The beneficial nature of the second hand clothing trade in Sub-Saharan Africa

by Dr Simone Fields

There is a huge trade in second-hand clothes donated in Western Europe and North America and exported to developing countries. Yet, very little is known about the impact of the trade in recipient countries. This note draws on results from a field study carried out in Nairobi during 2004 by the Institute of Development Studies, UK. It focuses on the positive nature of the trade in Kenya.

Global trade in second-hand clothing has grown dramatically in the past 20 years, from an estimated $0.4 billion in 1980 to $1.4 billion in 2000. Although this may appear relatively small in relation to value, it is large in terms of volume, given that the garments retail for 10-20% of their original selling price.

In Sub-Saharan Africa (SSA), used clothing imports have taken place for some time. However, the complexity of the trade and the volume of imports entering African markets has grown enormously since the second-half of the 1980's. Consequently, some reports estimate that at least one-third of Sub-Saharan Africans are wearing cast-off European and American clothing (Haggblade, 990; Hansen, 1994/5/9, 2000). Such estimates in cities and towns across much of SSA illustrate the scale and importance of the rapidly expanding trade in, and consumption of, second-hand clothing imported from the West. Yet, these figures mask considerable intra-regional variation. For example, while some countries, including The Gambia and Sierra Leone, import relatively small quantities of second-hand clothing (200 tonnes per year), Kenya's share of used clothing imports is far higher (4500 tonnes per year) (Horrocks, 1996).

The context of the second-hand clothing trade in Kenya.

Kenya is one of the largest importers of second-hand clothing (referred to as 'mitumba' meaning 'onslaught') in SSA. The trade started in the late 1970s/early 80's, when it was brought in duty free by charities during the wars in Zaire, Rwanda, Somalia and Burundi etc. At this time, refugees from these countries flocked into Kenya and along with them came charitable aid in the form of tents, food, medicine and clothing. As more clothing came in through charities and churches it was also given freely to the urban and rural Kenyan poor who could not afford to purchase new garments. But, by the mid-1980's, following high demand for cheap second-hand clothing, donors revised their distribution policy and started to charge for clothing items. It was at this point that it became commercialised and accessible to the whole population. 1990 was by far the most critical year. Trade was liberalised and the consequent relaxation of exchange regulations meant that second-hand clothing came flooding in. This provided an important impetus for the rapid growth in the scale and complexity of the trade. In recent years, despite rising import tariffs, the second-hand clothing trade has increased and become even more significant. For example, between 1998-2002 the quantity of Kenyan second-hand clothing imports increased by 32%, from 50 000 tonnes in 1998 to 67 000 tonnes in 2002 (Kenya, 2003).

The rise in second-hand clothing imports can be attributed to the fact that most Kenyans have become poorer. After experiencing moderately high growth rates during the 1960's and 1970's, Kenya's economic performance during the last two decades has been far below its potential. As a result, per capita income in constant 1982 prices declined from US$271 in 1990 to US$239 in 2002 (Kenya, 2002). The latest population figures shows that there were 30 million people in Kenya in 1999, of who 15 million people were employed (Xaba et al, 2002). Two factors have largely contributed to the prevailing high unemployment rates. First, the weak performance of the economy constrained growth in wage employment in the private sector during the last decade. Second, public sector reforms led to restrictive employment, retrenchment of workers in the downsizing of the Civil Service and Government parastatals, which used to be the biggest employers in the country (Kenya, 2003). Such high levels of retrenchment in the formal sector and rising unemployment have increased the pressure for many to join the small-scale activities that are semi-organised and unregulated and suit simple labour-intensive technology. It has absorbed a large proportion of the surplus labour force due to ease of entry and now accounts for around 40% of urban employment. (Kenya, 1999). According to Otunga, Opata and Muyia (1998), out of all informal sector activities in Kenya, one of the most successful and visible is the sale of second-hand clothes imported from Europe and America.

Rising poverty over the last decade has been driven by the decline in Kenya's economic performance. The sharp deterioration in economic performance over the last decade has led to rising poverty. The most recent national household survey, the Welfare Monitoring Survey III (WMS), estimated that in 1997 13.4 million Kenyans, just over half of the population, lived below the total poverty line. The population living on less than one US$ per day has risen alarmingly from 40% in 1994 to an estimated 56% in 2000 (Kenya 200a). The reduced purchasing power of most low-income people has led to consumers buying fewer luxury items and seeking cheaper outlets for their purchases, i.e. informal sector commodities.

How the trade operates in Nairobi.

These are between 60-80 second-hand clothing importers in Kenya. The majority of them are concentrated close to Mombasa port, at the industrial centres in Nairobi, and around the periphery of Gikomba market (the largest informal market in Kenya and the biggest second-hand clothing exchange in East Africa).

These importers sell either the whole container, or a large number of bales (usually the most popular ones that are the 'fastest movers'), to wholesalers. They, in turn, sell the bales to other wholesalers or direct to small retailers that trade from informal markets in Nairobi.

At Gikomba market, there are at least 100-150 wholesalers. They range from small to very large traders and they supply the majority of bales to the 10 000-15 000 retailers that trade at the market.

At around 8am every morning retailers buy approximately 1-3 bales from the wholesale stores. At their market stall, they cut the bales and unpack the different qualities of clothing by separating them into 3 different piles. 1st camera, refers to high quality clothing that is immediately purchased by a 'cameraman' who gets exclusive choice of the best items. 2nd camera clothing is sold for a lower price. Once the retailer has made sufficient profit from the bale, the remaining items – the 3rd camera-are usually 'cleared'. This means they are sold in bulk to a small retailer who will often purchase up to 50 low quality garments.

The clothes that have been cleared at Gikomba are transported to smaller markets in Nairobi and surrounding rural areas. At these new markets, once the original clearer has made their profit on the clothes, someone else will clear form them-and the camera process starts again (quality declines as the process repeats). Eventually, the final consumer (often in rural areas) will buy the clothing for a very low price.

Who benefits from the second-hand clothing trade?

This section highlights the main beneficiaries of the trade, by tracing the various actors involved in the supply chain i.e. from commercial importers to the final consumer.

i) Importers

Commercial importers in Kenya undoubtedly provide a lucrative commodity that benefits many Kenyan people. On average, importers based in Mombasa and Nairobi import 2-4 consignments per month. Most buyers have a contract with tow different suppliers, i.e. one in Europe (for a high quality product) and one in the US (for al low-cost product). Average profits cited per month ranged from £800-£4000 depending on the grade, origin and type of clothing sold. Apart form complaints concerning high tariff duties and limited starting capital (that prevented them from increasing the number of monthly consignments), it was clear from interviews that importers were satisfied with the financial gains they derived from the trade.

Commercial importers also provide an important source of employment creation. Most businesses employ between 3-5 local staff, as well as truck drivers, security officers, manual bale transporters and casual staff to run errands.

(ii) Wholesalers

Wholesalers also benefit from the second-hand clothing trade. In general, they make an average gross profit of Ksh 800-1000 per 45 Kg bale. However, financial gains were dependent on the size of their business. For example:

- Small wholesalers bought and sold approximately 50-100 bales per week
- Medium sized purchased around 150-300, and
- Large wholesalers bought and sold 400-600 (whole consignments)

Despite complaints concerning fierce competition between increasing numbers of wholesalers, and the lack of capital to import containers direct from the source, wholesalers at Gikomba market were significant beneficiaries of the second-hand clothing trade.

(iii) Market Traders

The following quote is from the Kenyan Department of Trade and Industry:

"In terms of the traders, it is a misconception that they are employed. What are they getting out of it-sitting in the sun all day? It is disguised unemployment. At the end of the day, there is no dignity in this work."

In contrast, others estimate that the second-hand clothing trade directly or indirectly affects 5 million people through employment and income generation. And, when you consider that the current unemployment rate in Kenya is 40%, the impact of this trade on employment creation is very substantial.

In Gikomba market, over half of the traders interviewed had previously been unemployed or recently retrenched. The rest had been in temporary or seasonal jobs (like construction) or working in low paid service sectors. For these traders, second-hand clothing has provided an alternative solution by offering them the opportunity to start their own self-employed venture. A frequent response by traders was:

"I decided to create employment for myself. I sell clothes for my own surivial and the survival of my family"

In comparison to the low wages of unskilled and semi-skilled employees in the formal sector, for example, factory workers who earn around 4000-7000 Ksh per month, the majority of second-hand clothes traders relatively earn a much higher income with 10 000-15 000Ksh recorded as average monthly takings, But this figure accounts for gross takings rather than net profits and fluctuation demand for clothing results rather than net profits and fluctuation demand for clothing results in unpredictable daily, weekly and monthly sales. However, even taking this into account second-hand clothing still represents a productive and lucrative trade especially when compared to other trades in the informal sector.

The trade is also considered a good training ground for business-in terms of learning marketing skills, direct sales and keeping financial records. Therefore, even if the trade stopped altogether, informal traders would still survive by transferring the skills they have learnt to setting up other businesses.

The second-hand clothing trade has also increased opportunities for women to earn a living. Women in SSA (both within male and female-headed households) are more vulnerable to poverty that their make counterparts. This stems from weak entitlements of land, capital, and other productive resources, and limited capabilities due to gender-based disparities in education and domestic responsibilities. At Gikomba market, women comprise a large proportion of informal traders, i.e. they make up about 60% of the trading population. This is mainly because the trade is relatively non-gendered and accessible to anyone regardless of formal training and access to capital. Women can also sell second-hand clothing at the same time as attending to many of their domestic responsibilities, something which is not always possible to balance in formal employment. The majority of female traders entered the trade:

- To supplement their family income
- Bring money into the household if their parents were unemployed, or
- To become self-reliant by owning their own businesses and working for themselves

These results indicate that the second-hand clothing trade in Kenya has provided an important opportunity for employment and income generation. Faced by the increasing cost of living, falling real wages, and rising unemployment, many Kenyans have found an alternative solution, selling clothing to generate a livelihood or diversify household incomes. It is also clear that entering the second-hand clothing trade was not just a last resort for the economically desperate during a period of extreme hardship. Instead, many had pro-actively entered the trade because it offered a relatively lucrative means of generating an income.

(iv) Spin-off Employment

As well as providing jobs and income to informal traders at Gikomba market, the second-hand clothing trade also supports a large number of different types of employment:

- from, repairing and ironing (where traders usually have a contract with tailors and ironers to add value to good quality clothing); to
- bag making (for traders to transport clothing to sell in rural areas);
- security (to protect the clothing stored at the market at night and prevent thefts during the day); and
- manual bale carriers (who transport bales from warehouses to market stalls)

All these activities take place on a large scale at the market site.

(v) Consumers

Studies have shown that among African countries that are large importers, second-hand clothing usually accounts for over one –third of all garments purchased, and Kenya is no exception. In fact, by the mid-1990s, second-hand clothing accounted for 50% of the textile market; locally produced clothing took 30%; and cheap new imports form the Far East, Europe and the US comprised 20% of the domestic market.

Considering, over half of Kenya's 30 million people live below the absolute poverty line, with 56% of the population subsisting on less that US$1 epr day, most Kenyans cannot afford to buy new clothes sold in shops, where prices are comparable to those in Europe or the US. For example, while a man's new shirt cost approximately 350-400 Ksh from a formal retail outlet, a second-hand shirt sold at a flea market can be purchased for 50Ksh. So clearly, at a time when poverty is increasing in Kenya, second-hand clothing provides a very welcome cheap alternative to new clothing.

Most importantly, the availability of such cheap clothing has allowed very poor people to clothe themselves and their families who (in the absence of the trade) could not afford to buy any clothing at all.

But, for the majority of customers interviewed, they were able to combine their purchases by selecting second-hand clothes for informal occasions and new garments from retail outlets for formal, 'special' occasions; this meant that they could save their limited resources to finance other basic requirements. Indeed, many Kenyans are only able to maintain a middle-class façade in the face of falling real incomes by relying on second-hand clothing.

"At Nairobi dinner parties, smartly dressed Kenyan women will discreetly compare their mitumba purchases in the same way that British women appraise buys from the January sales". (Vasager, 2004).

The trade also gave customers the opportunity to generate an income by reselling items of clothing in rural areas. At Gikomba market, nearly half of the customers interviewed, supplemented their weekly wage by buying clothing in bulk at the weekends to take back and sell in their hometown.

Finally, the second-hand clothing trade also offers increased consumer choice, regardless of affordability and consumer income levels, through the provision of a wider and different selection, quality, and style of clothing in contrast to the expensive and limited choice available at

retail outlets. So, overall, second-hand clothing appeals to low, middle and high-income earners as well as different ethnic groups.

(vi) The State

The second-hand clothing trade constitutes a significant source of revenue to the State. For example, current import duties for second-hand clothing are set by Ksh 25 per kg or 35% of the import value (whichever is highest). When you consider that Kenya imported 67 000 tonnes of used clothing in 2002 alone, then the trade clearly provides an important source of economic revenue.

The trade also provides much-needed funds for local City Councils. For example, there are approximately 25 000 second-hand clothing traders in Nairobi alone. Each trader is legally required to purchase a trading license from the City Council at a cost of Ksh 3 100 per year. Licences for second-hand clothes trading is just one revenue scheme out of 14; and while rates provides the highest revenue, trading licenses provide the second highest income source to the City Treasury. City Councils also charge traders daily or weekly rents per stall.

Impact on the local textile and clothing production

Much of the existing literature on the second-hand clothing trade has focused on claims by textile and clothing industries in developing countries, and their associated councils, Associations and Trade Unions, that the trade has a negative impact on local textile and clothing production in recipient countries. As a result, the governments of Zimbabwe, Nigeria, Cameroon, Chad, Tanzania, South Africa and Kenya have all at one time banned or imposed high tariffs on imports of second-hand clothing.

In Kenya, the general attitude by government officials to the trade was very negative. Typical comments were "the trade is killing out textile and clothing industry". But this is too simplistic a view and a number of other factors need to be considered. These include:

- the drought in 1995-7 that hit the cotton sector hard
- the rise of cheap cotton lint producers eg. Pakistan and India, i.e. Kenyan producers that provided the domestic and export sector went out of business
- the collapse of the Cotton board of Kenya – this meant that domestic cotton was no longer subsidised by the government and cotton became far too expensive for manufacturers
- import of very cheap Asian textile products in 1997-98 that textile producers could not compete with
- lack of locally produced synthetic raw material
- Trade liberalisation (the most important factor). In 1990 the economy was opened up to international competition at a time when Kenyan textiles and clothing were not competitive in price and quality.

Overall, the decline of textile and clothing companies in African countries is less about second-hand clothing than about a combination of structural adjustment policies that encourage a rapid increase in import penetration via trade liberalisation without providing incentives to promote production and employment. Nevertheless, local African markets are still unlikely to support any considerable growth of the textile and clothing industry unless countries experience substantial economic growth combined with a more equitable income distribution.

Conclusion

From the results outlined in this note, it is clear that the current crisis in the European textile recycling industry will have a knock-on-effect in importing countries in sub-Saharan Africa.

This study has shown that there are important economic gains from the trade in recipient countries. In Kenya, the state (and ultimately the macro-economy) and second-hand clothing importers are the main financial beneficiaries. However, in relative terms, the trade has had a very positive impact on poverty alleviation during the current harsh economic climate. At the present time, the Kenyan economy is not capable of providing substitute jobs for the unemployed or alternative clothing that is affordable to the mass of the population. In contrast, the second-hand clothing trade is soaking up labour and offering consumers a cheaper clothing alternative in the face of increasing poverty, declining real wages and rising unemployment. If the European textile recycling trade were to decline, the poverty alleviating nature of the trade would also diminish.

Although this paper has focused on the impact of the second-hand clothing trade in Kenya, the economic benefits of the trade also impact on the rest of the African continent.

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