

# Minimum-wage threat to factories

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A blow to the survival prospects of SA's clothing industry and to ambitious job-creation targets set by the government, noncompliant clothing factories have been given 15 months to become fully compliant with minimum wages and levies or face closure.

The National Bargaining Council for the Clothing Manufacturing Industry's order dashes hopes of a much-needed overhaul of the wage regime in the ailing industry. It follows the expiry in December of a moratorium on prosecution by the bargaining council against small companies struggling to meet the minimum wages set by the council.

The moratorium was called by Economic Development Minister Ebrahim Patel after an unprecedented uprising by small businesses in the Newcastle area against a bargaining-council clampdown in August last year.

## Deadline

Noncompliant businesses now have until the end of March to become 70% compliant with the minimum wages prescribed by the bargaining council, and until the end of the year to become 90% compliant. By April next year, they must comply fully.

"Arrears of noncompliant companies will be placed in a 'suspense account', which will become payable upon such employer committing a breach of compliance phase-in obligations," a bargaining council resolution says.

Alex Liu, chairman of the Newcastle Chinese Chamber of Commerce, described the development as "unfortunate" and warned that mass retrenchment, factory closures and an exodus of clothing factories to neighbouring states would continue. The industry has shed more than 50000 jobs over the past 10 years.

"So far, the feedback from our members has been very negative," said Liu, who speaks for 160 factories employing 18000 staff.

## Protest

Liu emerged last year as the voice of small clothing manufacturers not represented at the bargaining council. He led a one-day closure of more than 100 small factories to protest at the bargaining council's threat to shut down two of their members for noncompliance. Workers reportedly joined factory owners to save their jobs from the bargaining-council onslaught.

Following Patel's call on the bargaining council to halt the prosecution of 385 noncompliant small companies, jeopardising 20800 jobs, hopes were high for a renegotiation of the industry's dysfunctional wage regime, especially since the established clothing employers that are represented at the bargaining council came out in support of the noncompliant factories last year.

Johann Baard, CEO of Apparel Manufacturers of South Africa (Amsa), which represents compliant clothing factories, says the latest development is not an about-turn by Amsa, nor is it the end of an industry overhaul.

## **Call to drop minimum wage**

Amsa still agrees with the noncompliant businesses that the only way to save the clothing industry is to drop minimum wages 40%-50% for new workers entering the industry, coupled with productivity incentives.

Baard said that when Amsa failed to convince the South African Clothing and Textile Workers Union (Sactwu) last month to consider a new wage model at the bargaining council, the employers agreed, "under protest", to the phased-in compliance order for the sake of short-term stability.

## **Low expectations**

Amsa believes that at the end of March many noncompliant factories will have failed to meet the 70% wage target, but it will be politically too sensitive to shut them down.

Baard said he would then say to Sactwu: "Minister Patel wants to create jobs, President Zuma wants to create jobs, (Trade and Industry Minister) Rob Davies wants to reindustrialise. Now you tell us, union, what are you going to do to those companies?"

Sactwu argues that the woes of the clothing industry are due to rand strength and dumping by eastern countries rather than high wages. It did not answer requests for comment.

*Source: Business Day*

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