organisation and more positive working relations between firms is particularly appealing (Kaplinsky 1994a). The role of industrial clusters in enhancing the competitiveness of small firms is particularly relevant in developing countries, where low entry barriers make labour-intensive small firms a practical way of absorbing surplus labour¹⁴.

Concern is often voiced as to the vulnerable position in which developing countries find themselves in relation to the developed world in terms of economic power. Sverrisson (1992) suggests that another attraction of the flexible specialisation route to industrial development for developing countries is that it does not require any revolutionary changes in either the global economic order or existing domestic social arrangements to be successful. As developing countries become increasingly integrated into the global economy, they become much more vulnerable to shifting patterns of global demand. Historically, firms in developing countries have been large and rigid, and slow to respond to both changing market signals and to external and internal economic shocks. Industrial reorganisation along the lines of flexible specialisation is one way in which developing countries can improve overall economic responsiveness (Kaplinsky 1994a; Rasmussen 1992).

¹³ It should be noted that ongoing competitiveness gains are thought to require technological advances and innovation. This would obviously require a better educated labour force. Nonetheless, substantial productivity gains are available through organisational changes: these are generally not skills intensive (Kaplinsky 1991).

¹⁴ See Nadvi & Schmitz (1994) for a review of industrial clustering experiences in developing countries.

Finally, it should be noted that the benefits of flexible specialisation for developing countries are twofold. Firstly, industrial restructuring along the lines of flexible specialisation is important in facilitating the survival and growth of developing country firms exposed through liberalisation and globalisation to increased international competition. This scenario is often associated with improved penetration of export markets (Bessant & Kaplinsky 1995; Kaplinsky 1994a). On the other hand, flexible specialisation is also of relevance to the poor of developing countries (Kaplinsky 1994b). This scenario usually revolves around small firms producing low-cost functional goods for local markets (Rasmussen 1992).

2.6 Implications for the Study

Industrial development since World War II has been dominated by debates around the emergence of a new industrial model known variously as post-Fordism, flexible specialisation or new competition. Essentially these terms all refer to enterprise responses to shifts in the nature of consumer demand, reflected primarily in a shift in the basis for competition from price to quality, differentiation, innovation and a broad improvement in customer focus.

In terms of the study of the Essenwood Craft Market clothing firms, the theoretical issues outlined in this chapter give rise to certain research questions:

- Firstly, to what extent are the activities of the Essenwood Craft Market clothing firms a reflection of shifts in the broader competitive environment? More specifically:
 - On what basis are the enterprises in question competing? How important is quality and variety versus price? How innovative are these enterprises in terms of product design?
 - How responsive are these enterprises to changing customer demands?
 - How important are marketing arrangements to the success of the enterprises?
- Secondly, what is the nature of inter-firm relationships? Do these relationships reflect the high levels of co-operation with suppliers (in this case also CMT operators) usually associated with flexible specialisation? Finally, is there any indication of co-operation between competing enterprises, as outlined in the industrial district model?

These questions which will be considered in more depth in Chapter 6.

CHAPTER 3:

Flexible Specialisation, Informalisation and The Clothing Sector

The backbone of the emerging industrial regime, as discussed in the previous chapter, is the ability to make rapid changes in production in response to shifts in demand. The improved flexibility which is central to efficient production in an era of fragmented and volatile demand can be achieved in a number of ways. While technological advances are often deemed essential in achieving the level of flexibility required for ongoing international competitiveness, organisational changes alone can bring about notable improvements in flexibility at relatively low cost (Kaplinsky 1994). Along with the reorganisation of production processes, the training and multi-skilling of workers, closer intra-firm linkages and J-I-T production, the division of the work-force into a permanent core and contingent periphery is frequently used as a means of cheaply and rapidly introducing flexibility into an enterprise's work organisation (Harvey 1989). One of the ways in which this flexibility-enhancing core-periphery division manifests itself is in the informalisation of production .

This chapter will examine the relationship between the rise of flexible specialisation, and the perceived growth of the informal sector. As a second part of this chapter we will briefly consider the way in which global trends, including informalisation, are reflected in the clothing industry, both globally and within South Africa. Finally, several research questions arising from the theoretical discussion of informalisation and the clothing sector will be outlined.

3.1 The Informal Economy¹⁵

A useful starting point in defining the informal economy is to acknowledge, as do Portes *et al* (1989: 1) in their formative work on the sector, the "ambiguity of its connotations". The

¹⁵ This section draws heavily on the papers included in A. Portes, M. Castells & L.A. Benton (eds.) (1989) *The Informal Economy: Studies in Advanced and Less Developed Countries*. Baltimore: The John Hopkins University Press. While the potential weaknesses inherent in drawing heavily from one edited edition are acknowledged, this volume proved invaluable in terms of the range of informal sector case studies it provided, across developing and industrialised countries, and in a variety of sectors. Other references were of course consulted to provide a balanced theoretical picture.

centrally recognised characteristic of the informal sector is its unregulated nature (Castells & Portes 1989; Lozano 1983; Portes & Sassen-Koob 1987; Yamada 1996). Portes *et al* (1989) see small scale, avoidance of state regulations, flexible sites and use of family labour as some of the important characteristics of the sector¹⁶. However, the exact circumstances of the informal sector, and the activities conducted under the ambit of the sector are open to debate. The term has variously been taken to refer to both last-resort survival activities and to dynamic profit-making activities (Meagher 1995; Portes *et al.* 1989). The sector is recognised to exist both on the fringes of the formal economy, and to be integrally linked to the formal sector (Latouche 1991; Portes & Sassen-Koob 1987). The informal sector includes both legal and illegal unregulated activities, from clothing manufacturing to drug-trafficking (Castells & Portes 1989; Latouche 1991¹⁷). Those involved in the informal sector include marginalised and poorly paid workers (Benería 1989), and highly paid specialists benefiting from a second, flexible and unregulated income (Benton 1989). While some workers have been pushed into the informal sector by a crisis in the formal sector, others have voluntarily chosen to move from the formal to the informal sector (Manning 1993; Portes & Sassen-Koob 1987; Yamada 1996¹⁸). The terms used to describe the phenomenon - informal, underground, submerged or secondary - while tending to emphasise different characteristics of the sector, refer to essentially the same set of enterprises (Portes *et al* 1989).

Whilst the informal economy has been most thoroughly investigated as a subsistence strategy in developing countries, there has been growing interest in its existence in developed countries (Castells & Portes 1989; Latouche 1991; Lozano 1983; Mingione 1983; Portes & Sassen-Koob 1987). The growth of informalisation in high technology sectors such as the electronics industry (Benton 1989, Sassen-Koob 1989), coupled with evidence that unregulated enterprises can, in some instances, generate higher incomes than in the formal

¹⁶ The Portes *et al* (1989) definition discussed here suits the purpose of this study. Other definitions include characteristics with different implications for which enterprises and individuals are included in the informal sector. Manning (1993) uses the ILO definition of the informal sector: ease of entry, reliance on indigenous resources, family ownership, small scale, labour intensive and adaptive technology and skills acquired outside the formal schooling system. Yamada (1996) includes the flexibility of employment relationships in his definition.

¹⁷ Latouche (1991:129) comments that the activities of the informal sector are “*a*-legal if not actually *illegal*”.

¹⁸ Notably, Yamada (1996) differentiates between informal employment and self-employment. He concentrates on informal self-employment, and notes evidence of competitive earnings and voluntary entry into the informal sector.

sector (Portes & Sassen-Koob 1987), suggests a previously unrecognised dynamism in the informal sector. Rather than simply being seen as a negative manifestation of poverty, the informal economy, due to its less entrenched nature, is being seen as a means of injecting greater flexibility into the broader economy (Meagher 1995). Far from existing solely on the margins of society, informal activities are now recognised to form an integrated part of the broader economic structure (Fernández-Kelly & Garcia 1989). Apart from providing services and inputs to formal enterprises, informal enterprises often play an important role in providing low cost goods and services for poor communities on a localised basis. Informal enterprises are not limited to supporting roles, however, and have been seen to play an important role as independent producers of goods for high level niche markets, often in the export sector (Portes *et al* 1989).

Sassen-Koob (1989) points out that the informal enterprise can play either a socially desirable or an exploitative role in society, depending on whether its *raison d'être* is to satisfy demand within communities or to exploit pools of cheap and desperate labour in order to maximise profits. In terms of the labour market, this juxtaposition of the positive and negative aspects of the informal economy are conceptualised by Capecchi (1989) as being based on either complicity or exploitation, depending on whether the employee enters the informal labour market willingly in order to maximise personal gain. The dualistic nature of the informal sector is further supported by observations that access to the informal sector is better for better-off families (both economically *and* socially), while poorer families tend to get trapped into subsistence activities within this sector.

3.1.1 Informalisation versus the Informal Economy

Having identified some of the key features of the informal economy, it is useful to consider the implications of the term 'informalisation'. While the informal sector has always existed, 'informalisation' is used to suggest a resurgence in the informal economy, which is becoming increasingly integral to the way the formal sector organises production. It suggests a *systematic* and in some cases *strategic* shift of certain phases of the production processes from the formal to the informal sector (Meagher 1995). This is reflected in the growing decentralisation of production, through subcontracting arrangements, from large formal firms

Ybarra (1989) discusses the possibility that the causes of informalisation lie within a more political context. Individuals or families who are dissatisfied with or opposed to official legislation see their economic objectives frustrated by the state, and create an alternative socio-economic system which better satisfies their needs.

Finally, one of the most widely cited causes of informalisation is as a response to economic crisis, particularly in the formal sector, which is seen as structurally incapable of absorbing much of the labour force (Manning 1993; Mingione 1983). Economic survival then forces the development of a "second", informal economy. This explanation is particularly attractive in developing countries where the informal sector is often seen in the light of survivalist activities promoted by such economic crises as structural adjustment (Castells & Portes 1989). Capecchi (1989) in a study of the Emilia-Romagna district of Italy concludes that, to the contrary,

“(i)t is precisely the expansion of the (official economy), following a particular model of industrial development, that enlarges the possibilities for the informal economy”.

In line with this statement one could suggest that it is the dynamism of the emerging post-Fordist production system, rather than any crisis in the Fordist system, which has encouraged the growth in the informal sector through the creation of opportunity, rather than through economic desperation (Rogerson 1991). This distinction appears to be most useful in conceptualising the cause of informal survivalist versus dynamic informal enterprises. Related to the concept of a crisis in the formal sector is the idea that the growth of informalisation is a response on the part of business to the entrenched power of unionised labour, which limits flexibility, and raises wages (Castells & Portes 1989; Portes & Sassen-Koob 1987).

3.3 The Informal Sector in South Africa

The more visible and most frequently studied section of the informal sector in South Africa comprises survivalist enterprises, most of which operate in the trade and service sectors. A much smaller group of informal enterprises are involved in manufacturing. In light of past apartheid policies, it is not surprising to find that survivalist informal enterprises are largely

black-owned. Black-owned manufacturing enterprises tend also to operate at the lower end of the market, mainly producing low-value, poorer quality goods for the poor (Manning & Mashigo 1994). A less often considered, but growing aspect of the informal sector in South Africa is apparent in the more sophisticated manufacturing enterprises producing high value, high quality goods for niche markets (Manning & Mashigo 1994). Rogerson (1991) discusses the role of subcontracting in encouraging informal manufacturing, and makes the point that informal manufacturing is not always an outcome of pressures and constraints, but can also arise from opportunities created within the capitalist environment. Looking at the causes of informalisation outlined in Section 3.2, it seems likely that the reasons for informalisation at the lower end of the South African market lie to a large extent in the structure of an economy unable to absorb a growing population of largely unskilled labour at sufficiently rapid rates. At the same time this segment might be explained, in part, as a demand driven response to the needs of a large poor population financially excluded from the formal retail and service sector.

One can however expect the reasons for the growth of the more sophisticated informal enterprises in South Africa to lie elsewhere. These enterprises are more likely to be meeting niche demands for more exclusive (and expensive) 'craft' items. More obviously, attempts to evade tax and labour legislation, and the influence of the unions, can be seen to encourage enterprises to establish themselves and to remain for as long as possible within the informal sector.

On another level, Ybarra's (1989) political explanation for informalisation is particularly interesting when applied in the context of post-Apartheid South Africa. In this case, informalisation is seen to be linked to the move from the formal to the informal sector of groups who see their opportunities for advancement within the formal sector as limited by recent political changes. Affirmative action policies are gaining currency amongst South African firms as government pressure for such policies grows. The soon to be introduced White Paper on affirmative action in the public sector, and the Employment Equity Bill, are aimed at making the civil service and the economy in general more representative of the South African community (Sunday Times 9-3-97). The Employment Equity Bill will require all companies employing more than 50 workers to submit an employment equity plan as regards

black, women and disabled workers, including numerical targets and a time-frame for implementation. Heavy penalties will be exacted on non-complying firms (Daily News 29-1-98). Increasingly therefore, larger firms will have to give (and in many cases have already been giving) preference to 'non-white' (and more specifically to black) applicants in the case of both vacancies and internal promotions. It is a commonly cited concern of white employees that they will become "victims of transformation" (Natal Mercury 10-2-98).

In a broader sense there is a general dissatisfaction with the policies of the ANC-led government amongst sections of the population, and for obvious reasons this is most apparent amongst those who benefited under the Apartheid government. Abandoning formal sector positions for entrepreneurial activities in the informal sector is one way in which those dissatisfied with government policy may disengage from the existing socio-economic environment in favour of one more amenable to their needs. Similarly, the informal sector may be the most practical option for school-leavers or graduates not favoured under affirmative action policies - particularly white males¹⁹. This last point of course does not discount the fact that the economy is currently failing to absorb educated individuals of all races who might opt for entrepreneurial activities in the informal sector.

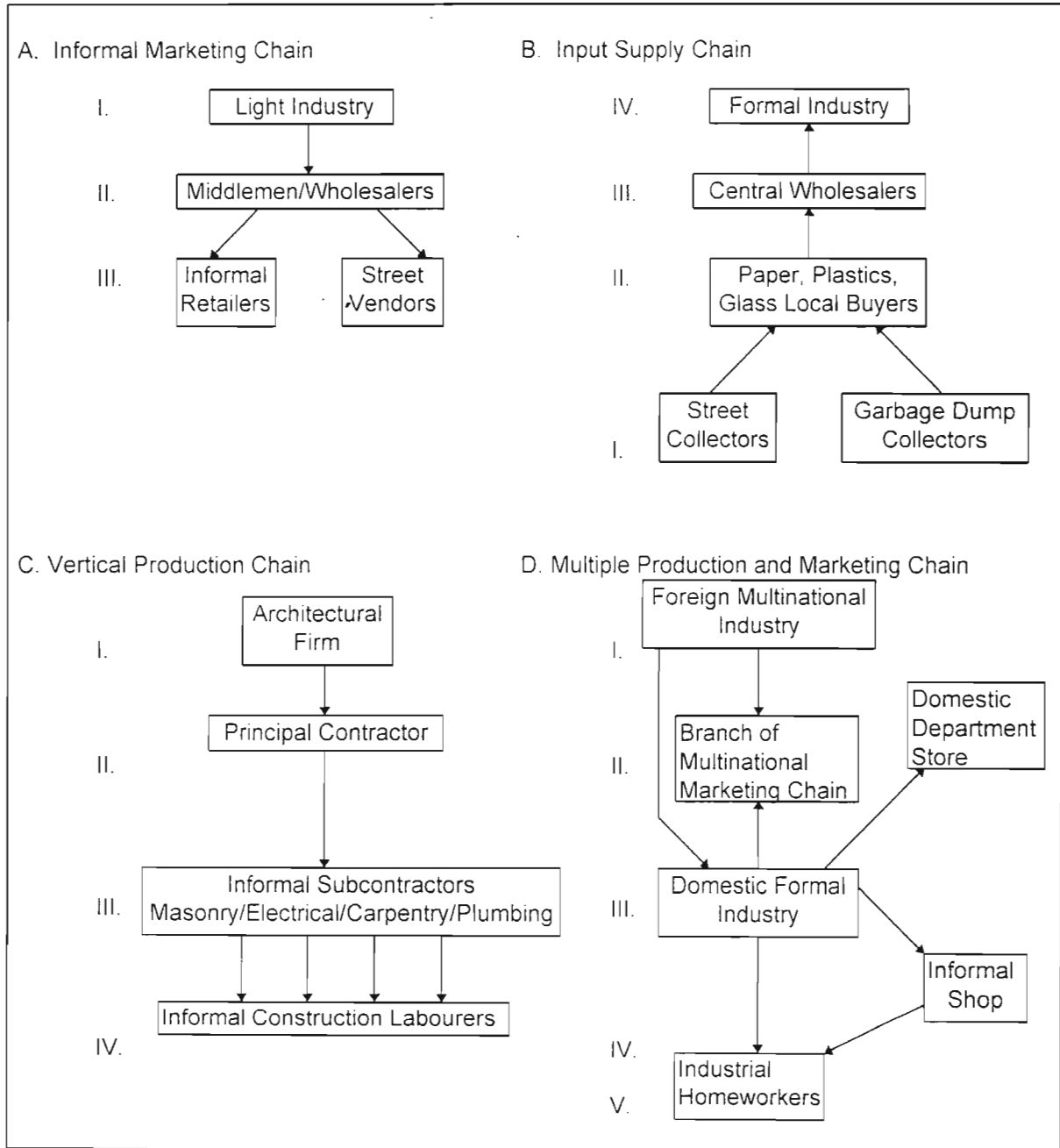
3.4 Formal-Informal Links

As has been discussed, it is increasingly recognised that the informal sectors is integrally linked to the formal sector (Latouche 1991). Rather than being produced and consumed in either the formal or the informal economy, many goods flow through a sequence of formal and informal phases (Mingione 1983; Portes & Sassen-Koob 1987; Ybarra 1989). Some possible sequences of linkages, based on specific case studies, are outlined below in Figure 1.

¹⁹ This paragraph seeks to offer a possible explanation (in the South African context) for the growth of relatively sophisticated profitable / non-survivalist enterprises in line with the point made by Ybarra (*ibid.*). It is based in part on general observations of (white) attitudes to the post-Apartheid government, and does not aim to attach any value judgement to such attitudes.

Figure 1:

Modes of Articulation between Formal and Informal Sectors in Latin America



SOURCE: Portes & Sassen-Koob 1987

While the informal economy is most widely recognised to revolve around production relations (Castells & Portes 1989), informal activity can also be based on exchange (Ybarra 1989), that is, it may revolve around distribution and retailing. In the latter context we can include both

hawkers selling mass produced goods on a survivalist basis, and producers (both formal and informal), using informal retailing arrangements such as flea markets as an innovative marketing approach. Capecchi (1989) further recognises that informality may occur either in labour markets or in the market for goods and services. He points out that in either of these markets three types of arrangements can be identified: a non-monetary economy in which there are no payments or compensation, an informal monetary economy where payments occur outside of official channels, or an official monetary economy with recognised and recorded arrangements for payment and compensation. If we recognise that the economy is based on inter-linked formal and informal activities, then we see that a variety of arrangements in terms of labour, production and retailing are possible within what might be referred to as the informal economy, and that parts of any transaction may fall within the formal sector.

Meagher (1995) discusses backward and forward linkages between the informal and formal sectors in Africa. Forward linkages, which most commonly take the form of subcontracting arrangements, can be either beneficial or detrimental to informal enterprises. This depends on whether such linkages encourage productivity increases through improved quality and production techniques, or (as is often the case) encourage the continuation of poor working conditions and low wages. Backward linkages, to input suppliers, are found to be more exploitative for informal enterprises. Interestingly, Meagher (1995: 276) points out that the import content of informal activities is often quite high, which "underlines the extent to which the informal sector is dependent for its supplies on conditions in the formal sector and the global economy as a whole". This observation is particularly relevant, given the broader context of global consumption and industrialisation trends within which this study is located.

3.5 The State and the Informal Sector

Castells and Portes (1989) importantly point out that the informal sector is located within a specific institutional environment, and changes in this environment affect both the nature of the informal sector, and formal-informal relations. They draw attention to the fact that while informal activities usually avoid or ignore state regulations, they are frequently tolerated by the state for the important role they play in addressing socio-economic problems such as

unemployment and poverty. This tolerance of the informal sector is an important part of the trend towards flexible specialisation, providing as it does a means of introducing flexibility into industrial organisation (Meagher 1995).

In South Africa, state relations with the informal sector are complicated by the dualistic nature of the economy whereby a sophisticated developed economy coexists with an under-developed "Third World" economy. The current regulatory and institutional environment in South Africa is typically ambivalent towards the informal sector, with a need for tolerance towards survivalist activities competing with efforts to draw more successful informal enterprises into the tax base. The South African government has to date failed to provide a clear and unified stance on the issues surrounding informal sector development. The most relevant policy indicator, The White Paper on Small Business (Government of South Africa 1995) fails to acknowledge the existence of an informal sector beyond suggesting that micro-enterprises (less than 5 employees) tend to lack "formality", while small enterprises (with 5 to 50 employees) "are likely...to be tax-registered" (p. 10). The White Paper does not consider the possible existence of *dynamic informal* small enterprises which may operate at a relatively sophisticated level of business and technical skills, nor does it consider the reasons behind the existence of such enterprises, or the problems that may face them. Assuming the *per se* inclusion of informal enterprises as SMMEs in the White Paper, the document targets support largely at previously disadvantaged groups, most notably black-owned enterprises. A variety of sectors are identified as deserving attention, including small-manufacturers, with a focus on clothing and arts and crafts, amongst others. The document's suggestion that there be an investigation of

"the *appropriateness of existing and proposed legislation and regulations* in the fields of taxation, labour (including Industrial Council agreements), ... training requirements (and) health and occupational conditions, etc., and how they can be made more suitable for small enterprises" (Government of South Africa 1995: 26)

has obvious positive implications for enterprises that are operating informally to avoid such regulations.

Manning (1993) discusses the idea that the state needs to take a nuanced view of the informal sector by conceptualising it in terms of three sub-sectors: survival activities driven by economic desperation, economically viable micro-enterprises with some growth potential and small-scale informal enterprises which are entrepreneurial and concentrated in such non-traditional sectors as manufacturing. If it is to be effective, policy for the informal sector must be formulated to meet the varying needs of each of these sub-sectors.

Apart from overt policy prescriptions towards the informal sector, peripheral legislation can have a crucial influence on the growth and development of informal enterprises. One such aspect of the regulatory environment is the extent to which labour market legislation provides employers with the degree of flexibility in “hiring and firing” which they desire. Labour markets in SA are regulated by the Labour Relations Act, No 66 of 1995 and the Basic Conditions of Employment Act, No 75 of 1997. These acts represent something of a dualistic approach, seeking respectively to loosen labour regulatory conditions by introducing flexibility through negotiations, while protecting the basic rights of workers through stricter regulations. Overall however, this legislation, coupled with the 1997 decision to cancel the exemption of small businesses from Wage Board²⁰ regulations, is seen to be decreasing flexibility in the labour market (Salinger *et al* 1998). As has been mentioned, inflexible labour markets have the effect of encouraging small formal enterprises to strategically shift at least part of their operations into the informal sector. While inflexible labour markets in South Africa might provide a fertile ground for the spread of informalisation, Industrial Council regulations which restrict sub-contracting to non-registered enterprises serve to restrict the growth and prosperity of larger informal enterprises (Altman 1994). This is typical of the way in which a lack of government clarity towards the informal sector creates an environment which allows, and even encourages, the proliferation of informal enterprises while withholding the support such enterprises need to prosper.

²⁰ In yet another example of the dualism which pervades the South African economy, labour markets in SA are regulated by Industrial Councils and the Wage Board for unionised and non-unionised workers respectively.

3.6 The International Clothing Industry

The clothing industry provides a useful backdrop against which to test the ideas inherent in recent industrial trends, discussed in this and the previous chapter. The clothing industry has two characteristics which mean that, to some extent, it has always embodied some of the main concepts of flexible specialisation. Firstly, large scale Fordist production has always been problematic for the clothing industry because the nature of fabric does not lend itself to inflexible production lines and special-purpose machines. Nonetheless, in most cases production was still arranged along the assumptions of mass production and economies of scale (Kaplinsky 1991). Secondly, with the strong role played by fashion, as opposed to simply functionality, in the demand for clothing, the clothing industry can be expected to be particularly susceptible to the changing nature of consumer demand outlined in the previous chapter.

The changing nature of competition is reflected in the clothing industry in a shift from long-runs of standardised garments to short-runs of more varied garments, with a move from a two-season fashion year to shorter product seasons. Quality, design innovation and rapid response to changing fashions (in terms of design, production and marketing) become the cornerstones to competing in the expanding market for more sophisticated products (de la Torre 1986; Harrison 1997; Salinger *et al.* 1998). Rapid response in turn necessitates a closer relationship with customers, which is reflected in a more pivotal role for retailers in design and merchandising (Salinger *et al.* 1998). As mentioned, companies such as Benneton have refined customer-focus and quick response to new levels, with computer systems linking stores world-wide with production facilities, so that changes in demand can be rapidly reflected by shifts in design and production (Harrison 1994). Within these broader trends de la Torre (1986) identifies two broad market segments in the clothing industry: the large market for relatively functional garments, where price will remain a key determinant of competitiveness, and a second, upmarket, segment where the crucial determinants of competitiveness will be the issues outlined above.

The limited suitability of the clothing industry to production along mass production lines has encouraged certain traits amongst clothing firms which facilitates the re-organisation of

production associated with flexible specialisation. Firstly, small clothing enterprises have traditionally been seen to operate more efficiently than large firms, and internationally the industry is dominated by small enterprises (de la Torre 1986). Altman (1994) points out, however, that this fragmentation is largely at the level of production, rather than ownership. This pattern of small firm domination gives rise to two patterns of production. On one hand, the clothing industry is closely associated with extensive subcontracting arrangements. This is becoming increasingly relevant under flexible specialisation, where the fragmentation of mass markets is expected to encourage subcontracting (Piore and Sable 1984). In the clothing industry this is reflected in a declining share of production work going to large firms, and their growing use of subcontractors (Sassen-Koob 1989). On the other hand, examples of flexible specialisation under the industrial districts model are often associated with cluster of clothing firms, in both European examples such as Emilia-Romagna (Capecchi 1989) and more recently in the developing world (Cawthorne 1995). In either scenario it is clear that, as the flexible specialisation model suggests, inter-firm linkages will have to become closer and more co-operative if the emerging patterns of consumer demand are to be met.

Closely associated with changing demand patterns and production arrangements is the trend towards globalisation. As well as encouraging more varied and rapidly transmitted fashion changes, globalisation has important implications for the nature of clothing production. Since the 1970's, the most important development in the clothing industry has been the growth of production in, and exports from, low-wage developing countries, predominantly in Asia (Christerson & Appelbaum 1995). This has precipitated a competitive crisis in the clothing industry in high-wage developed countries, with the industry's options starkly conceptualised as adjust, die or protect (de la Torre 1986; Harrison 1997²¹). In an era where protectionism is severely limited (notwithstanding efforts to the contrary²²) by international trade agreements such as GATT (The General Agreement on Trade and Tariffs), the only positive option

²¹ In the title of her report Harrison (1997) sums up the options facing the South African clothing industry as "Migrate, Innovate or Evaporate".

²² Despite the restrictions of GATT, voluntary export-restraint agreements and reciprocal trade accords, including the MFA (Multi-Fibre Agreement) have been used to offer protection from cheap imports to the clothing industry, particularly in developed countries (de la Torre 1986: 8). More recently however, the Agreement on Textiles and Clothing (ATC) signed as part of GATT 1994 calls for such bilateral import quotas to be phased out over a 10 year period (Salinger *et al* 1998: 21).

available to the clothing industry in higher-wage countries, struggling to survive in the face of increased international competition, is to adjust.

There are two routes by which clothing firms can adjust. According to the first, firms will have to *migrate* towards product lines where a comparative advantage exists, particularly upmarket, design-intensive market niches. Furthermore, they will have to *innovate* both technologically, to improve efficiency and productivity, and in terms of better quality and design, more rapid responses to changing demand and improved marketing arrangements (de la Torre 1989, Harrison 1997). While the comparative price advantage of low-wage developing countries is likely to be maintained, in sophisticated markets where quick response and product innovation are important, firms may find it comparatively more beneficial to locate production in more developed countries, close to final markets (Christerson and Appelbaum 1995).

A second, less promising adjustment open to developed country clothing firms, given existing wage rate differentials between developed and developing countries, is a reduction in factor costs, predominantly through lower wages (de la Torre 1986). Informalisation has been recognised as one way in which firms respond to increased competition from low wage producers in developing countries (Ybarra 1989). Evidence suggests that informalisation is a growing trend in the clothing industry in developed countries (Fernández-Kelly & Garcia 1989; Sassen-Koob 1989). The dominance of small firms in this industry is likely to facilitate a transition to informalisation, as such firms tend to be less rigid and bureaucratic, and to be less “visible” than larger firms. Informalisation in the clothing industry takes two main forms: production within small, unregistered enterprises, often acting as sub-contractors for larger, formal enterprises, and production by “homeworkers”. Both forms of informalisation have been widely identified in developed economies, and are often linked with the employment of marginalised sectors of the population, particularly those with low skill levels, immigrants and women (Fernández-Kelly & Garcia 1989). Finally, Sassen-Koob (1989) notes that there is also a trend towards an upgraded version of informalisation centred around the production of specialised garments for the upper end of the market. It is with this emerging form of clothing sector informalisation that this study is concerned.

3.7 The South African Clothing Industry

The South African clothing industry has been the focus of much attention in the post-apartheid era in terms of restructuring plans to improve international competitiveness. The industry, established in the early 1900's (Daily News 22/3/71) was developed along the lines of import-substitution behind high tariff barriers. With about 119 000 employees²³, the industry is an important source of employment in a country of high unemployment, and is the largest employer in the KwaZulu-Natal manufacturing sector (CSS 1993). The clothing sector is, however, coming under increasing pressure from cheap imports as tariff barriers are reduced, leading to increased competition, particularly from low wage producers in Asia (Harrison 1997).

Due to its vulnerable position, several studies have been conducted of the clothing industry in South Africa. Studies at the national level include those by Salinger *et al.* (1998) and Altman (1994). In KwaZulu-Natal the most significant study was conducted by Harrison (1997) as part of the KwaZulu-Natal Industrial Restructuring Project. Finally, several theses and dissertations have been based on the KZN clothing industry, including Harrison (1996) and Netshitomboni (1996). This section is not intended to provide an exhaustive overview of the South African clothing industry. Rather, the emphasis will be on key features of the industry which can be expected to impact on its responses to the global trends under discussed, and to changes in industry structure which reflect firm level responses.

Some of the key aspects of the South African clothing industry's historical development and current structure are:

- The South African clothing industry is still very much inwardly orientated. Despite state export incentives, such as the GATT-illegal General Export Incentive Scheme (GEIS), South Africa remains what Salinger (1998) calls a "residual exporter" with the domestic market remaining the primary consumer of local production. Just 5.3% of total manufacturing exports for the period 1972 - 1993 were attributed to the clothing sector.

²³ This *excludes* the textile industry, which employs a further 87 000 workers (CSS 1993).

- The industry's competitiveness has traditionally been based on lowering prices (through minimising labour costs). Unlike other countries, where minimising labour costs has largely been achieved through the use of subcontracting to small, low-overhead, often informal enterprises or home-workers, South Africa has followed the route of decentralising production to low wage areas, and displacing workers based on race and age (Altman 1994).
- In international terms, the South African clothing industry is relatively cost competitive, largely due to relatively low labour costs and the labour-intensive nature of the industry. CMT production costs are comparable to a range of developing countries, and much lower than those of developed countries such as the UK, the USA and Italy (Harrison 1997).
- While production units in the clothing industry are small relative to many other South African industries, the average size is much larger than its counterparts in the rest of the world (Altman 1994). The current structure of the clothing sector reflects the power struggle between large full manufacturers, small CMTs and retailers. Essentially, retailers have supported the growth of the CMT industry as a way of limiting the power of full manufacturers, and concentrating power at the retail end of the pipeline. Low entry requirements have further encouraged the growth of the CMT sector (Harrison 1997).
- Finally, another feature of the South African clothing industry has been the high level of unionisation, with 70-80% of workers falling under SACTWU (The Southern African Clothing and Textile Workers' Union) (Altman 1994).

As has been mentioned, the competitive environment facing the clothing industry in South Africa is changing rapidly. When South Africa joined the World Trade Organisation (WTO) in 1994 it became subject to international trade agreements designed to reduce barriers to international trade. Consequently, import substitution policies are no longer a viable option for South Africa, and import tariffs on clothing are being reduced - from 72% to 40% over a five year period (Salinger 1998). For the many clothing firms this has led to a shrinking domestic market as competition from both legal and illegal imports grows, particularly in the low-income end of the market which is increasingly being captured by Far East clothing manufacturers. Under these circumstances, the survival of the domestic clothing sector is seen

to depend on improving competitiveness in both domestic and foreign markets (Harrison 1997).

Harrison's (1997) study of the KZN clothing industry reflected the responses of the clothing industry to the new competitive environment, and drew attention to a number of key issues:

- The study identified two responses open to threatened domestic clothing manufacturers. The first is a move into upper market segments²⁴ where the basis for competition is shifting and restructuring is necessary, with an emphasis on niche markets and exporting. The second response represents an attempt to continue competing on the basis of price, and involves relocating to small towns where cheaper wages and lower overheads mean price competition is still possible.
- Of the clothing firms surveyed in KwaZulu-Natal, the majority showing increased profits and turnover over the last three years operate within the AB market group²⁵. The CD market is still the largest, but competition from cheap imports, particularly from Asia has wiped out this market for local competitors. This suggests that the first of the two adjustment paths outlined above is the most appropriate for the continued survival of KZN's clothing sector.
- An assessment of supply chain requirements showed that, in line with international trends, non-price factors are becoming more significant, with quality, delivery, quick response and flexibility growing in importance, particularly in the AB market. Given the importance of these issues for the 'upmarket' path, it is extremely problematic that the research showed gaps throughout the supply chain between expectations and performance. This is indicative of a failure by firms to meet market requirements, and impacts negatively on competitiveness. Furthermore, the study showed only limited evidence of any dynamic firm level response to changing market conditions, either in relation to supply chain or with regards to firm level organisation. This was partly attributed to inadequate institutional support at sectoral level.

²⁴ In the clothing sector, market segments are usually identified, according to income levels, as the AB, BC and CD markets, where the A income group is the wealthiest, and the D income group the poorest (Harrison 1997). "Upper market segments" would therefore equate with the AB market.

²⁵ Netshitomboni's (1996) survey of 19 firms showed that the majority reported currently experiencing growth. Notably, only two of the surveyed firms were still targeting the low end of the market.

- In terms of exporting, 12 of 28 full manufacturers participating in the study were, or had been involved in exporting. Much of this exporting was to Southern Africa, however, and the majority of respondents stated that the percentage of production exported in recent years was too negligible to mention. On the positive side, however, SA clothing manufacturers are felt to have an advantage over major foreign competitor in terms of delivery, styling and quality.
- Both in terms of the low-wage path and general price competitiveness, firms within Durban, particularly CMTs were found to feel vulnerable to competition from low wage areas, with increasing numbers of CMTs in Durban resorting to informalisation in an effort to compete.
- Finally, the research showed that, between 1990 and 1996, employment in full manufacturers declined, while employment in CMTs increased, corresponding with a large number of new CMTs. This is associated with the greater flexibility of CMTs, which expand and contract as orders demand. The clothing industry has, however, suffered a net loss of employment over the period in question.

One of the trends emerging from Harrison's (1997) study is the use of informalisation as a means of maintaining price competitiveness. Informalisation is reflected both in the growth of "10 person factories" or "cottage industries" (Harrison 1997), and in "casualisation" or employment of workers on a contract basis (Altman 1994). Given changes in the political situation, labour cost minimisation through the racially based system of geographic decentralisation and race displacement are clearly no longer feasible. Furthermore, taking into account South Africa's inability to compete internationally on the basis of low wages, and the envisaged shift towards short-run flexible production for niche markets²⁶, the sector is expected to have to adjust in order to inject increased flexibility into the organisation of production. Increased informalisation is one means by which this is likely to be achieved, particularly in an industry characterised by high levels of unionisation

²⁶ Salinger *et al* (1998: 72) states the explanation for an increase in informalisation differently, suggesting that the *failure* of many south African firms to successfully identify niche markets and compete at the high end of the market is making improved price competition essential for enterprise survival. Given growing state control over (and standardisation of) wage rates, this may lead to an increase in informalisation. This explanation and that in the main text suggest a polarisation of the clothing sector. Interestingly, informalisation is seen as a viable option in both scenarios.

3.8 Implications for the Study

It is clear from the above evidence that South African clothing firms are having mixed success in adjusting to the shifting nature of demand and production within the clothing industry. The activity of the clothing firms at the Essenwood Craft Market present an opportunity to study a group of firms which appear to be combining informality with a very clearly focus on quality, design innovation and production for upmarket niches.

This chapter has continued to build the theoretical framework which will be used to conceptualise and explore the activities of the Essenwood Craft Market clothing firms. The discussion of informalisation, with particular reference to the clothing industry, has given rise to several research questions:

- How well do the theoretical causes of informalisation explain the actual activity the clothing enterprises at the Essenwood craft market. More specifically:
 - How important is the **demand** created by the upmarket Essenwood Craft Market in explaining the existence of the clothing enterprises in question?
 - To what extent do the informal activities at the Essenwood Craft Market reflect **political discontent**, and an attempt to disengage from the broader socio-economic environment?
 - To what extent do the activities of these firms reflect an “**economic crisis**”, particularly in the clothing sector, whereby economic restructuring is forcing people into the informal sector? Alternatively, has restructuring given rise to new opportunities which are being grabbed by informal operators?
 - Do these firms reflect strategic informalisation as a **cost-cutting response** to increased competition from low wage countries, or as a means of escaping the high levels of unionisation and unfavourable legislation apparent in the formal clothing sector.
- What is the nature of linkages between the informal clothing enterprises at the Essenwood Craft Market and the formal sector?
- *Are* the Essenwood Craft Market clothing firms (as has been assumed throughout this study) focusing on the upmarket route to competitiveness, or is informalisation in fact a reflection of a continuing emphasis on price competition?

- Finally, and more generally, how do the responses of these firms compare to those of firms in the broader South African clothing industry?

CHAPTER 4:

New Competition and the Rise of Craft Markets

The previous two chapters have dealt in some detail with the changes which have arisen in the organisation of production as a result of shifts in the basis of competition from price, to quality and other features²⁷. Issues covered have ranged from the need for more rapid response to changing demand, to the importance of flexible technology and flexibly skilled labour, and the role of informalisation in introducing flexibility into the production process. As has been alluded to however, there is more to the new competition than simply changes in production organisation. New, innovative strategies in marketing and retail arrangements are equally important in capturing market share, and close contact with customers is becoming increasingly important in monitoring changes in consumption trends. This chapter will discuss the marketing and retail aspects of the new competition, and will look particularly at the rise of craft markets as retail outlets.

4.1 The Rise of Flea Markets and Craft Markets²⁸

Flea markets and craft markets are essentially informal retailing institutions (Sherman *et al.* 1985), separated from street traders and other informal retailers by the organised and controlled nature of arrangements (pers. comm.²⁹). The terms generally refers to a specific spatial area, other than a formal shopping area, where entrepreneurs are able to rent space to present their goods for sale. The exact arrangements tend to vary widely however. In terms of venue, markets can be located in large halls or outdoors in a municipal park, or any large open space. Stalls can vary from tables rented for the day to permanent covered stalls where goods can be safely stored. Markets can be open daily, or can operate just on week-ends. For the consumer, flea markets have traditionally been envisaged primarily as a source of low cost

²⁷ Such features include actual product features, as well as issues relating to the service provided by the producer. Thus important aspects of the new basis for competition include product flexibility, variety and conformity to specifications as well as the quality and appeal of packaging, and the innovation capacity and delivery reliability of producers (IDS 1997).

²⁸ This dissertation deals specifically with enterprise activity at an upmarket *craft market*. This section discusses the development of both flea and craft markets, however, recognising that craft markets developed out of the identification of a niche for a more sophisticated, craft-orientated market within the wider flea market scene.

²⁹ Interview with Di Greenwood, organiser of the AmphiMarket flea market.

goods. This tends to hide the diversity of origin of goods sold at such markets. While it is true that the original flea markets (and their close cousin the car boot market³⁰) may have arisen around the sale of cheap and particularly second hand goods, flea markets now sell a wide range of mostly new goods. Some goods are produced by small, often informal enterprises needing an outlet for products, while others represent large formal producers or importers looking for an innovative way to increase sales. For some entrepreneurs flea markets are a source of survival, for others a way of benefiting financially from a hobby, and for the lucky few, the basis of dynamic small enterprises. Products sold can be new or used, and competition between sellers can be based on price, or increasingly, on style and quality³¹.

The popularity of all types of markets - craft, flea and car boot markets - is growing around the world, and is based both on the role of markets as a leisure activity and as a response to a sluggish economy (Gregson *et al.* 1997; McCree 1984; Gregson & Crewe 1994). Increasingly, some markets are losing their image as a source of cheap mass produced products, and are being seen as sites for obtaining unusual goods, produced with care, often on a craft basis³². While many markets are following this trend in consumer demand patterns, a small group are defining themselves by it, preferring to be referred to as "craft markets", rather than as "flea markets" (pers. comm.³³). Such "upmarket" markets, regardless of nomenclature, are becoming an increasingly important part of the shopping experience.

4.1.1 Craft Markets as "Life-Style" Consumption

Much has already been said about the shifts in consumer demand which are providing fertile grounds for the development of the emerging production systems loosely characterised as flexible specialisation. As quality, features and innovation become increasingly important in attracting consumers, producers must find new ways of catching the attention of potential

³⁰ While it should by now be clear that defining market activity is difficult, it can generally be said that car boot markets are a "down market" version of the flea market, with an emphasis on second-hand goods. Goods are sold from the boot of the seller's car, rather than at a rented table.

³¹ Based on personal observations at a number of flea, craft and car boot markets in Durban.

³² Keane *et al* (1996) define craft items as goods made with attention to materials, design and workmanship. A scan of any traditional flea market will show a mix of both craft items and more mass produced items where the basis of competition is price, rather than quality and design. Craft items predominate at true craft markets.

³³ Interview with Jennet Brown.

buyers (Leopold & Fine 1993³⁴). Amin (1994) draws attention to the collapse of the space separating production and economic activity from culture, life-style and consumption, and this is nowhere more apparent than in the trends in marketing and retailing. Featherstone (1994) points out that shopping can no longer be seen as a purely economic transaction, but is rather an “experience”, and a “leisure-time cultural activity”. To this end the spatial arrangement of retail is increasingly important, and must provide more than simply accessibility and comfort. Returning to the notion of symbolic capital, (see Section 2.2) one can see that the physical site of a purchase can be as important as the characteristics of the good in conferring status on the owner. Increasingly, purchase and consumption are seen to converge with the site of consumption, which must in itself add value to the commodity (Featherstone 1994). This growing convergence between economic and cultural activity can be seen as part of the broader postmodern trend towards an emphasis on events, spectacles and happenings in popular culture. Culture and commodity are linked when the emphasis shifts from consumption of a good to consumption of a service, in the form of entertainment and “distractions” (Harvey 1989).

Craft markets (and to some extent flea markets) can be closely linked to this rise in “life-style” consumption and the importance of the shopping experience. Such markets do indeed collapse the boundaries between economic and cultural activities, and are seen by consumers as providing “economic (lower prices)³⁵, shopping (assortment of goods and proven satisfaction), and social (the bargaining process or the enjoyment of other shoppers’ company) benefits” (Sherman *et al.* 1985: 205). Live music, seated snack areas and entertainment for children all contribute to the attraction of markets as both a shopping venue and a leisure activity. Markets are known not only for the diversity of goods on sale, but equally for the diversity of customers they attract and the vibrant atmosphere where ‘people watching’ adds entertainment value to the shopping experience (McCree 1984). Indeed, the notion of the flâneur is particularly appealing as regards craft markets, with visitors including those who shop, who socialise, and those who stroll around as “spectator of the spectacle of the spaces and places of

³⁴ The authors discuss the role of advertising in giving commodities new or different meanings, in order to convince the consumer of the product’s desirability.

³⁵ Lower prices are more relevant as regards the attraction of flea markets, rather than craft markets.

the city” (Tester 1994: 7)³⁶. For the shoppers at upmarket craft markets a reputation for innovative, quality goods adds to the attraction of the market venue as a site for purchasing goods with greater symbolic value:

“Consumption is seen here as a process through which artefacts are not simply bought and consumed, but one in which they are also given meaning as they are incorporated into people’s lives” (Gregson and Crewe 1994: 263³⁷).

4.1.2 The Spatial Aspect of Craft Markets

Gregson and Crew (1994) consider the popularity of car boot markets in Britain in the context of the “new geographies of consumption in the 1990s”. This perspective emphasises the role of the car boot market as an alternative consumption space which, unlike the world of formal retail malls, is temporary and fluid and “transformatory in its socio-spatial practises”. As opposed to the formal retail environment, which is characterised by set roles, and where access and enjoyment is largely dependent on the access to money, roles at markets are more variable. This is a retail space

“...where the rules of the formal retail environment are temporarily suspended: in which one can choose to be buyer, vendor, stroller, to look, to gaze, to laugh at and with the spectacle...” (Gregson *et al.* 1997: 1725).

Markets are not, however, an unregulated environment. Gregson *et al.* (*ibid.*) discuss the point that markets are always regulated, the question is by whom and in whose interests. The authors go on to discuss moves to regulate car boot markets in Britain as revolving around the exclusion of “undesirable others” from the activities and spaces of exchange, as well as the exclusion of the market itself from certain areas. This analysis is equally applicable to flea and craft markets, and is clearly a factor in the local market scene, as will be discussed in a later section.

³⁶ The flâneur is the “stroller”, and flânerie, the act of strolling. The term suggests an aesthetically appreciative observer of the people, places and spectacles of city life. For more, see other contributions to the referenced source.

³⁷ The text refers to car boot markets - the assessment is applicable to all types of markets.

4.1.3 Craft Markets: The Retailing Aspect of Informalisation

Another explanation for the rise of flea and craft markets can be found in the increasing informalisation of production thought to be associated in particular with post-Fordist flexible production. Portes *et al* (1989: 2) includes "flexible sites" amongst the defining characteristics of informal enterprises, and this refers no less to production than to retail arrangements. Retailing can be expected to pose a particular problem for informal enterprises, as the need to be visible to customers comes in conflict with the avoidance of state regulation. Markets resolve this problem by providing access to a range of customers within an informal, often temporary, yet legal retail environment. In addition, selling at markets keeps overheads low, an essential part of the competitive advantage of informal enterprises.

Just as informal enterprises have developed along the lines of economic polarisation to provide both basic goods for low-income markets and high quality, sophisticated goods for niche markets in upper market segments (see Chapter 3), so the spatial location of flea markets provides access to a variety of socio-economic groups. Enterprises can be expected to polarise around markets where demand for their type of product is strongest. Operating at craft markets offers benefits in the form of close contact with buyers, which is an important aspect of the new production arrangements whereby innovation and design become increasingly important. For informal enterprises operating with limited access to finances and market researchers, this contact is an invaluable means of assessing and monitoring customer demand. The frequent presence of the producer-entrepreneur at the point of sale, a relatively rare occurrence under other retail arrangements, suggests that informal enterprises are taking advantage of this situation.

Close contact between producer and customer also offers small, informal enterprises unexpected advantages in competing with larger, formal producers in the area of product customisation. As has been discussed, increased product variety and flexibility is an important basis for the new competition. While large manufacturers attempt to deal with this through smaller batch sizes and the process of mass customisation, the nature of large scale production often limits the extent to which customisation can be achieved. When purchasing at a craft market, the consumer has the opportunity to discuss her preferences directly with the

producer, who in turn can undertake to produce a customised product. This is clearly attractive to consumers, who frequently take advantage of the opportunity to order a customised product which combines features of several products on show, or incorporates the customer's own ideas and preferences (pers. comm.³⁸). The nature of informal enterprise production, with single or very small batch production, makes customisation arguably more efficient in these enterprises than in large producers.

4.2 Flea Markets in the Durban Municipal Area

The first flea-market in Kwa-Zulu Natal was opened on the Durban beachfront by the Amenities Council of the then City Council in December 1982. Started as a community project, it was run by a Section 21 (Not for Gain) company formed by the council (Natal Mercury - 12/12/97: pers. comm.³⁹). Markets in the Durban area are run under a variety of other arrangements however, including on a private basis, by registered companies, and directly by the Informal Trading Department (pers. comm.⁴⁰).

Markets are an extremely popular and "trendy" form of shopping, and are found within the city centre, in the suburbs such as Berea, and in outlying areas such as Phoenix and Chatsworth. As a life-style reporter from a local paper (rather effusively) stated it:

"Forget shopping malls and designer shops. Flea markets have taken over as the hottest shopping venues around and are springing up by the dozen in Durban and surrounding areas" (The Natal Mercury - 07/01/95).

A variety of arrangements are apparent, from weekly to daily markets, and both indoors and outdoors. While the first market was originally intended as an arts and crafts market, it became increasingly commercialised, in line with many of the markets later established in Durban. A response to this has been the opening of several markets aiming to provide more exclusive and craft-orientated products, ranging through clothing, antiques and collectibles,

³⁸ This observation is based on personal experience, as well as the experience of friends at family shopping at the market. Specific examples included pottery, clothing, lamp-shades and hand-painted wood items.

³⁹ Interview with Di Greenwood.

⁴⁰ Interview with Alan Wheeler, Manager of the Informal Trading Department of the Durban Metropolitan Council.

arts and food-stuffs (The Daily News - 18/12/96). Of the seven largest markets in Durban, four are following this route and targeting the middle to upper income groups. The Essenwood Craft Market, held weekly in Berea Park in the upmarket Musgrave area has clearly been most successful in crafting an "upmarket" image for itself. The Point Waterfront and The Stables markets both target the aforementioned income groups, while since 1992 the AmphiMarket has been emphasising craft products over mass produced items as an attempt to regain its image as a true craft market (pers. comm.⁴¹).

The number of markets in the Durban Municipal Area (DMA) has fluctuated in the past five years, with several markets approved by the Informal Trading Department for operation on Council land failing to get off the ground. Their failure is attributed partly to a saturation in the market, and partly to poor marketing and advertising. Locational and parking constraints may also have been an issue. The number of markets in Durban is considered fairly stable at the moment, with eight Council-approved markets. Of these, seven have over one hundred and forty stalls, with the eighth having only twelve stalls (pers. comm.⁴²). This latter market, in Durban North, has declined from a high of seventy stalls in 1994, and efforts are currently being made to revive it (pers. comm.⁴³). There are of course numerous markets in Durban which do not fall under the auspices of the Informal Trading Department (that is, on Council land): a local newspaper showed another four Saturday, and four Sunday markets operating in the DMA on a typical weekend (The Independent on Saturday - 23/05/98). Over the Easter long weekend the paper advertised sixteen Saturday markets and nine Sunday markets, again excluding those approved by the Department (The Saturday Paper - 11/04/98).

⁴¹ Interviews conducted with organisers of Council-approved markets in the Durban Municipal Area (DMA).

⁴² Interview with Alan Wheeler.

⁴³ Interview with Keith Hendra.

Figure 2:

Profile of Council-Approved Flea Markets in the DMA - Customers

MARKET	Target Market	Operating Days	Operating Hours	No. visitors per day ¹
South Plaza	All	Sunday	9am - 5pm	24 000
Point Waterfront	Mid - Upper	Sat & Sun	9am - 5pm	8 000
AmphiMarket	All	Sunday	"Dawn to Dusk"	15 000
The Stables	Mid - Upper	Wed & Fri. Sunday	6pm - 10pm 11am-5pm	15 000
Essenwood Craft	Mid - Upper	Saturday	9am-2pm	27 000
Church Walk	All	Every day	8am-5pm	?
Durban North	All	Saturday	7:30am-1pm	200-300
Carnival Market	Low - Mid	Sunday	8am - 4pm	*

¹ Most figures reflect peak season attendance. The Stables reported peak attendance of 15 000, compared to a regular attendance of 5 000. For the Essenwood Craft Market regular attendance is between 7 000 and 10 000. An example of how an estimate is made is to conduct a count of entrants through all gates for a three minute period at various times throughout the day. These figures are then extrapolated to give daily attendance estimates. At the Essenwood Market estimates were based on a combination of number of cars, and head-counts within limited areas.

* The market organiser refused to answer any more questions.

? Interviewee unable to provide information.

Figure 3 :

Profile of Council-Approved Flea Markets in the DMA - Stall-Holders

MARKET	Years Operating	No. stalls at start	No. stalls presently	Approx. % clothing	Stalls wait-listed
South Plaza	12 yrs	?	543	?	500+
Point Waterfront	2.5 yrs	20-40	180 ¹	28%	100+
AmphiMarket	15 yrs	10	260-280	30%	?
The Stables	1.5 yrs	100	200	10%	± 1000
Essenwood Craft	5 yrs	180	210-220	25%	± 640
Church Walk	3-4 yrs	50	141	Majority	10-30
Durban North	4-5 yrs	60	12 ²	17%	0
Carnival Market	3.5 yrs	*	145*	*	*

¹ Rose to 300 stalls, but dropped due to poor location - inaccessible by public transport.

² This market started with 60 stalls, which rose to 70. Around the 1994 election the number began to drop. The organiser was unsure exactly why, although security fears were considered an issue.

* The market organiser refused to answer these questions. Estimate of number of stalls obtained from the Informal Trading Department of the Durban Metropolitan Council.

? Interviewee unable to provide information

4.2.1 The Essenwood Craft Market⁴⁴

The Essenwood Craft Market was started by Jennet Brown, herself a former informal sector operator, as a response to the identification of a particular niche in the market for an upmarket craft market, where quality and design, rather than price are the selling points. Furthermore she hoped to resolve the problem of the lack of protection for product design apparent at other markets in the Durban area where successful designs could be copied and then sold at the same market, often undercutting the original designer. The intention has always been to keep the market small enough to avoid duplication of products. The market is also seen to play an important role as a skills platform, offering an opportunity for small businesses to show their works. The market specifically targets the upper income group, and has been voted the best market in South Africa for the past two years.

The first traders were attracted by word of mouth, which was facilitated by Jennet's background in the market industry. The original traders represented traditional home-industries, rather than small scale businesses. Initially the bulk of the stall-holders were clothing producers, although currently clothing stalls are held at 25% of the total. Jennet suggests that the market is increasingly attracting a different type of stall-holder: the "old" stall-holders were craft people producing and selling craft items to supplement family or personal incomes. The "new" breed of stall-holder has often been retrenched from the formal sector, and are increasingly university graduates unable to get a position in the formal sector. Jennet feels that this group by personality and mindset do not fit into the informal sector, and have the eventual intention of moving into the formal sector. The background and goals of stall-holders is one of the issues to be investigated by this study.

In addition to providing retailing facilities for two hundred and ten entrepreneurs, the market also provides ten stalls for charity organisations. Furthermore the market provides weekend employment for eight labourers who are responsible for setting up tables, four porters who assist stall-holders and customers, and three domestic workers who work in the tea gardens

⁴⁴ This Section is based in its entirety on an interview conducted with Jennet Brown, the organiser of the Essenwood Craft Market.

and keep an eye on children in the park. The twenty seven security staff are off-duty city and state police officers and SANDF personnel , and exclude the eleven car guards.

4.2.2 The Regulation of Markets

The Informal Trade Department leases Council-owned land for flea markets. This is done either on application from a group or individual interested in organising a market, or by the tendering of available and suitable land identified by the Council. Groups or individuals wishing to operate a market submit an application which goes before the Informal Trade Working Group, which is made up of representatives of interested departments (pers. comm.⁴⁵). The approval process has not always gone smoothly however, with different departments (such as the City Police and the Physical Environment Department) at times reaching different conclusions as to the suitability of a venue (pers. comm.⁴⁶). Applications are approved or rejected on grounds such as adequate parking and locational conditions, with no attempt being made to control competition by limiting the number of markets in an area (pers. comm.³⁵).

While the Department does not actively regulate Council-approved markets, except to ensure that they do not exceed the number of authorised stalls, it is coming under increasing pressure to ensure that more stalls are made available at flea markets for black stall-holders, who appear to be under-represented in this arena. The Department is discussing this with market organisers, with one solution being for black traders to form co-operatives which then sell at a single stall. This is effectively what is done at the Essenwood Craft Market, where SEWU runs a stall. While existing contracts make no provision for insisting on a certain number of stalls being made available for black entrepreneurs, the Informal Trade committee has recently requested that such a provision be included in new leases. (pers. comm.³⁵). From the perspective of the Essenwood Craft Market a 'quota system' may well prove problematic, with the suggestion being that it is extremely difficult to find black traders producing the sort of high quality, design-intensive goods demanded by the upmarket craft market consumer

⁴⁵ Interview with Alan Wheeler

⁴⁶ Interview with Jennet Brown

(pers. comm.⁴⁷) This raises interesting questions, to be considered at a later, as to the potential for the White Paper on Small Business to create a nexus between its objectives of equity and sustainable economic growth.

Regulation of markets also occurs at the level of the market itself, with considerable authority exercised by the market organiser. Most obviously, control is exercised by determining what products are sold at the market. This is particularly the case at those markets, like the Essenwood Craft Market, which style themselves as upmarket craft-orientated markets. If the market is to attract the upper income group, then a certain quality and type of product must be ensured. Conversely, the type and price of products serves to draw a particular group of buyers. At the Essenwood Craft Market a small committee of stall-holders assists in the running of the market, and plays a role in screening and selecting new products for the market. The description of the working of the committee suggests a very informal structure. In practise new products are often vetted by any available stall-holders, rather than by the committee itself, and final veto power is held by Jennet. Market organisers may also act to limit competition, by allowing only a certain number of stalls to sell similar products at the market (pers. comm.⁴⁸).

Control exercised by the market organiser can extend beyond just control of products, to control of the type of individual selling at the market. The appeal of the Essenwood Craft Market as a family event is maintained by a careful control of the venue, and the behaviour of stall-holders. Stall-holders are asked to protect the environment (by keeping it litter-free, and not damaging the trees etc.), to behave appropriately (with bad language and alcohol not accepted), and to be considerate of customers (for instance by parking only in the stall-holders parking area). Stall-holders who do not maintain this code of conduct can be, and have been, sanctioned, in some cases by exclusion from the market (pers. comm.³⁶).

⁴⁷ Interview with Jennet Brown. She stated that attempts had been made to encourage black traders to operate at the Essenwood Craft Market, but invariably the traders themselves withdrew from the market in a matter of weeks, due to low demand.

⁴⁸ Interview with Jennet Brown

While not to be considered in any depth in this paper, it is worth noting the extent to which small informal enterprises remain vulnerable to external authority, despite their successful avoidance of the formally regulated economy. Informality allows enterprises to avoid state regulation and taxation, while selling at a market provides the opportunity to avoid the traditionally asymmetrical power relations between small producers and large formal retailers (Harrison 1997). However, these arguably strategic operating decisions place the informal enterprise at the mercy of the market organiser, who has the authority to terminate access to the market at any time. The flexibility and other benefits of informalisation, it seems, always come at a cost.

4.3 Implications for the Study

This chapter has situated the development of flea and craft markets, as an alternative retail space, within the broader shift in production and, particularly, consumption patterns which are associated with the post-Fordist era. Moving from the general to the specific, the development of the 'market scene' in Durban has been examined, with particular reference to the upmarket Essenwood Craft Market.

Through the discussion in this chapter we have drawn attention to two of the research questions outlined in introductory chapter:

- Are informal entrepreneurs predominantly involuntary entrants into the informal sector, excluded from the formal sector by retrenchments and lack of employment opportunities?
- What role has, and can, the White Paper on Small Business play in the development of innovative small enterprises targeting the upper end of the market? How does the White Paper intend to balance equity with sustainable growth in its support of small enterprises?

The next chapter will outline the findings of the study, in order to provide answers to these, and other questions.

CHAPTER 5:

Study Findings:

The aim of this chapter is to set out the results of the study of the activities of small clothing enterprises at the Essenwood Craft Market. **Part I** of this chapter deals with the findings of the survey of clothing enterprises at the Essenwood Craft Market. **Part II** presents the findings of a second round of research which evolved out of the findings of the initial survey. It explores links between designer-retailer enterprises operating at the Essenwood Craft Market, and their CMT operators. In Chapter 6 the findings outlined in this chapter will be discussed in terms of the shifting industrial paradigms outlined in Chapters 2 and 3.

PART I:

Findings of the Survey of the Essenwood Clothing Enterprises

The survey obtained a 50% response rate, and an informal scan of those who fall into the category of non-respondents suggests that there is little to differentiate them from respondents in terms of age, size of business or any other obvious criteria. This in turn suggests that basic statistical observations of the characteristics of respondents are likely to give a good indication of the situation prevailing in the population as a whole.

As will be discussed, clothing stalls at the market were found to represent both simple retail activity and the retailing aspect of enterprises involved in design, production and retail. Unless otherwise stated, survey findings refer to all clothing businesses operating stalls at the market, both retailers and manufacturers. While a case could be made for concentrating exclusively on manufacturing enterprises, this would effectively mean relegating the marketing aspects of post-Fordism to an inferior position, and would ignore aspects of informalisation built around survival strategies rather than such issues as avoidance of state regulation. In the interests of a comprehensive and unbiased study it was decided to include all clothing stalls in the analysis wherever possible.

5.1 Target Markets

Based on both location and the stated intention of the organiser, the Essenwood Craft Market aims to attract customers from the upper income groups. While most respondents identified middle to upper income groups as their target market, four respondents included low income groups in their assessment of the target market, suggesting a poor grasp of market demographics. Clothing enterprises at the market produce for all age groups from infants to adults, although individual enterprises tend to produce for a narrower market segment, for instance, children, teenagers, or adults, or in combination for children and teenagers or teenagers and adults. Only four enterprises covered all age groups in their product range. None of the enterprises surveyed specifically produced menswear, and even in stalls where clothing for both sexes was produced, the female market was clearly dominant.

Although the market has a stated “craft” orientation, only 25% of the respondents sold process-intensive clothing which required an above average level of hands-on work to produce. A particular trend in this group were those producing over-dyed clothing, a process whereby colourful clothing is produced by first printing designs onto fabric, and thereafter dyeing either the textile or the completed garment. Four of the twenty one respondents produced this type of clothing, mostly for the children’s market.

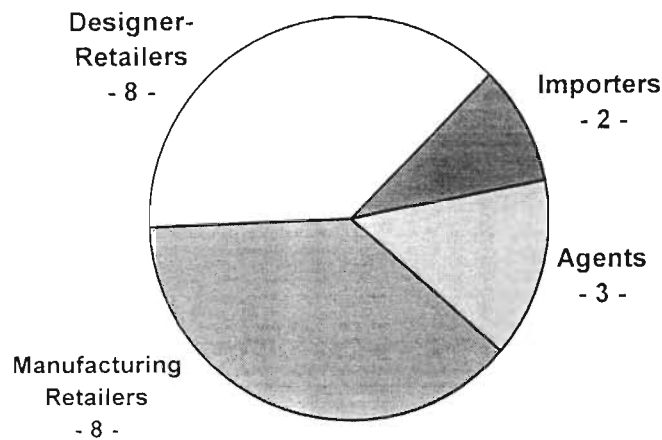
5.2 A Profile of the Surveyed Clothing Enterprises

The enterprises operating at Essenwood Craft Market can be loosely divided into producers and non-producers. Producers, who together accounted for just over 70% of the survey respondents, could be further divided into two groups of equal size: those who controlled production directly (manufacturing-retailers), and those who contracted a CMT operator to produce to their specifications (designer-retailers). Just five out of the twenty one respondents were non-producers, with two selling imported clothing, and three acting as agents for the producing enterprise. The aforementioned scan of the non-respondent population suggested that this is an accurate reflection of the breakdown of the population as a whole, so that in the total population, approximately 80% of clothing stall operators were involved in some way in production. (See **Figure 4** on next page)

Only four respondents were non-white, a realistic reflection of the racial make-up of the entire population of stall-holders at the market, and a reasonable reflection of the customers attracted to the market. Interestingly, only one of the *producers* was non-white. All except two of the respondents were female, and the average age of respondents was 34 years, with 56% of all respondents falling within the 25 to 34 year age bracket⁴⁹. The average age of producers using CMTs was 31 years, compared with 39 years for respondents controlling production themselves⁵⁰.

Figure 4:

Types of Activity of Enterprises Operating at the Essenwood Craft Market



Stall-holders at the market were well-educated, with 55% of the respondents holding a Matric plus three year diploma or degree. Only eight respondents (38% of the those surveyed) claimed to have previous experience in the clothing industry (ranging from dress-making to retailing experience). Interestingly, seven of these respondents fell into the category of producers, so that 44% of producers had come previous clothing experience (with a fairly even split between the designer-retailer and manufacturing-retailer groups). This suggests that previous clothing experience provides more of an advantage to those involved in designing

⁴⁹ In two cases two stall-holders were identified in the questionnaire (husband and wife, and mother and daughter respectively). For the purpose of calculating the average age of the stall-holders the number of respondents was then taken as 23, rather than 21.

⁵⁰ This figure is arguably lower than it should be, as it includes two younger respondents (age 20 and 23 respectively, who are jointly involved in production with a parent. Excluding these individuals brings the average age of self-producers to 44.

and producing clothing, than to those involved simply in retailing. Nonetheless, previous experience is clearly not essential for running a successful informal clothing enterprise. A similar situation emerged as regards previous experience in running a business. The six respondents who have experience in operating a business covered a range of activities, including publishing, architecture, clothing manufacturing and retailing, and quilt making.

Entrepreneurship was found to be the motivating factor behind the establishment of most of the small businesses, with 48% of respondents indicating that a desire to work for themselves prompted their decision to open a business. About 33% indicated that their original motivation for establishing the clothing enterprise was to have an additional source of income⁵¹, while just three of the twenty one respondents had been retrenched from the formal sector, none of these from the clothing sector.

5.3 History and Operation of Enterprises

The enterprises surveyed were predominantly informal, with just six respondents reporting that their enterprise was registered. Verbal comments from respondents suggested that avoidance of taxation features strongly as a reason for informality, with one respondent noting that the company was only registered when it became too large to avoid it any longer.

Start-up capital was accessed through a variety of means, most of them informal. In the majority of cases business were started with personal savings or with gifts or loans from family or friends. One business was started on the basis of a retrenchment package. Only two enterprises turned to a bank for finance. Notably, only one enterprise had accessed state assistance (through the SBDC) in setting up operations. This seemed symptomatic of a general lack of knowledge of and interest in state support for small businesses. Only eight respondents (or 38%) claimed any awareness of support measures on offer from the state. With the

⁵¹ This can be compared to Jennet Brown's suggestion (see Section 4.2.1) that more recent market entrants are being "pushed" into the informal sector through, for instance, the inability to get formal sector employment. The evidence from the survey does not prove or disprove this theory, however. Reasons behind decisions to operate in the informal sector are discussed further in Chapter 6.

abovementioned exception no respondent had accessed any form of small business support, either in the form of loans, advice⁵² or training.

A noticeable feature of enterprises for which surveys were completed is the short length of time for which they have been operating. Fifty percent have only been in operation since 1995, while only one was in operation before 1990. The decision to operate would seem to be closely linked to the opportunity to sell at the Essenwood Market, with seven enterprises using the market as their first outlet, and three others only selling from home prior to their entry into the market. Other enterprises which had operated prior to entry into the market had done so largely at other markets, or in a few cases through small retailers. While the Essenwood Craft Market appears to be the focus of marketing efforts, only one enterprise sells *only* at the Essenwood Market. Four respondents reported selling at various markets, both in Durban and in other towns and cities, while ten respondents sell through both formal retail outlets and markets. This suggests the use of the Essenwood Craft Market as a platform for penetrating other markets. The overwhelming majority of enterprises gave what might be termed "positive" reasons for operating at markets, particularly the benefits of low overheads and better exposure to and contact with customer. The minority of "negative" reasons for choosing to operate at markets included an inability to access formal outlets or to satisfy their demands in terms of quantity. Three enterprises stated that they were using the market as a testing ground for a new enterprise.

5.4 Competition and Competitors

A question rating the relative importance of several aspects of competitiveness reflected a clear understanding amongst firms of the growing importance of a range of issues, besides simply price, in meeting customer demand. The stated aim of the Essenwood Craft Market is to sell "quality goods at a reasonable price", in contrast to the traditional idea of a flea market where low prices are the main attraction. Nonetheless, most respondents felt that price was an important or very important factor enabling them to compete in their target market, with price getting an average rating of four on a scale where one was not important and five very

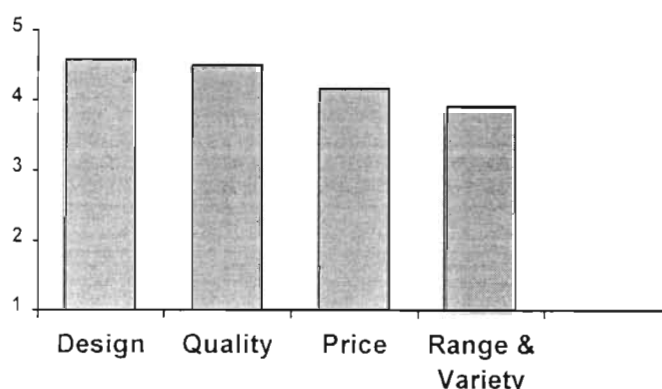
⁵² One respondent did however report using the Department of Trade and Industry's "Global Trade Product Magazine" as a way of gain access to export markets.

important. Notably, quality and product design were considered to be slightly more important than price as a source of competitive advantage. Perhaps a better indication of the relative importance of price and design can be gained by considering the mark-up on garments. The average mark-up is calculated to be 78%, although actual mark-ups ranged from 35 - 300%. The lowest mark-up was on simple (and very popular) summer dresses which most closely approximated "mass-produced" garments. This suggests a trade-off between design-intensity and price, whereby customers consider price less important in relation to design-intensive garments. Product range and variety were considered the least important factor in competition, suggesting that enterprises are specialising in market niches.

Figure 5:

Relative Importance of Various Factors in Enterprise Competitiveness

NOTE: 1 = Not Important, 5 = Very Important



Competition in the clothing industry is always fierce, and the situation is no different for informal enterprises operating at markets. Competition comes from a variety of sources, both internal and external to the market. Half of all respondents thought that other market-based enterprises, both at Essenwood and other markets, were a major source of competition. Thirty-three percent felt that small retailers offered competition, while 24% felt chain-stores to be a source of competition⁵³. Interestingly, competition from chain-stores was noted by two respondents as being a recent phenomenon ("in the past year only"), and seems to be linked very closely to chain-stores picking up on innovative market ideas and retailing large quantities of innovative products, often at lower prices. This was apparent in the case of over-

⁵³ Respondents were not limited to one response only. Percentages therefore total more than 100%.

dyed clothing as well as in UV protective swimwear. In the case of children's clothing in particular "house parties" were mentioned by several respondents, either as a source of competition or as another form of informal retailing. In this instance clothing is sold to groups of women meeting socially in a private home, with the organiser getting some form of incentive from the producer or agent.

Forty-four percent of producers surveyed complained that their designs have been copied by competitors within the market, by small retail outlets and by chain-stores such as Edgars, Pick 'n Pay and Mr Price⁵⁴. Several respondents commented on the difficulty of "copy-writing" a design. Although the stated intention of the Essenwood Craft Market is to control competition in an effort to protect producers who originate an idea, the impression gained from the surveys is that this has not been very successful. Four respondents complained of designs being copied by other stall-holders within the market. A telephonic interview with an entrepreneur who had previously sold over-dyed children's clothing at the market highlighted this problem. She pointed out that just 2-3 years ago over-dyeing was a new style innovation, largely confined to craft markets, with only herself and one other enterprise selling at the Essenwood Craft Market. Currently about seven of the total clothing stall population are selling such clothing, and chain stores such as Mr Price and Pick 'n Pay are also producing the same styles. Interestingly, the interviewee noted that copying and borrowing of designs goes on continually in the clothing industry. She pointed out that this becomes problematic for small enterprises when customers can no longer distinguish between designers (no name or design recognition) or when large producers can sell at much lower prices. She feels that excessive competition and changing customer demand means that the end is in sight for this style, and has personally stopped producing such clothing.

⁵⁴ The question arises as to whether these stores *do* in fact compete directly with the Essenwood Craft Market in terms of the type of customer attracted. Edgars is an upmarket clothing chain store, Pick 'n Pay a supermarket store which is increasingly trying to appeal to a more upmarket group of customers. (so that a comparison might be made with Woolworths), while Mr Price is a "trendy" factory shop chain. Small retail outlets are more likely to attract the same customer groups. Clearly, the issue of competitors is a complex one; while the chain stores, independent retailers and the Essenwood Craft Market may not be in direct competition in terms of customers, the survey definitely indicates some overlap, so that copying and mass production has a negative impact on craft market sales.

5.5 Design Issues⁵⁵

Design ideas and skills appear to be central to the establishment of these small enterprises, with design largely the responsibility of the entrepreneur. Only one well-established *formal* enterprise uses an external designer. Garments are in most cases designed and produced for two seasons annually, although six respondents sold seasonally specific garments the whole year round, notably swim-wear and summer dresses. One respondent stated that the off-season was used to stock-pile for the summer season when demand was very high. Design ideas were drawn largely from general fashion trends, predominantly overseas trends, but also from trends within local clothing chain-stores. Customer suggestions appear to be important in developing designs, with just over 50% of respondents listing this as a source of design ideas.

The range of garments produced by a particular enterprise varies considerably, and the source of variety can lie in either the style of pattern, the type or the colour of the fabrics. On average twenty styles of patterns and three types of fabric are used. The number of colours in which garments are produced varies considerably, usually depending on how interesting the products range is in terms of styles and fabric types. By way of example, enterprises specialising in over-dyeing techniques tend to use a limited range of colours at any one time, while an enterprise producing simple cotton summer dresses uses a huge and ever varying range of fabric designs.

The enterprises do not appear to be particularly innovative in terms of significant design changes, with most respondents reporting that only slight changes are made to the style of garments produced, and these are largely in terms of colour and print, rather than style. While enterprises clearly do respond to changing fashions by adapting their design, there seems to be little effort to buttress against any radical shifts in fashion by introducing completely new styles. In informal discussion one non-respondent to the formal survey said that the demand for their primary product had died down, forcing them to introduce a new range in addition to the old. This sort of response is very much in the minority however.

⁵⁵ This section relates only to producing enterprises - both manufacturing-retailers and designer-retailers.

5.6 Production

As has been pointed out, of the sixteen respondents involved in both production and retail, eight controlled all aspects of production directly (manufacturing-retailers), while eight designed and sold garments which were actually produced by a CMT operator (designer-retailers). In fourteen of the sixteen cases, production was located in the greater Durban area, while another enterprise used CMT operators in both Durban and Cape Town. The sixteenth enterprise produces in Pietermaritzburg.

5.6.1 Internally Managed Production - Manufacturing-Retailers

All except one of the manufacturing retailers would be classified as micro-enterprise in terms of the White Paper on Small Business (Government of South Africa 1995: 10), with an average of 2.4 permanent employees and 1.2 temporary employees. The other (formally registered) enterprise would best be classified as a small or medium enterprise, with fifty permanent employees. These employment figures are problematic however, in that only six respondents provided the necessary figures. Furthermore outliers make accurate inferences difficult. What *can* be inferred is that manufacturing-retailer enterprises at the market, particularly those which are informal, are small, and offer little scope for employment creation. Nonetheless, the fact that these informal enterprises are profitable enough to support both the owners and some employees should be viewed as a reflection of their success. The number of employees in four of the eight enterprises has increased in the past two years, remaining static in the other four enterprises. One enterprise reported employing only family members. Other enterprises used a mix of (a minority of) home-workers and employees working on company property (which in all except two cases is a private home).

Employees with previous experience in the clothing industry are clearly preferred by these enterprises, and all respondents felt that their employees were adequately skilled for the demands of the market. Only one enterprise formally budgeted for training, with other enterprises engaging in informal on-the-job training where necessary. Production is organised along traditional "division of labour" lines, with each worker responsible for a different part of production, rather than for a complete garment. Few formal quality control systems appear

to be in place, with checking done by the entrepreneur where necessary. None of the workers employed by these enterprises are unionised.

5.6.2 CMT-Based Production - Designer-Retailers

Of the eight producing enterprises which use CMT operators, only one has previously had its own manufacturing unit. The primary reason for choosing to outsource production was cost-effectiveness, with seven enterprises citing this consideration. Other less pressing reasons are a lack of production skills, an unwillingness to deal with employees, and the size of production which may be considered too large to control internally. Most enterprises use only one CMT operator, although two enterprises divide production between two CMT operators, while another uses four CMTs.

Six of the respondents characterised their relationship with their CMTs as committed and long-term, whilst the remaining two see the relationship as short-term and arms-length. Five of the enterprises in question responded that producing through a CMT operator had sometimes been problematic. Complaints related to poor quality and failure to meet production and delivery deadlines. Amongst the five enterprises which complained of problems with their CMTs, three characterised their relationship with their CMTs as committed, while two termed the relationship short-term. This suggests two ways in which enterprises deal with problems which arise with CMTs. On the one hand, a committed relationship suggests that solutions to problems would be negotiated, while the existence of a short-term relationship suggests that problems are more likely to be solved by terminating the relationship and finding another CMT.

5.7 Relationships with Other Enterprises

Globally, dynamic small enterprises are found to be developing closer relationships with suppliers, and to be learning to co-operate with competitors in matters of mutual interest. Questions were posed to the sixteen producing enterprises to determine if there was any evidence of these more dynamic relationships amongst the clothing enterprises under discussion.

5.7.1 Relationships with Suppliers

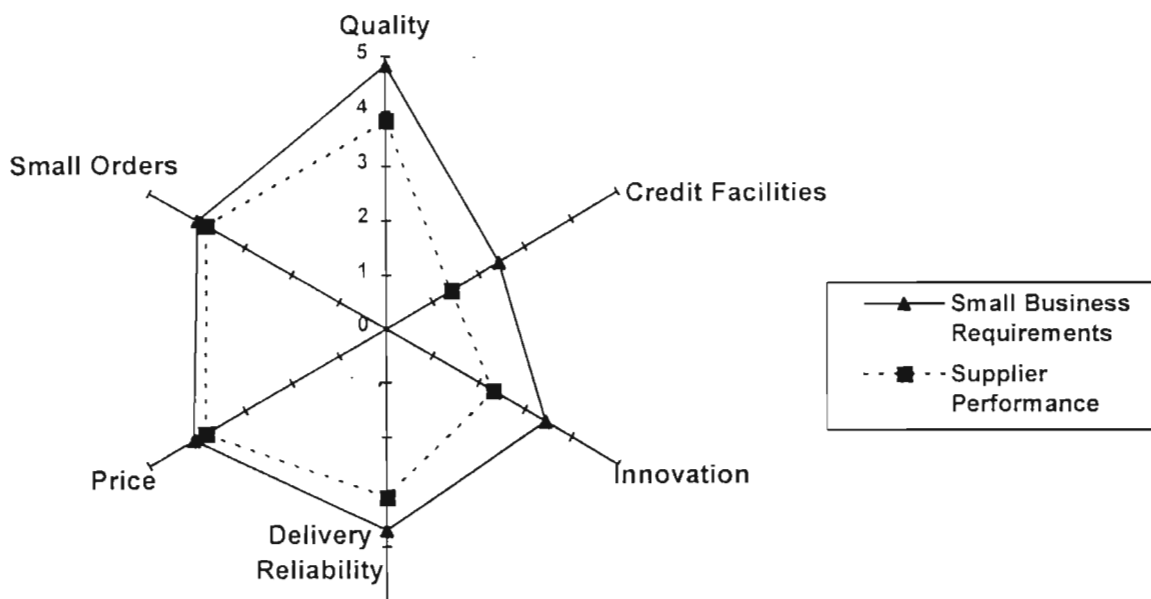
Inputs used by the enterprises vary greatly depending on the nature of the garments being produced. While most enterprises share a need for traditional inputs such as fabric and cottons, the craft-orientated nature of some of the enterprises demands other more unusual inputs such as fabric paints, and services such as fabric dyeing. On average enterprises used about nine suppliers in 1997, with a minimum estimate of two, and a maximum of fifteen.

An examination of the firms' five main suppliers shows that most are located near to the point of production, that is within the greater Durban area. One enterprise purchases fabric from Pretoria, while another imports directly from Korea. The frequency of delivery ranges widely, with most inputs being purchased on a weekly to monthly basis. Only two enterprises took delivery of *some* inputs more frequently, in one case daily, and in another twice weekly. Several enterprises took delivery of materials even *less* frequently however, with periods ranging from every second to every fourth month.

Just under half of the producing enterprises use some imported input materials. Quality considerations are the main reason for using imported materials, although in some cases the price of imported inputs were reported as better than local alternatives. Availability, variety and the need to keep up with fashion trends were other reasons given for using imported fabrics. Quality is the deciding factor when choosing suppliers, local or foreign, although price, delivery reliability and a willingness to fill small orders are also important. The availability of credit facilities are not particularly important when choosing a supplier, although this is probably coloured by the fact that the provision of credit facilities is rare. From the responses it is clear that the actual performance of suppliers does not meet the expectations of the small enterprises. This is illustrated in **Figure 6** below which compares the requirements of small enterprise buyers (measured as the importance of various criteria in choosing a suppliers) with the firms' rating of actual suppliers' performance:

Figure 6:

Requirements of Small Enterprise Buyers, and Supplier Performance



Attitudes to suppliers vary widely amongst enterprises. Of the thirteen enterprises who responded to a question about the nature of their relationship with their suppliers, six felt that they enjoyed a committed long-term relationship, four an arms length long-term relationship, while three respondents felt that their relationship with suppliers was best described as arms length and short-term. This ambivalence is again apparent in comments made by respondents. While one enterprise pointed out that suppliers are as important to the survival of the enterprise as are customers, others pointed out that suppliers do not support small enterprises, giving preference to large companies. The relatively small input requirements of small enterprises makes it easier for them to simply visit another supplier if one cannot supply what they require, encouraging less committed relationships.

5.7.2 Relationships with Competitors

Clothing enterprises operating at the Essenwood Craft Market appear to have traditionally insular relationships with their competitors within the market. While the market organiser suggested that relationships between competitors within the market are affable, co-operation

does not seem to extend beyond watching each others stalls for a few minutes. Only one enterprise reported co-operating with other enterprises at the market. This co-operation involves a small group which meets to share general and market-related information, and assist one another with deliveries where practical. Clearly most enterprises are not making dynamic use of the opportunities afforded by clustering at the retail end of the pipeline to further their joint interests.

Relationships with other clothing enterprises are no closer outside the market, with no evidence of *any* co-operation, either in the form of arrangements to share premises and equipment or to jointly fill large orders. Furthermore, none of the enterprises reported belonging to any associations or organisations for either clothing firms in particular, or small businesses in general.

5.8 Exports

Considering the very small size and informal nature of most of the clothing enterprises under investigation one of the most surprising findings was that four of the sixteen producing enterprises export. All of these exporters were informal. Three of the enterprises began exporting in 1997, while a fourth has been exporting since 1995. Exporting seems to be haphazard, rather than strategic, with one company having been approached by a foreign mail order catalogue after her company was featured in an article in a local paper, and two beginning exporting at the request of local customers with contacts overseas. Only the enterprise which has been exporting since 1995 appears to have pro-actively targeted export markets, with the Internet, SAFTO and DTI identified as the means of moving into export markets. Three enterprises export to one country each, while the fourth exports to five countries. Clothing is exported to the United Kingdom, Israel, Zambia, the USA, Australia, Germany and France. Export turnover was reported as still negligible for one company, and for the others was reported as 3%, 25% and 48% of overall turnover respectively.

PART II:

Findings of the Interviews with CMT Operators

In the initial survey of clothing enterprises at the Essenwood Craft Market it was discovered that eight enterprises chose to subcontract the actual production work to a CMT enterprise. Clearly, such CMTs play an important role in the overall economic activity represented by clothing stalls at the Essenwood Craft Market, and as such deserve further attention. It was decided to explore these linkages through a series of interviews with some of the CMT operators in question. The interviews were not intended to be exhaustive, but rather to focus attention on a fairly limited range of issues which appeared relevant to the overall study.

Interviews were conducted directly with three CMT enterprises, while another two interviews were conducted with stall-holders who refused to divulge the name of their CMT operator. In both cases it was claimed that the stall-holder's enterprise was the only client of the CMT, and the stall-holder was in a good position to comment on the CMT's activity. Of the remaining three craft market enterprises using CMTs, one proved difficult to contact, and two preferred not to participate in this portion of the study.

5.9 Characteristics and Operation of the CMT Enterprises

Of the five CMTs interviewed either directly or indirectly, only one was a formally registered company. Discussions with two other stall-holders indicated that the CMTs they used also chose to operate informally. The characteristics of the CMTs can be neatly split along this formal-informal divide: the formal CMT had been operating for about ten years, was run by a male, and had large retail chains amongst its customers. Of the four informal CMTs one had been operating for six years, while the others had all been operating for less than five years. All four were run by females, and most of their work came from enterprises (mostly informal) which sold through flea or craft market outlets. The informal CMT enterprises included an "outlier" in the form of the longest running business, which had grown very rapidly, even producing for retail chains, but had subsequently collapsed. For the past two years the business has been operating on a more manageable scale, with just one customer. From the interviewed enterprises it would seem that years of operation do not necessarily bring a move

towards formalisation. The one formal CMT interviewed had formally registered after just six months of operating as a home-based informal enterprise.

Amongst CMTs, previous experience in the clothing industry seems to be of similar importance in the choice of business as it was to manufacturing-retailers, with two CMT operators having worked previously in the formal clothing sector⁵⁶. However, unlike the manufacturing-retailers in question, both CMT operators had been retrenched from formal sector employment. Another entrepreneur had sewn privately before going into business as a CMT. Three of the informal businesses operate from home, while the other, and the formal business, operate from commercial premises.

5.9.1 Employment Characteristics

Predictably, given the need to avoid official scrutiny, the informal enterprises interviewed had significantly less employees than the formal enterprise. While the formal enterprise had thirty five full-time employees, the informal CMTs had four at most, and working arrangements were more flexible. In one case both the two employees and the owner only worked one day per week, while another two enterprises split their staff between one or two full-time workers, and part-time staff who could help out in times of increased demand, sometimes in addition to full-time work elsewhere. The remaining informal enterprise and the formal enterprise had only full-time workers, and used “short-time” as a solution to periods of low demand. The staff of the formal CMT are unionised, but this is not seen as a problem in an enterprise where everything is “above board”.

Interestingly, given international trends in informalisation, none of the CMTs in question used home-workers as part of their workforce. All employees, even those who only worked occasionally and after hours, worked on enterprise premises.

⁵⁶ 50% of manufacturing-retailers and 40% of CMT operators had previous clothing sector experience.

Figure 7:

Main Characteristics of CMTs Interviewed

CHARACTERISTICS	CMT 1	CMT 2	CMT 3	CMT 4	CMT 5
Formal / Informal	Informal	Informal	Informal	Informal	Formal
Years in operation	2 yrs	1 yr.	4 yrs	6 yrs	10 yrs
No. of staff - full-time	1	0	3	2	35
- part-time	2	2	0	1	0
Staff unionised?	No	No	No	No	Yes
Home-work?	No	No	No	No	No
No. of customers	2	4	-	1	6
Total units per week	120	50	± 200	-	-

NOTE: "-" represents "No information"

5.10 Relationships between Craft Market Designer-Retailers and CMTs

The relationships between craft market retailers and CMT operators were, for the most part, initiated based on word-of-mouth references. None of the CMTs in question had advertised their services. This once again probably reflects the need to avoid official scrutiny. One CMT who had previously only sewn privately began operating after responding to an advertisement placed in a local newspaper by a stall-holder.

The typical contract between CMT and contracting enterprise has the contracting company responsible for the provision of patterns and fabric, and the CMT responsible for labour and production, as well as the purchase of the necessary thread. The relationship between CMT and craft market enterprises seems relatively close, particularly when compared with the arms length nature of enterprise-supplier relations discussed in the previous chapter. This is to be expected however, as the nature of the relationship makes the CMT and the craft market enterprise highly interdependent. This was explicitly acknowledged by one enterprise which was the sole customer of an informal CMT enterprise. The owner of the enterprise noted that such a high level of interdependence made both enterprises very vulnerable to any problems experienced by the other. The solution was to try to encourage the CMT in question to sell some of its own production, while the market enterprise could redirect a portion of production to another CMT, thereby diversifying risk for both parties.

The advantage to small informal retailers of using informal CMTs would seem to lie in their willingness to take on small orders. The formal CMT operator who deals with a number of large customers spoke of the need to charge a higher unit rate for small orders.

Perhaps surprisingly, given the abundance of cheap retail outlets in the form of flea markets, none of the CMTs interviewed themselves sold any garments. Thus CMTs are not in competition with the enterprises they produce for. Three of the informal CMTs do private dress-making in addition to their work as CMTs, making a case for the financial advantages in producing high quality specialised garments as opposed to larger runs of more widely demanded garments.

5.11 Trends in Demand

The state of business in the clothing industry is affected by annual cycles of demand, broader economic conditions, and trends within the international clothing industry. Three of the CMTs explicitly mentioned that business was poor at the moment. In the case of two informal enterprises this was broadly linked to low levels of demand as a result of a general lack of money on the part of consumers. The formal CMT had a more nuanced view of poor business conditions, attributing it to a combination of competition from cheap imports and the lower labour costs of CMTs based outside of Durban. Notably, this company, which has had to resort to operating an overdraft for the first time in 10 years, points out that it is not the *quantity* of work which has declined, but rather the *price received* which has dropped. This would suggest that, in the formal sector at least, it is excessive price-based competition, rather than a lack of domestic consumer demand which is affecting CMT business. Clearly however, business is poor, with one enterprise reporting the quietest period in 4 years of operation.

5.12 Concluding Comments

This chapter has set out the findings of the research conducted into the activity of the Essenwood Craft Market clothing enterprises. The emphasis has been on exploring the effect of, and enterprise responses to, changes in the global competitive environment. Attention has also been paid to exploring the issue of informalisation.

By way of conclusion, the next chapter will analyse the results set out in this chapter in terms of the theory of new competition and informalisation. It will also consider issues of state support for informal enterprises, and the implications of the study for the broader South African clothing industry.

CHAPTER 6:

Global Trends and the Essenwood Clothing Enterprises:

Analysis and Conclusions

The purpose of this study is to determine to what extent the activities of small, informal clothing enterprises, operating at an upmarket craft market reflect, and are related to, broader trends, both within the global economic environment, and within the global and local clothing industry. In examining this research problem we have built a theoretical framework which considers the global emergence of a post-Fordist industrial structure, known variously as flexible specialisation or new competition. In addition, we have considered the trend towards informalisation, and the way in which the clothing industry has been influenced by both flexible specialisation and informalisation. By way of concluding this study, this chapter seeks to analyse the growth and activity of the clothing enterprises at the Essenwood Craft Market (as reflected in the survey findings outlined in the Chapter 5), with particular reference to the research questions outlined in Chapter 1.

A review of these questions shows that they can be grouped loosely around four issues. The first set of questions relates to enterprise responses to changes in the nature of competition. Of particular relevance here are issues of design and marketing innovation, as well as inter-firm relationships. The next set of questions look specifically at informalisation, with the intention of explaining the decision of the Essenwood clothing enterprises to operate within the informal sector. The third issue is one of government support, with specific reference to the implications of the White Paper on Small Business for the Essenwood clothing enterprises. The analysis concludes by taking a broader view of the activities of the Essenwood Craft Market clothing enterprises, with the intention of exploring implications for the restructuring of the South African clothing sector.

6.1 Shifting Industrial Paradigms: New Competition and Inter-Firm Relationships

In Chapter 2 the key features of what is generally seen as an emerging industrial paradigm were outlined. How relevant these features will be for particular enterprises depends on a

variety of issues, including the size of the firm, the type of industry, and the nature of the product. For instance, J-I-T production may be more relevant to large firms dealing with numerous suppliers and huge throughput, than to micro-enterprises where it may be more rational to sacrifice reduced inventory for cheaper, bulk purchases of inputs. Given the nature of the enterprises under investigation, the relevance of flexible specialisation to improved competitiveness relates primarily to product innovation, marketing arrangements and inter-firm relationships. Thus the questions against which one can examine the responses of the Essenwood Craft Market clothing enterprises to the new paradigm of flexible specialisation include:

- Firstly, to what extent are the activities of the Essenwood Craft Market clothing firms a reflection of shifts in the broader competitive environment? More specifically:
 - On what basis are the enterprises in question competing? How important is quality and design versus price? How innovative are these enterprises in terms of product design?
 - How responsive are these enterprises to changing customer demands?
 - How important are marketing arrangements to the success of the enterprises?
- What is the nature of inter-firm relationships:
 - Do these relationships reflect the high levels of co-operation with suppliers (in this case also Cut Make and Trim -CMT- operators⁵⁷) usually associated with flexible specialisation? Is there any indication of co-operation between competing enterprises, as outlined in the industrial district model?
 - More broadly, what is the nature of linkages between the informal clothing enterprises at the Essenwood Craft Market, and the formal sector?

6.1.1 New Competition: Innovations in Design and Marketing

If we conceptualise the emerging industrial paradigm in terms of “new competition”, then the emphasis falls on understanding changes in consumer demand, and the way in which enterprises compete to capture a greater share of this shifting demand by responding rapidly and flexibly to changing consumption trends. In this model one might argue that the design

⁵⁷ CMT operators are involved in only the production aspects of clothing manufacture, and usually operate as subcontractors to full manufacturers, or to design houses or independent retailers.

and marketing aspects of meeting consumer demand are emphasised rather than the production process itself. If the emerging paradigm is conceptualised in these terms, findings are largely positive. Enterprises at the Essenwood Craft Market are largely aware that price alone is no longer a sufficient basis for competition. There is a clear recognition of the importance of quality and design in attracting customers, although simple price competition remains important within the context of the particular market segment. This awareness is best reflected in the fact that in most cases *design*, rather than simply production or retailing is the basis for entrepreneurial activity, with the stall-holder responsible for design in fifteen out of the sixteen producing enterprises. The benefits to the enterprise of emphasising quality and design are quite clearly encapsulated in the finding that the lowest mark-up is on the *least* design-intensive garments.

Survey responses show that enterprises within the Essenwood Craft Market are responding to the emergence of a more differentiated consumer demand, and are individually targeting narrow market niches as defined by income, age and product range. This type of specialisation and focus is essential for small enterprises which are unable to compete with large firms in terms of the economies of scale inherent in large production runs. Furthermore, there seems to be a recognition amongst enterprises that, from a marketing perspective, meeting consumer demand requires more than simply attention to product quality and features. The decision of small enterprises to locate within the Essenwood Craft Market contains an implicit understanding of the value of situating retail activities within an environment which is conducive to consumption from a cultural as well as a purely economic perspective. The long waiting list for the Essenwood Craft Market is an indication of the value attached to this particular market venue as a retail outlet. The fact that the establishment of seven of the surveyed enterprises coincided with their access to retail space at this particular market reinforces this assessment. The presence (in most cases) of the designer-producer at the point of sale adds symbolic value to the product. At the same time, careful control of products sold at the market serves to create an air of exclusivity and avoids any appearance of mass-production.

In an era of highly differentiated and changing demand a heightened awareness of customer opinion is essential if new designs are to be developed timeously. While for large retailers this can be achieved through formal market research, cost constraints faced by small enterprises means that they must strive to maintain closer relationships with customers on an ongoing and informal basis. The informal atmosphere of the market facilitates the exchange of ideas between customers and stall-holders, and the weekly nature of most markets enables designers to be personally available to customers. Contact with customers is identified as a key factor in the decision to operate at the craft market, and is one reason why at least half of the respondents choose to continue to operate at these markets despite sales within the formal retail sector. The clothing enterprises are clearly 'hearing' their markets, with 50% of respondents citing customer suggestions as a source of design ideas. In addition, the willingness of stall-holders to produce customised products is an important indicator of a willingness to adapt to market demands.

Another important aspect of new competition is the ability of enterprises to innovate. In the case of the small, informal clothing enterprises, the greatest opportunity for innovation exists at the level of product design, and marketing. From a marketing perspective the decision of enterprises to operate at the Essenwood Craft Market is clearly innovative. Enterprises appear to be taking a strategic decision to remain in close contact with customers and to locate retailing operations within an environment which appeals to customers' aesthetic preferences. The Essenwood Craft Market appears to be the focus of firms' marketing efforts, and to serve as a platform for penetrating other markets, including formal retail outlets. A final positive reflection of innovation in marketing is the fact that four out of the sixteen producing enterprises (25%) reported exporting some of their production. This evidence is impressive when one compares it to evidence which shows 43% of *formal* clothing manufacturers are exporting (Harrison 1997). While only one enterprise appeared to be taking a pro-active approach to penetrating export markets, the potential is clearly there for exports to be expanded. Given the emphasis on export-led growth in the era of globalisation, this is a particularly positive sign of enterprise innovation.

In terms of product design, innovation clearly features in the establishment of many of these small enterprises, and large formal retail outlets have not been slow to copy these innovations. Over-dyed children's clothing and UV protective swimwear are two such products which have been popularised within the market environment, (and to a lesser extent in small retail outlets) only to be copied by mass-producing chain-stores. Despite the originality of initial concepts and designs, *ongoing* innovation on the part of these enterprises appears to be more limited. While enterprises clearly listen to their markets, and designs are regularly updated to stay abreast of style and colour trends, diversification of the product line to enhance flexible response to changing demand and increased competition does not seem to be occurring. While this is cause for concern, a longitudinal study would be needed to determine firm level responses to declining demand over the long term. The limited evidence provided by this study is mixed: discussions with two stall-holders (neither of whom completed surveys) showed one to have diversified product range when demand clearly began to decline, while another actually stopped producing altogether, moving into another area of business.

6.1.2 The Nature of Inter-Firm Relationships

In terms of inter-firm relationships, the responses of the surveyed enterprises are less positive. As discussed in Chapter 2, the ideal model of flexible specialisation is characterised by new forms of inter-firm organisation designed to bring increased flexibility to the production process, and improve product quality, design and quick response to changing market signals. Inter-firm relationships become closer, and communication between producers and suppliers become increasingly important as producers strive for minimum inventories and flexible inputs. At the level of the small firm the mainstay of flexibility is seen to lie in the networking of enterprises within a geographic area. Co-operation between small firms can reduce costs in the form of training and marketing and allow firms to achieve economies of scale in joint production for large orders.

Durban has one of the country's two largest clothing sector clusters (Harrison 1997), and this is reflected in the fact that most suppliers used by Essenwood clothing enterprises are located relatively close to the producing enterprises, that is, within the greater Durban area. However,

this is not reflected, as might be expected, in frequent deliveries and close relationships between suppliers and producers. Most enterprises reported taking delivery of supplies on a weekly to monthly basis, which, at least at the monthly end of that category, implies the absence of a J-I-T production philosophy. For small, informal enterprises infrequent deliveries may be the most rational course of action, however. The infrequent nature of supply deliveries might relate to the problems faced by small enterprises in generating enough turn-over to demand a viable size order any more frequently than is already the case.

Only half of those answering the question felt that they enjoyed a committed, long term relationship with their suppliers. Most enterprises seemed reasonably satisfied with their suppliers, although suppliers' performance did fall short of enterprise expectations on all measured variables. Suppliers were felt to fall short of requirements in terms of credit facilities, innovative ability and delivery reliability, although the credit issue was, perhaps surprisingly, not rated as a major small enterprise concern. Enterprises were generally satisfied with their suppliers' willingness to fill small orders, and with the price of inputs. Quality, which is very important to the enterprises, was another area where suppliers fell short of expectations. Just under half of producing enterprises used some imported inputs. Interestingly, the quality problem seems to be particularly relevant amongst local producers of inputs, with poor local quality being the leading reason for sourcing foreign inputs. Price, availability, variety and fashionability are all thought to lag in local input producers.

Relationships between designer-retailers and their CMTs seem much closer than is the case with producing enterprises and their suppliers. Six of the eight designer-retailers see their relationship with their CMT as committed and long-term. Four out of the five CMTs interviewed were small, informal enterprises, and this may enhance the positive nature of relationships. The power dynamics between the small, informal designer-retailer and small, informal CMT can be expected to be more equitable than would be the case between an informal producer and a formal, presumably larger supplier. Furthermore, the fact that most designer-retailers use only one or two CMTs, while most CMTs subcontract for only a few enterprises, can be expected to make the relationship more intensive, with a high level of

interdependence. The mutual vulnerability of designer-retailer and CMT, given their informal status, is another factor likely to encourage a closer relationship.

The final aspect of inter-firm relationships which needs to be considered is the relationship between competing informal enterprises, specifically between the clothing stalls at the Essenwood Craft Market. While enterprises benefit from proximity - for instance, through shared customers - there is little evidence of active co-operation designed to pro-actively promote joint interests and increase markets share. Only one enterprise reported co-operating informally with other Essenwood Craft Market enterprises, while no enterprises reported belonging to any formal association or other organisation. This is of concern, given the vulnerability of small enterprises, and international experience as to the benefits which can be reaped from inter-firm co-operation. Export market penetration and input purchases are two obvious areas where the Essenwood clothing enterprises would benefit from co-operation.

6.2 Informalisation and the Essenwood Clothing Enterprises

As was discussed in the theoretical framework, there are numerous explanations offered as to why enterprises firms choose to locate themselves in the informal sector. In terms of emerging paradigm theories, informalisation is thought to be a means of injecting flexibility into the production process. As large enterprises down-size, production functions are seen to be decentralised to smaller enterprises, many of whom locate themselves in the informal sector in an effort to reduce costs and enhance flexibility through the avoidance of labour and tax legislation. Some of the questions posed as regards the informal activity of the Essenwood Craft Market clothing enterprises are:

- How important is the **demand** created by the upmarket Essenwood Craft Market in explaining the existence of the clothing enterprises in question?
- To what extent do the informal activities at the Essenwood Craft Market reflect **political discontent**, and an attempt to disengage from the broader socio-economic environment?
- To what extent do the activities of these firms reflect an “**economic crisis**”, particularly in the clothing sector, whereby economic restructuring is forcing people into the informal sector? More specifically, are informal entrepreneurs predominantly involuntary entrants into the informal sector, excluded from the formal sector by retrenchments and lack of

employment opportunities? Alternatively, has restructuring given rise to new opportunities which are being captured by informal operators?

- Do these firms reflect strategic informalisation as a **cost-cutting response** to increased competition from low wage countries, or as a means of escaping the high levels of unionisation in the formal clothing sector?

It is difficult to *directly* link the informal activity of the Essenwood Market clothing enterprises to the crisis, and associated restructuring of the formal clothing sector in KZN. While seven producing entrepreneurs (and two CMT operators) had previous experience in the clothing sector, only the two CMT operators had been forced out of the formal sector by restructuring. On another level, however, the success of these enterprises in targeting a particular market segment suggests that they have been able to identify a gap in the market which the formal clothing sector has been less successful in targeting. In this sense, the activity of these enterprises is demand-driven, with operations linked to the existence of a particular niche demand for upmarket, design-intensive clothing. Indirectly this filling of gaps in the market by emerging enterprises could be considered a function of the restructuring of the clothing industry. When one looks at the employees of the manufacturing-retailers amongst the Essenwood clothing enterprises, the influence of the restructuring of the formal clothing sector becomes more apparent. The majority of employees have some formal clothing sector experience. This draws an interesting picture wherein innovative design and retailing becomes the key to success in the restructured clothing sector, with employees being drawn from unsuccessful traditional clothing producers towards this new group of innovative and successful informal producers.

Informalisation can be a response to other factors besides a crisis in the formal clothing sector, however. Only three respondents, or 14% of the sample, had been retrenched from the formal sector (not necessarily the clothing sector), while 48% reported entering the informal sector based on a desire to be self-employed. Respondents, particularly those involved in production, are overwhelmingly well-educated white women who have voluntarily entered the informal sector. This can, in part, be linked to a lack of confidence in the prospects for personal and career development within the formal sector. As was discussed, the end of apartheid and

subsequent attempts to even the economic playing field through affirmative action policies are potentially relevant issues.

The location of entrepreneurial activity within the informal, as opposed to the formal sector, suggests that the avoidance of state legislation in the form of labour and tax legislation might also play a part in informalisation. The reluctance of entrepreneurs to participate in the study, and in particular to release profit and turnover figures, supports the idea of tax avoidance. At the same time, given the importance of low overheads as a reason for operating at markets, it can be expected that lowering other costs, such as wages, would also be of concern to these enterprises. The non-unionised nature of the work-force, coupled with a reliance on temporary workers also supports the idea of labour legislation avoidance.

To summarise, the evidence on the reasons behind decisions to locate economic activity in the informal sector is mixed, and allow only tentative conclusions to be drawn. It seems likely however, that informalisation is due to a combination of factors: while the opportunities created by the shifting nature of demand, and the failure of formal sector firms to fill gaps in the market are clearly very important, cost-cutting strategies and socio-political motivations also appear to play a role in encouraging informal activity.

6.3 The Role of Government Policy

The penultimate research question concerns the role of the White Paper on Small Business, and policy more generally, in supporting and developing innovative small enterprises targeting the upper end of the market. Here the evidence is unequivocal - only one of the enterprises has accessed any state support for small enterprises in the forms of loans, advice or training. Furthermore, awareness of state support on offer is very low. This is perhaps not surprising, however, as most of the Essenwood clothing enterprises have been established relatively recently, while the current thrust of small business support emphasises previously disadvantaged, mainly black-owned, enterprises. Clearly, the Essenwood clothing enterprises do not fall into this category (although many are woman-owned, another area of policy emphasis).

Government policy in South Africa reflects a need to balance equity with growth (Government of South Africa 1996). As the discussion of the White Paper on Small Business (see Section 3.5) pointed out, current small business support is clearly not directed at small, informal, but dynamic enterprises. However, the opportunity does exist for support to be extended to these types of enterprises. Most importantly, as their need seems to lie in areas other than direct financial support, the conflict over allocation of scarce resources between 'growth or equity' is minimised. Useful support for dynamic, growth-orientated informal enterprises could include domestic and export marketing support, and the facilitation of co-operation between enterprises to encourage improved purchasing and lobbying power. The example, given earlier, of the use of the DTI's "Global Trade Product Magazine" as an export tool attests to the support opportunities which exist, but are currently under-utilised by informal enterprises. Publicising existing state support measures is therefore essential. Finally, however, the point should be made that the likelihood of any state support measures succeeding in reaching informal enterprises is dependent on a legislative environment which does not penalise enterprises for deciding to locate within this sector.

6.4 Concluding Remarks

By way of conclusion it is useful to step back and take a broad look at the findings and implications of this study. Firstly, the study has shown clearly that the activities of the Essenwood Craft Market clothing firms reflect, first and foremost, a focus on the upmarket route to competitiveness, with a strong emphasis on product quality, design and marketing. While informalisation does have cost-cutting benefits, the central thrust of operating at the Essenwood Craft Market, rather than in the formal sector, is around innovative marketing.

Finally, the evidence shows that these small, informal enterprises are comparable to the more successful firms of the formal clothing sector in terms of their responses to changing market conditions. Like their formal sector counterparts, success is built around targeting the AB market, emphasising quality, quick response and flexibility, and for some, penetrating export markets. However, even these successful and dynamic informal clothing enterprises face problems. These relate particularly to the vulnerability inherent in informality - enterprises are vulnerable to having designs copied, to being undercut by larger enterprises, and to loss of

access to the market venue. Furthermore, as is the case with successful formal sector enterprises, the Essenwood Craft Market clothing enterprises could reap additional benefits from improved supply chain relationships, and inter-firm co-operation.

To conclude, the most important message to come out of this study might very well be that there are pockets of dynamic, growth-orientated enterprises throughout the economy - both within the formal and informal sector. The current crisis facing the South African economy in terms of shifting demand and production patterns makes it imperative that policy aimed to encourage a dynamic economy is not focused solely on the formal sector. As the Essenwood Craft Market clothing firms prove, innovation and quality can be found anywhere - even in a craft market on a Saturday morning.

APPENDIX A:

List of Interviewees

- A key informant interviews was conducted in person with Jennet Brown, organiser of the Essenwood Craft Market on the 22/12/97
- Questionnaires were completed by 22 clothing stalls at the Essenwood Craft Market, who for reasons of confidentiality will not be identified.
- Brief telephonic interviews were conducted to determine the nature of relationships between Essenwood Craft Market enterprises and their CMTs, as well as to characterise the nature of these CMT enterprises. To this end interviews were conducted with 3 CMTs, and 2 stall-holders who answered on behalf of their CMT. For reasons of confidentiality none of the enterprises or individuals involved will be identified.
- A telephonic interview was conducted with Alan Wheeler of the Informal Trading Department of the Durban Metropolitan Council in order to ascertain the relationship between this Department and flea markets in the DMA.
- Finally, a set of 10 questions was posed to each of the organisers of 7 flea markets operating in the DMA. They are:
 - ⇒ Deveshni, of Flea Market Enterprises, which controls the South Plaza and Point Waterfront Markets;
 - ⇒ Di Greenwood, who organises the AmphiMarket;
 - ⇒ Judith Solomon, of The Stables;
 - ⇒ Alan Wheeler, of the Informal Trading Department, which controls the Church Walk Market;
 - ⇒ Keith Hendra, organiser of the Durban North Market; and
 - ⇒ Gwen, of the Carnival Market.

APPENDIX B:

Survey Questionnaire

Set out below is the questionnaire handed out to 40 clothing stall-holders at the Essenwood Craft Market in December 1997. This questionnaire is identical to the one actually used, apart from the fact that the space available for free-form answers has been abridged in this version, to fit more conveniently into this report.

SECTION A: General Information

1. Name of Respondent _____
2. Company name: _____ Tel No.: _____
3. Describe the type of clothing which you sell - children's, adults', casual, smart, hand-printed, etc.: _____
4. Which market segment(s) do you target in terms of the following criteria:

	Please detail target market
Income Group	
Age	
Race / Culture	
Other:	
Other:	

5. On a scale of 1 (not important) to 5 (very important) please rate how important the following criteria are in allowing you to compete with other firms producing clothing for this market segment:

	Rating (1-5)
Quality	
Price	
Product range (variety)	
Product design / style	
Other (specify):	
.....	

SECTION B: Background of Stall-holder

6. Gender:

Male	
Female	

7. Age: _____

8. Please tick the category which best describes your education and training:

	Please tick
High school (without matric)	
Matric	
Matric + certificates	
Matric + 3 year diploma	
Matric + 3 year degree	

9. What prompted you to begin trading? - Please tick the relevant responses:

	Please tick
Retrenched from the formal clothing sector	
Retrenched from another sector	
Desire to work for self	
Required an additional source of income	
Other (specify).....	

10. Do you have any previous experience in the clothing industry?

Yes	
No	

11. If **NO**, please move on to **Question 13**

If **YES**, please give details: _____

12. Are you still employed in the formal clothing industry?

Yes	
No	

13. Have you any previous experience in running your own business?

Yes	
No	

14. If **NO**, please move on to **Question 17**

If **YES**, please give details of type of business: _____

15. Are you still operating this business?

Yes	
No	

16. If **NO**, please explain why not: _____

17. Do you have any intention of entering or re-entering paid employment in the formal sector?

Yes	
No	

Additional Comments: _____

SECTION C: History and Operation of Enterprise

• **Status of Business**

18. Is your business formally registered?

Yes	
No	

19. If **YES**, which of the following apply?

	Please Tick
Sole Proprietor	
Partnership	
Close Corporation	
Pty (Ltd)	
Subsidiary of larger company	
Other (specify):	
.....	

20. In which year did your business begin operating? _____

21. Please indicate your company turnover for the years listed below.

Year	Turnover
1997	
1996	
1995	
1994	
1993	
1992	
1991	

22. Please give reason for trends: _____

23. Over the period 1991- 1997, what has happened to your (after tax) profits?

	Please tick
Increased	
Decreased	
Remained the same	

- **Business Activity**

24. Please tick the response(s) that apply to your business:

	Please tick
Manufacture and sell clothing at this craft market only	
Manufacture and sell clothing at various markets	
Manufacture and sell both at markets and to formal retail outlets	
Sell clothing you have designed and had manufactured (e.g. by a CMT* operator)	
Sell clothing as an agent for a manufacturer	
Sell clothing purchased wholesale	
Sell imported clothing	

* Cut Make and Trim.

25. Please tick the response(s) which best describes your reasons for operating at craft markets:

	Please Tick
Testing ground for new business	
Low overheads	
Better exposure to customers	
Unable to produce quantities required by formal retail outlets	
Other (specify):	
.....	
.....	

26. Describe the premises from which your business operates:

	Please tick
Your home	
Office	
Factory	
Other (specify):	

27. What is your (average) mark-up on garments? _____

28. What accounts for most of the competition your business experiences?

	Please Tick
Large retail chains	
Small retailers	
Factory Shops	
Other Craft Markets / stall-holders	
Other (specify):	

• **History of Business**

29. How much capital (in Rands) was required to set up your business? _____

30. Where did you access start-up funds? - please tick the relevant response:

	Please Tick
Bank overdraft	
Bank loan	
Loan from Small Business Development Corporation	
Personal savings	
Retrenchment Package	
Loan from family or friends	
Other (specify):	
.....	

31. Have you ever accessed any government assistance for small businesses in the categories mentioned below?

	Yes / No
Loans	
Advice	
Training	
Other:	

32. If **YES** to any of the above, please supply details: _____

33. Are you aware of any support measures for small businesses offered by the government?

Yes	
No	

34. If **YES**, which are you aware of? _____

35. In which year did you begin operating at the Essenwood Craft Market? _____

36. Prior to your entry into the Essenwood Craft Market, where / how did you sell? _____

Additional Comments: _____

SECTION D: Production

• **Design**

37. Are you personally responsible for the design of the clothing you sell?

Yes	
No	

38. If **NO**, who is responsible? _____

39. Please indicate the number of different styles of clothing you produce in terms of the following criteria:

	Number used
Patterns	
Colours	
Types of Fabric	
Other (specify)	
.....	

40. Do you produce different garments for different seasons :

Yes	
No	

41. If **YES**, which seasons do you produce different ranges for? _____

42. Do you sell different styles at different outlets?

Yes	
No	

43. If **YES**, please explain: _____

44. What would you describe as the source of your design ideas?

	Please tick
Local retail chains	
Overseas fashion trends	
Other craft market designs	
Customer suggestions / requests	
Other (specify):	
.....	

45. Has the style of clothing you sell changed since your business began operating?

Yes	
No	

... If NO, please go to Question 49

46. If YES, what was the reason for this? _____

47. In what way have styles changed? _____

48. How often (in months) do you change the style of garments produced? _____

49. If NO, why not? _____

50. Has your customer base changed in any way over time?

Yes	
No	

51. If YES, in what way? _____

52. Have you ever experienced problems with your designs being copied by competitors?

Yes	
No	

53. If YES, what were the circumstances? _____

Additional Comments: _____

• **Manufacturing**

54. Please tick the response(s) which best describe the manufacture of the garments you sell:

		Please Tick
1.	Garments are manufactured by your company	
2.	Garments are manufactured by a CMT operator to your specifications	
3.	Garments are manufactured by a company for whom you act as an agent	
4.	Garments are manufactured by a company from whom you purchase wholesal	
5.	Garments are imported by your company	

If you selected response (1), continue with Question 55.

If you selected response (2), please move on to Question 72, and proceed from there.

If you selected responses (3, 4 or 5), please move on to SECTION G (Question 109).

55. In which city/ town is your manufacturing unit based? _____

56. What percentage are labour costs of total turnover? _____

57. Which statements best describe the workers responsible for manufacturing - please tick:

	Please Tick
Self or family responsible for production	
Labour employed to work on company premises	
Labour contracted to work from home	
Other (Specify).....	

58. Why do you use the form of labour selected above? - Please tick the response(s) that apply:

	Please tick
Cheaper	
More skilled	
Loyal	
Unregulated	
Other (specify):	
.....	

59. How many people are involved in production?

	No. of Workers	
	Permanent	Casual
Employees		
Contract workers		
Family members		
Other		

60. What has happened to the number of workers you employ in the last 2 years:

	Please tick
Increased	
Decreased	
Stayed the same	

61. Do you feel that your employees are adequately skilled given the demands of your market?

Yes	
No	

62. How many of your employees have previous experience in the clothing industry? _____

63. Do you have a training budget?

Yes	
No	

64. If **YES**, what type of training do you engage in?

	Please tick
On the job - unstructured	
On the job - structured	
Outside training courses	
Other (specify):	
.....	

65. Is your workforce unionised?

Yes	
No	

66. If **YES**, what percentage is unionised? _____

67. Has this affected your business in any way?

Yes	
No	

68. If **YES**, please explain: _____

69. How is production organised?

	Please tick
Each worker responsible for a different part of production	
Each worker responsible for the complete production of certain garments	
Other (specify):	
.....	
.....	

70. Who is responsible for controlling the quality of garments produced?

	Please tick
Self	
Manager	
Quality supervisor	
Machinists	
Other (specify):	
.....	

71. What system is used for controlling quality? _____

Please move on to SECTION E (Question 79).

72. Has your company ever had its own manufacturing unit?

Yes	
No	

73. Why do you use a CMT firm? - Please tick the appropriate response(s):

	Please tick
Lack of manufacturing skills	
Unwilling to deal with employees	
More cost effective	
Production too large to deal with internally	
Other (specify):	
.....	
.....	

74. How many CMT operators do you deal with? _____

75. In what city / town is (are) the CMT manufacturer(s) located? _____

76. Has producing through a CMT operator been in any way problematic?

Yes	
No	

77. If **YES**, please elaborate: _____

78. Describe your relationship with your CMT:

	Please tick
Arms length - short term	
Arms length - long term	
Committed - long term*	

* This category implies a close relationship based on the sharing of information, rather than a simple customer-client relationship based on maximising profit.

Additional Comments: _____

SECTION E: Relationships with other Firms

• Relationships with Suppliers

79. Please list the materials / inputs you require in order to produce your garments: _____

80. Please list any parts of the production process that are outsourced: _____

For the purpose of this survey the above will be considered services supplied to your company.

81. How many suppliers of goods and services has your company used in 1997? _____

82. Please give details of your 5 major suppliers:

Supplier	Product Supplied	Frequency of Delivery	Geographic Location

83. Do you use any imported materials / inputs?

Yes	
No	

84. If **YES**, please detail which inputs are imported: _____

85. Why do you use imported inputs? - please tick the applicable response(s):

	Please tick
Product not available locally	
Better quality of imported product	
Cheaper price of imported product	
Other (specify):	
.....	

86. On a scale of 1 (not important) to 5 (very important), how do you rate the importance of the following criteria when choosing a supplier?

	Rating (1-5)
Quality	
Price	
Delivery Reliability	
Willingness to fill small orders	
Capacity to innovate	
Credit facility	
Other (specify):	

87. How would you rate your suppliers' *actual* performance in terms of these criteria?

	Rating (1-5)
Quality	
Price	
Delivery Reliability	
Willingness to fill small orders	
Capacity to innovate	
Credit facility	
Other (specify):	

88. Have you changed any of your major suppliers recently?

Yes	
No	

89. If **YES**, please elaborate: _____

90. How would you describe the relationship you have with your suppliers?

	Please tick
Arms length - short term	
Arms length - long term	
Committed - long term*	

* This category implies a close relationship based on the sharing of information, rather than a simple customer-client relationship based on maximising profit.

Additional Comments: _____

• **Relationships with competitors**

91. Do you belong to any associations / organisations for:

	Please tick	
	Yes	No
Small Business		
Clothing Enterprises		
Craft Market operators		

92. If **YES**, to any of the above, please give details: _____

93. Do you co-operate with any other clothing firms in terms of:

	Please tick	
	Yes	No
Sharing premises		
Sharing equipment		
Filling large orders		
Other (specify)		

94. If **YES**, to any of the above, please give details: _____

95. Do you co-operate in any way with other firms at the Essenwood Craft Market?

Yes	
No	

96. If **YES**, in what way? _____

97. Are there any agreements between competing clothing firms at the Essenwood Craft Market as regards recommended prices?

Yes	
No	

Additional Comments: _____

SECTION F: Exports

98. Does your company export any products?

Yes	
No	

If NO, please move on to SECTION G (Question 109) .

99. In what year did you begin exporting? _____

100. How did you move into the export market? _____

101. To what countries do you export? _____

102. Please indicate your company's **export** turnover for the years listed below.

Year	Turnover
1997	
1996	
1995	
1994	
1993	
1992	
1991	

103. Are the garments you export in any way different from those sold locally?

Yes	
No	

104. If **YES**, how do they differ? _____

105. Do you export different styles to different countries?

Yes	
No	

106. On a scale of 1 (not important) to 5 (very important) please rate how important the following criteria are in allowing you to compete in foreign clothing markets:

	Rating (1-5)
Quality	
Price	
Product range (variety)	
Product design / style	
Other (specify):	
.....	

107. Have you experienced any problems in terms of operating in the export market?

Yes	
No	

108. If **YES**, please give details: _____

SECTION G: Future Plans

109. Do you intend to enter the formal retail sector at any time in the future?

Yes	
No	

110. If **NO**, please elaborate as to why not: _____

111. Do you intend to begin exporting at any time in the future?

Yes	
No	

Thank you for your effort in completing this questionnaire.

APPENDIX C:

Outline of Other Interviews

What follows are the outlines of the various interviews conducted during the course of the studies. The outlines served as a rough guide, with further questions and discussion arising out of responses to the basic questions.

1. Outline of interview with Jennet Brown, organiser of the Essenwood Craft Market, conducted on 22/12/97.

Questions around establishment of Essenwood Craft Market

- motivation & reasons for establishment
- logistics - city council involvement, payment, tenure, council controls - registration
- who were you wishing to attract
- market niche - who are your customers? Race, gender, age, tourist, socio-economic
- employment in market itself?

Questions around market organisation

- how were initial stall-holders attracted
- how are new stall-holders attracted
- what criteria are used to determine who can operate from this market
- do you in any way control intra-market competition, i.e. by limiting the number of stalls selling a particular style of clothing, e.g. over-dyed children's clothing
- do you control prices in any way, i.e. thru' recommended prices for a range of goods
- what rent is paid for stalls - on what basis, ie monthly / per table
- Are stalls rented on a lease basis? - under what conditions would a lease not be renewed

Questions around stall-holders

- does the market tend to attract a certain type of business person - race, gender, social or educational background

- what are backgrounds in term of previous business experience, retrenched, housewives etc.?
- do businesses have a "track record" when they come to Essenwood. or are they just starting out
- are you aware of any form of co-operation between stall-holders in terms of price determination or any other area?

Economic activity

- Has the type of product being sold, particularly in clothing, changed over time
- Is this reflected by new entrants to the market, or do existing companies change products to adapt to changing market demand
- Is craft market central to existence of these firms, ie sole outlet, or just used in addition to more conventional channels
- affected by seasonality? - no's, styles etc.
- where is production based, ie stall-holders

2. Outline of interview conducted with CMTs - in the case of informal CMT firms many on these questions were clearly not relevant.

- Name & Company Name
- How long has your company been operating?
- Do you specialise in a particular type of clothing - woman`s, children`s, knits?
- How is your company registered - ownership (sole proprietor, partnership, cc, Pty, subsidiary), formal / informal?
- *If informal CMT. do you have previous experience in the formal sector? What prompted your move into the informal sector?*
- *Has your company ever operated in the informal sector (ie unregistered)? What were the circumstances?*
- Are you working at full capacity right now? If not, to what percentage of capacity?

Employees

- How many employees does your company have? Are they full-time or part-time? Do they work on company premises or at home?
- Has the reduction in tariff protection for the clothing industry and the subsequent increase in imports from Asia been felt by your business? If so how - what has been the effect on contracts from retail chains, small independent retailers, informal enterprises?
- Has the number of employees increased or decreased in the past 5 years? To what do you attribute this? what has happened to profits and turnover over the past 5 years?
- Are your workers unionised? What union? what role does the union play in your establishment?
- Do you subcontract any work out to the informal sector - either to other businesses or to home-workers? Is this a new development for your firm?

Customers

- How many companies do you produce for (in one month)? What is the average length of a contact / relationship with a customer?

- Who are your customers - large chains, small independent retailers, informal sellers.
- How much of your business (as a percentage) comes from informal / unregistered clothing design companies?
- What do you think attracts customers to your company - price, quality, willingness to produce in small batches. reliability, existing personal relationship with customer?
- Does your company sell any of the clothing it produces itself? Is this sold through formal retail outlets, factory shops or informally at flea markets etc.? Are these garments similar to those produced for your customers?
- In what size batches are garments produced? Does the batch size vary greatly between customers, particularly between formal and informal businesses.
- Do production volumes vary during the year - please explain? How does your company cope with this - sell informally yourself, retrench temporary workers. work short-time?

3. Outline of interview with Alan Wheeler of the Informal Trading Department of the Durban Metropolitan Council.

- How many flea and craft markets are there in the Durban Metro area? Can you give me some idea of how this has changed over time? How many markets were there 1, 2 or 5 years ago?
- Has the spatial location of markets changed over time - the earliest markets were in the city centre. how are they spread out today?
- Are there any flea markets in traditionally black areas? Which?
- How many markets are held on public as opposed to privately-owned land? What is the procedure for giving approval to use publicly-owned land for a market?
- Have any of the flea or craft markets in the Durban area been initiated by the local authorities? If not, why not - sufficient markets already, or reservations about the role of markets in promoting economic activity and small enterprises, employment etc.
- What controls does the Council exercise over flea market activity - in terms of the number of markets, protection for the public?
- What about the registration of stall-holders - street-traders must register as informal traders, is this true of market stall-holders also? If not, why not?
- Have flea markets been in any way problematic for the Council - charges of racism etc.

4. List of 10 questions asked of organisers of the 8 Council-approved flea markets in the DMA.

- When did your market start?
- How is the market run - private company etc.?
- Is the land publicly or privately owned?
- What is the target market?
- On what days and between what hours does the market operate?
- How many stall are there at the moment?
- How many of these are clothing stalls?
- How has the number of stalls changed over time - 1,2 and 5 years?
- How long is your waiting list?
- Do you have an estimate of how many people visit your market on a particular day?

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