

SUB-CONTRACTING AND THE FUTURE OF THE AUSTRALIAN CLOTHING INDUSTRY¹

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Despite recent technological advances in various stages of the production process, garment manufacturing has retained many of the features which characterised the industry at the turn of the century. These features include its labour intensity, the predominance of small firms and the pervasive practice of sub-contracting out the assembly stage of production. Rather than viewing this state of affairs as an industrial anachronism, this paper argues that the permanence of these historical features is a consequence of the need for 'flexibility' within certain sub-sectors of the industry. It has allowed many firms to tailor their production needs more closely with fluctuating demand while reducing labour costs and overheads. Often, these savings are made at the expense of outworkers. While these outworkers appear to exist at the periphery of the clothing industry, many companies traditionally have rested their competitive strategy on their exploitation. Ironically, recent trends in sub-contracting and the casualisation of employment in other industries in OECD countries make the structure of garment manufacturing look far less 'archaic' than it previously appeared to be.

The future of the Australian clothing industry has come under close scrutiny recently through Government measures designed to open up the sector to international competition. The Government argues that the

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only survival path open to local clothing firms is to adopt the latest technology, improve quality, exploit niche markets and target export potentials. This paper argues that while many of Australia's largest clothing companies are adopting this approach, many other companies are likely to devise an alternative strategy which incorporates the traditional practice of outwork. In addition, evidence suggests that such companies are the high fashion, niche market producers which the Government is so keen to promote. As an unintended consequence of their policy of structural adjustment within the clothing industry, this preferred business strategy may well conflict with the grand vision of award restructuring originally fostered by the Government and the unions.

This paper further argues that any attempt to assess future trends must rest upon an awareness of the industry's peculiar structure and the interlinkages which exist among firms throughout the clothing chain of production. The paper examines how various types of firms throughout the chain of production are responding to recent forces of change. These changes include reduced protection, changing market conditions, technological and organisational change and the growing power of core retailers. It is argued that a variety of corporate strategies are available, and these options will determine the future extent of sub-contracting and outwork. The implications are that a substantial proportion of the current production capacity will remain in Australia, although the various options will have radically different effects upon the nature of the clothing labour market.

Since the turn of the century, the industry has sheltered behind high tariffs and other protectionist barriers. However, increasingly since the mid-1970's the rationale behind protectionism has been questioned, and the current Government has committed itself to opening up the local clothing industry to international competition as part of the broader process of 'structural adjustment'. This environment (along with the introduction of micro-electronic related technology, new managerial and organisational strategies, growing market diversification and the growing importance of 'core' retailers) has forced local clothing companies to reassess their long-standing production and marketing strategies.

Both employers and unions have accepted the challenge thrown down by the Government. Despite the fact that this process of industry reform has been fraught with tension and clashes of interest between Government, employers and unions, all players have accepted the inevitability of change. The struggle has been over the direction of change.

The Government, committed to the Accord process and award restructuring, has adopted what Clegg (1989) has labelled 'the TINA tendency' ('there is no alternative', or there is only one organisational form which can be seen as most 'efficient'). Survival, it claims, rests upon adopting one course: efficient, high quality, high-technology, niche marketing firms, engaging a multi-skilled workforce and exploiting export market opportunities. Both present a future vision of a highly skilled, efficient and viable industry, albeit a smaller industry. The TCF Plan, developed by the Government to run from 1989 to 1995, is a process designed to facilitate the realisation of this vision (TCFDA, n.d.).

However, this paper questions this TINA tendency. It argues that over the past decade many small-to-medium sized firms have responded to the changing environment through rationalising production in a radically different manner to many large companies. This alternative path involves sub-contracting the labour-intensive aspect of production out to specialist firms, many of whom further sub-contract to outworkers. A number of reports and studies have recorded the growth of outwork in Australia throughout the 1980's (Neumark & Eldestin 1982, Hargraves 1982, Cummings 1986, Scruby 1989, Castles et al 1991). Phizacklea (1990) has observed a similar phenomenon in Britain over the past decade.

Blinkered by the TINA tendency, the Government has ignored this phenomenon. Yet, it is clear that it has crucial implications for the process of award restructuring. While the section of the clothing workforce organised by the unions in large manufacturing enterprises will be covered by this process, there exists a danger that a growing section of the workforce will remain atomised, disempowered and most heavily exploited. The Government still appears oblivious to this

possibility. For example, the '1990 State of the Industry Report', released by the TCFDA (the statutory authority overseeing the TCF Plan), failed to provide one mention of the practice of sub-contracting and outwork!

The consequences of the TINA tendency are also evident in the Government's March 1991 Industry Statement. John Button (1991: 3.9) justified speeding up the pace of tariff reform on the grounds that clothing firms continue to be pre-occupied with protection levels, rather than 'improving underlying channels of competitiveness such as technology, skills development, quality and service.' As evidence, he pointed to the failure of companies to take advantage of the restructuring assistance available under the TCF Plan. Such an argument fails to recognise that firms may choose alternative paths to competitiveness. A Union spokesperson, for example, noted that 'one employer response to the Statement will be more outwork' (Evans & Murphy 1991). Furthermore, she criticised the Government for making the guidelines for receiving assistance (such as new capital equipment, business planning and quality control) too stringent.

This paper suggests however, that most commentators miss the mark with respect to the dynamics of change within the industry. While many of the larger clothing firms have adopted strategies which correspond to the Government's vision of the industry's future, the Government has not considered the possibility that many other companies will devise strategies for survival which do not necessarily require technology, skills development, quality and service. The assistance the Government is offering the industry is irrelevant to the needs of many of these companies.

The remainder of this paper will examine trends in corporate organisational and production strategies along the clothing chain of production and will explore their relationship to sub-contracting and outwork. Following Phizacklea's recent study on the British clothing industry, it will be argued that modern sub-contracting and outwork are not so much an echo of the 'bad old days' of nineteenth century capitalism, but part of a continuum, and that sub-contracting 'has continued to supply the flexibility in production necessitated by

unpredictable fashion demand' (Phizacklea 1990: 35). For many companies producing fashion runs with short lead-times, the relationship between outwork and factory work has not been one of rivalry and exclusivity, but mutual interdependence, and for many Australian companies in the current climate, the expansion of outwork may be the only 'flexible' means available for securing a foothold in the Australian market.

Sub-Contracting and the Structure of Clothing Production

All Australian reports which have discussed the phenomenon of outwork have attempted to highlight the unacceptable labour conditions of outworkers. While it is important to bring these conditions to attention, it is even more important to understand the wider structural environment within which the practice of outwork is embedded. If outwork has been on the increase over the past decade (as most reports argue), then action to remedy the conditions of outworkers must be premised on understanding the structure of the clothing industry, the dynamics of change within the industry and the responses of the various fractions of capital to the evolving environment.

The remainder of this paper is a preliminary attempt to chart the changes occurring within the industry and, more specifically, to theorise the role which sub-contracting and outwork perform within this context. Emerging trends within the industry can only be made intelligible through understanding the organisational interlinkages between different sectors of the clothing chain of production.

Any realistic analysis of the clothing industry must distinguish between the principal clothing companies and the remainder of the industry. While there are approximately 2,100 clothing establishments registered in Australia, employing some 63,000 workers, the principal dozen corporations and companies account for around one-third of all production and employment.

All these principals have a long-established tradition within the industry and most Australian consumers would be familiar with their name-brands. In addition, they generally operate multiple production facilities and in a number of cases directly own overseas facilities (usually in Hong Kong, China, the Philippines and Fiji). They are also distinguished by their large annual turnover (usually between \$50 million and \$450 million). The size of these operations has also meant that they have been the first to introduce new computer-assisted technology and other micro-electronic innovations (MRI's) into their production processes. Consequently, these companies have been the focus of attention of apparel machinery specialists, hi-tech apparel robotic companies and management systems specialists. Finally, the principals generally operate closed union shops and are working most closely with the Clothing and Allied Trades Union (CATU) in the area of award restructuring (Greig 1990a).

However, once these companies are disaggregated from the industry statistics another picture of the clothing industry begins to emerge. It is this sector of the disaggregated picture that this paper primarily focuses upon (although, as will be demonstrated, there are many cross-sectoral inter-firm linkages and strategic alliances formed between retailers and principals on the one hand, and sub-contractors on the other hand).

The remainder of the industry, employing some two-thirds of the registered workforce and involving the overwhelming majority of companies, can be further sub-divided into a number of categories. For the purpose of this paper the most important types are as follows:

1) Small-to-medium-sized companies producing garments for the lower end of the market. These companies rely primarily upon price factors, produce to economies of scale and rely less heavily upon brand loyalty and recognition. Their market has become increasingly more unstable over the past twenty years since the introduction of tariff reductions. It is this sector which competes most directly with cheap imports from Asia and the Pacific. The future looks bleak for companies operating within this range as they are likely to be the hardest hit by further trade liberalisation. As there appears to be an

exodus out of this sector, such companies are considered unimportant for the purposes of this paper.

2) The Fashion Industry. These companies produce middle-to-up-market fashion labels in short production runs and specialise in design innovation or the emulation of current overseas trends. These companies target a niche market and rely heavily upon customer loyalty and brand familiarity. Many have adopted small-scale vertical integration, combining boutiques and small retail establishments with their manufacturing operation(s). There has been a tendency for such firms to 'hollow-out' their operations, through sub-contracting the labour-intensive assembly operations to specialist makers up, while retaining their in-house design and marketing strengths.

3) Small-to-medium-sized companies producing brands for larger retailers. The effort by large retailers to differentiate products has aided the survival of a number of such 'dedicated' producers. These companies mainly produce garments closely tied to their customers' specifications. While price remains an important factor in this sector, the closer relationships with specific larger retailers places greater emphasis upon quality control and delivery reliability. Their customer profile is also generally more heavily dependent upon a small group of core retailers.

4) Cut, make and trimmers (CMT's) or makers up. These companies specialise in assembling garments provided to them by principal manufacturers or the fashion industry. This is the most labour-intensive part of the garment-making process and the prime means of production for CMT's is the sewing machine. Orders from customers fluctuate according to the vagaries of the market. This inhibits any forward planning and these companies are in a market notorious for its 'feasts and famines'. Margins are generally very low, and cut-throat competition exists among these poorly differentiated companies. CMT's usually operate one or a few small manufacturing establishments in the heart of inner-city districts close to their customer base. In Australia, these districts are epitomised by Surry Hills in Sydney and Flinders Lane in Melbourne, which perform the same function as London's Eastcastle Street and Margaret Street, or New York's 24th to 41st

Streets between Sixth and Ninth Avenues. There has been a tendency over the years for these companies to receive cut bundles of garments for assembly, and fewer now than previously conduct the cutting stage of the production process. With the introduction of expensive computerised laser and waterjet cutters most principals and some fashion houses either cut the garments in-house or sub-contract the cutting stage to firms specialising in cutting before hiving-off the cut bundles to CMT's. For this reason the term 'makers up' is a more accurate description of such firms than CMT's. However, for the sake of convenience, the term 'maker up' and the more traditional term CMT (still widespread in the industry) will be used interchangeably in this paper.

Two further categories in the sub-contracting chain will also be discussed, although statistics can rarely gauge the extent of their importance to the industry. These sub-sub-contractors exist on the lowest tiers of the sub-contracting hierarchy.

5) Middlemen or 'rats and mice'. This function is a mediatory role between, on the one hand, fashion houses, manufacturers and CMT's and, on the other hand, outworkers. Their main means of production is characterised by the Toyota delivery van, which scurries to-and-fro from their customers' inner-city establishments with bundles of cut garments to the working class districts of the city where their outworker contacts are generally located. Due to this scurrying activity, one union organiser interviewed in the study aptly described these operators as 'rats and mice'. They also have an uncanny aptitude for avoiding the statistical and regulatory eye! After bundles are picked up from the customer they are distributed to a network of outworkers who are given a set price for sewing each garment and a set time to complete the operations. They are then picked up by the 'rats and mice' and returned to the customer. Their function within the industry is primarily the organisation of dispersed labour, rather than the owners of production facilities. By this stage of the sub-contracting chain, margins are beginning to get very tight!

6) Outworkers. These workers operate from home and are paid by the 'rats and mice' according to the number of garments they assemble.

While this practice resembles the pre-industrial 'putting out' system, it has remained widespread in the clothing trade throughout the industrial age. Outworkers usually own their machines and have to pay for their other overheads, such as electricity, lighting and machine maintenance. While, in reality, they are employees of the 'rats and mice' they rarely receive the same award conditions and pay as their factory counterparts. They are forced to eke out an existence on the lowest margins of the sub-contracting hierarchy. Despite a significant 1987 CATU victory in the Arbitration Commission which extended award coverage to outworkers (The Age 1987), few outworkers have taken, or are willing to take, advantage of their legal rights. The overwhelming majority of outworkers are unregistered, complicating the regulation of the outwork labour market. Estimates of the extent of outwork vary enormously, from 5,000 to 30,000 and even as high as 50,000 and 60,000 persons (Andrew 1987, Ellam forthcoming). If the latter estimate is accurate, then there is one outworker for every registered factory worker!

The role of these latter forms of sub-sub-contracting highlights the enormous difficulties involved in labour market analysis. Often crucial links in the clothing chain of production remain unrecorded and hidden. It also suggests that an official statistical decline in the garment-making workforce may not necessarily imply a reduction in garment-making activity. A decline in the clothing workforce may be attributable to one of three factors. Firstly, companies may become more capital-intensive, thereby shedding labour as productivity per employee increases. Secondly, the reduction may be attributable to company closures, especially among those unable to compete with imports, which effectively exports jobs to the more competitive Asian and Pacific producers. Thirdly, a statistical decline can also be attributed to a shift in company strategy, through sub-contracting the labour-intensive assembly process to CMT's and then to outworkers, who 'slip out' of the official statistics while still acting as a crucial link in the clothing chain of production. Thus a decline in jobs may be the result of a shift to 'off the books' production (Mattera 1985). Between the statistics and the reality falls the shadow of outwork.

The overwhelming majority of CMT's display a set of business and organisational characteristics which contrast sharply with those of the

principal clothing manufacturers. Firstly, as the disaggregated statistics suggest, the size of these firms is generally very small, employing on average under 20 people. Annual turnover is also small, usually well under \$1 million. They are also characterised by a higher than average level of ethnic entrepreneurship. Owner/managers generally have received little or no formal managerial training and often have worked as employees in other clothing firms either in Australia or their country of origin. Company failure rates are also relatively high. The workforce receives on average lower remuneration than the workforce of the principal manufacturers, and is primarily composed of ethnic women. Factory conditions are generally worse than the principals, in some cases calling to mind Dickensian images. Rates of unionisation are also very low in this sector, compounding the problems facing the union movement in terms of improving conditions and enforcing award wages. If the clothing industry as a whole can be seen as a secondary labour market, then this section is clearly a 'secondary' secondary labour market.

Market fluctuations, the instability of work, low margins and low turnover also account for the fact that this most labour-intensive sector of the industry has been characterised thus far by low capital intensity. The micro-electronic-related advances of the past decade have largely passed this sector by. The capital equipment being hailed by many as the saviour of mature industries in the OECD still remain beyond the purchasing capacity of the vast majority of garment manufacturers (Hoffman & Rush 1988, OECD 1988). Many of these companies attempt to overcome these capital and infrastructural problems through leasing equipment and renting manufacturing premises. While for many this is a rational response to market instability, others employ this strategy in order to move rapidly, avoiding detection from either unions, government inspectors or the taxation office. Finally, it is this sector of the clothing industry that interfaces most directly with the 'rats and mice' and their network of sub-contractors.

However, as the very term sub-contracting implies, CMT's and their sub-contractors perform a vital function within a wider inter-organisational clothing network, involving retailers, principals and fashion houses. As will be noted below, many 'respectable' companies

further up the clothing hierarchy turn a blind eye to the use of illegal practices by their CMT's, thereby disclaiming responsibility for such practices.

Retailing and Sub-Contracting

One of the most significant transformations within the clothing environment over the past fifteen years has been the growing oligopolisation of the retail market. A small number of large multiples have become the main interpreters of Australian consumers' needs. These firms now hold immense power over their manufacturing suppliers (Greig 1990b).

Another feature of the evolving landscape has been the growth of the discount market, through the expansion of chains such as Target, K-Mart, Best and Less, Big W and Venture. While price competition within this sector is intense, over the past decade this competition has been directed increasingly towards improving the quality of merchandise. As a consequence, most of the chains have upgraded the importance of their Quality Control/Assurance Departments, which monitor every aspect of a prototype, or sample, before sourcing decisions are made. Frustrated with quality problems, large (or 'core') retailers have become actively involved in areas which traditionally have been conceived of as the manufacturers' sphere of responsibility, from design through to methods of production. Many Australian clothing companies now recognise that the future of their operations rests upon fostering closer relationships with their retailing customers.

One of the quality factors which retailers voice most frustration with is 'variability'. An order will be placed with a manufacturing supplier on the basis of a sample. However, a company may not have the facilities to produce the required quantity, or to produce the order within the specified time. Rather than lose the contract, the company will farm out the manufacturing to CMT's or outworkers. Often the result is that an order sent to five different factories will produce five different styles! One Quality Control Manager interviewed complained; 'From 1980 onward there has been a major swing away from in-house

manufacturing to outdoor makers. This remoteness of the direct manufacturer has caused quality problems for the retailer'. Increasingly, suppliers to core retailers are having 'traceability' added to their list of obligations, and companies relying principally upon sub-contracting will be under pressure to reorganise. Howard Scruby (1989: 4), a leading consultant in the industry, has warned that local manufacturers wishing to retain the status of supplier to core retailers:

...are going to have to get their production back inside factories. Quality is going to be a vital factor in determining success or failure. Quality cannot be controlled when a garment is being driven from house to house; from cutting room to kitchen to lounge room to laundry and back. Manufacturers are going to have to spend money on top quality machinery and be prepared to sophisticate their planning and budgeting procedures.

This latter requirement for planning is being accentuated by the further tendency for core retailers to tighten their scheduling and delivery arrangements. Most are gearing up for the introduction of Electronic Data Interchange (EDI) and manufacturers unable to meet these heavier demands are unlikely to find acceptance among core retailers. However, clothing manufacturers are responding to these requirements (namely, a reduction in sub-contracting, higher quality and the introduction of more sophisticated technology and organisational procedures) in a number of different ways, adopting a range of corporate strategies.

Principals and Sub-Contracting

Over the past decade, most principals have responded to the changing environment through heavy investment in technological and organisational restructuring. The majority interviewed in this study had also sharply reduced, or even discontinued, the practice of sub-contracting (Greig 1990a). Two reasons offered for this were either that the size of their orders did not warrant the use of sub-contracting, or that the higher demands on quality could not be met through sub-contracting.

The favoured strategy adopted by the principals corresponded with the demands of the core retailers. Most now produce their garments in-house. There has consequently been an emphasis upon in-house reorganisation. The more capital-intensive processes, such as design, marking, plotting and cutting, as well as finishing, distribution and marketing are centralised in one metropolitan establishment, while feeder, or satellite, plants on the metropolitan fringe or in regional areas conduct the more labour-intensive sewing stage. It has been within these feeder plants that JIT production has been most pervasively adopted (Greig 1991). Many principals have also relocated a proportion of their production off-shore (especially for volume re-order stock) to countries such as Fiji and China (Powls 1990, Long 1990).

However, a substantial minority of the principals have adopted an alternative strategy, involving the extensive use of sub-contracting as a strategic part of their future organisational process. Two features in particular characterise these principals. Firstly, they tend to be companies producing fashionwear, where demand fluctuates more and styles change more rapidly. Secondly, they tend to be companies which are vertically-integrated with their own retail chains. This provides a guaranteed market and, consequently, they are less dependent upon orders from the core retail chains. These companies most closely approximate the Benetton model (although on a much less sophisticated technological scale).

The Italian clothing firm Benetton is often portrayed as an example of a successful innovatory form of 'flexible specialisation'. The 'model' involves a centralised design, cutting and marketing operation owned and controlled by the company from its main headquarters in Ponzano, Italy. This is integrated with a close network of retailers and manufacturing sub-contractors. Benetton retail stores are owned by separate retailers, in a manner similar to a franchise without royalties. These retailers only stock Benetton garments and accessories, and must adhere strictly to Benetton's interior design concepts. On the other hand, Benetton sub-contracts the 'making up' or assembly of garments to a network of smaller independent manufacturing firms centred around the Treviso, Vicenza and Padua regions of Italy. This entire chain of production and distribution is co-ordinated and controlled from

Benetton's Ponzano headquarters through a sophisticated information technology network, enabling Benetton to respond very rapidly to market demand. This model of sub-contracting and the co-ordinated information flow has resulted in phenomenal international growth. At the same time, while direct employment at Benetton has barely increased, the surrounding regions have reaped the employment opportunities associated with the company. Reversing the perception of garment making as a sunset industry in the OECD countries, the region is recognised world-wide as an innovative leader and important clothing specialist (Belussi 1987).

While some commentators have hailed the 'Third Italy' model as a potential alternative strategy for regional development, others have questioned the model either on the grounds of its 'replicability' or the benefits which accrue to sub-contractors and/or their workforce, associated with core companies in the production network (Phizacklea 1990, Mathews 1990, Mattera 1985, Murray 1983, Brusco 1982, Solinas 1982).

Like Benetton, the Australian principals which sub-contract much of their production, concentrate upon retaining their strengths in-house, namely design initiation and marketing. Normally, the pre-assembly stage is also conducted in-house using computerised plotting, marking and cutting. This tendency has grown over the past decade as the capital-intensity of the pre-assembly stage has increased.

Computerised cutting is not only more accurate and quicker than hand cutting, it has also enabled principals to cut down on fabric waste. Previously, the tendency was to deliver roles of fabric to a sub-contractor, who would cut out the required number of garments, sew them together, then return them to the customer for packaging (hence cut, make and trimmer). Prior to computerisation it was difficult for a principal to calculate the exact quantity of fabric required for a given order. A certain amount of wastage was inevitable, either through inefficient cutting by the CMT, or more often, through 'cabbage'. Cabbage is the residual fabric a CMT has left over after cutting the required quantity for the customers' order. CMT's would retain this cabbage for their own purpose, and sell the garments under their own

brand names. A canny CMT could often make a tidy additional profit through this practice. However, the advent of accurate computerised cutting has diminished the scope for cabbaging.²

The high fashion value of the product offered by these principals, combined with the need for short lead-times for non-standardised goods, militates against the extensive use of off-shore production, despite the fact that labour costs are much lower in developing countries (although one such principal did operate a facility in China, supplying certain product categories, such as knitwear). The premium which these companies place upon being fashion leaders and trendsetters (along with the smaller orders of more varied products they place) suggests that they will retain a large proportion of their sub-contracting operations within Australia, regardless of reduced levels of protection. These fashion principals are also rationalising their supplier lists, diverting production towards the most reliable CMT's. Most CMT's have an extremely high dependency ratio. Of the four CMT's interviewed, three operated for a single customer, and very little advance warning was given regarding orders. Thus, CMT's excluded from principal supplier lists will face a precarious future.

Another feature of the CMT's used by principals should be noted. These companies tend to be dominated by entrepreneurs from ethnic groups which established themselves within the industry a few decades ago. They in turn sub-contract work out to the more recently arrived migrant groups, which tend to dominate the organisation of outwork. The more established CMT's regularly complain of unfair price competition from the more recently arrived groups in terms which are little short of racist (de Lang 1986). Phizacklea (1990) has observed a similar phenomenon in Britain. However, as she points out (1990: 74), 'ethnic stratification and relations of exploitation must be viewed as a consequence of the overall structure of the chain of production.' At an objective level, wages and conditions may be worse in the more recently established firms but this needs to be examined within the

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The term cabbage in the trade appears to pre-date the industrial revolution. It receives a mention in a footnote in Tobias Smollett's 1755 translation of Cervantes' *Don Quixote de la Mancha*.

context of the position of these firms in the sub-contracting hierarchy and the unbridled competition that exists in the sector as a whole'. Throughout the history of the Australian clothing industry, the Irish, the Jews, the Italians, the Greeks and the Lebanese have been tarred with the same brush which currently smears the Asian clothing community. However, the point is that, for many principals and for most small-to-medium-sized fashion firms, these companies on the bottom of the clothing hierarchy perform a vital role in their competitive strategy against overseas price competition. The principals which have adopted the Benetton strategy of sub-contracting are conscious that their makers up employ outwork. One production manager candidly stated that, given the size of the orders he placed, and the capacity of his CMT's, these firms either must be breaching awards or engaging outwork. These principals are able to place sufficient 'links' between themselves and outwork in the chain of production to avoid direct responsibility for illegal practices.

Under these conditions, the only viable option for many established CMT's faced with competition from more recently arrived entrepreneurs is to target a niche in the fashion market, design their own labels, and then sub-contract out the making up to the recently arrived ethnic entrepreneurs. This is in effect what Government spokespersons are demanding from the hundreds of homogenous CMT operations currently faced with insolvency.

It has become commonplace within industry and government circles to argue that the companies which will survive reduced levels of protection will be those which target a niche and move up-market. It is claimed that those attempting to compete on price with Asian producers in the undifferentiated volume, low quality market will be wiped out. While this argument has merit, the industry will contract to a certain extent as there is a limit to the numbers of niches to be discovered in any given market. However, little attention has thus far been devoted to examining whether or not the survivors are likely to adopt outwork as part of their successful strategy.

Fashionwear and Sub-Contracting

The strategy adopted by most fashion houses bears a close resemblance to that adopted by the sub-contracting principals. The main difference is the scale of operations. Like these principals, fashion firms are usually 'hollow corporations' which co-ordinate the production and assembly of garments designed in-house. Many fashion companies interviewed in this study possessed 'production managers' despite the fact that their firm did not engage in any production properly defined. Their task was one of co-ordinating the orders placed with CMT's and monitoring the quality of the returned garments. Scruby (1989: 1-2) has argued that this is the standard practice among Australian fashion manufacturers:

Because of the high costs in running a clothing factory, fashion manufacturers have abandoned [the] traditional form of manufacturing. Today, almost without exception, fashion manufacturers use 'outworkers' to produce part or most of their merchandise... Garments are usually cut at the premises of the inappropriately named 'fashion manufacturer' and are then taken by a sub-contractor and distributed to various homes where they are manufactured... Almost without exception, Australian fashion manufacturers do not own sewing machines, except for the odd one or two for making their samples. This is simply because outworkers are so much cheaper.

Furthermore, like the sub-contracting principals, many fashion manufacturers operate one or several boutiques in order to guarantee a limited market and monitor demand. An associated development has been the growth of 'concept stores' or 'shops within a shop', whereby the more up-market department stores such as David Jones, Myers and Grace Bros sub-let space within their premises to a fashion manufacturer who controls the stock and supplies the labour.

Companies heralded as successful models for emulation usually employ an extensive network of sub-contractors and outworkers. It should be stressed that these decisions to source locally are not based on any

notion of the superiority of Australian quality, but rather the need for quick response and short delivery lead-times in the fashion section of the industry. Given the previous comments on the relationship between quality and outwork, it becomes clear that the success of these companies relies more upon their marketing strategy rather than quality. While the quality of the fabrics may be high and the design slightly more original, the quality of the work is compromised through the use of outwork. In other words, the consumer is paying a premium on exclusivity rather than quality.

There are two possible future scenarios for the fashion industry. The picture painted by the TCF Plan envisages a shift to higher quality production, or diversified quality production. This may entail a trend towards more in-house production, either within the fashion house itself, or a demand that CMT's reduce their outwork networks. Such a reduction in outwork would mean that official employment within registered factories would not be as badly affected by reduced tariffs as some commentators suggest. However, there is an alternative picture which, given the evidence presented in this paper, may be more realistic. This involves a continuation of the trends of the 1980's, whereby fashion companies maintain the practice of allowing work to be sub-contracted to outworkers, lowering costs but compromising quality. In this case, official employment figures in the industry will be reduced sharply. However, in actual fact, clothing production will be soaked up by an increase in local outwork.

The first scenario clearly benefits clothing workers. The industry may well end up slightly smaller, yet the remaining small companies and CMT's will develop closer relations with their customers. It will also allow more scope for planning and budgeting. Furthermore, it will open up the possibility for higher investment in equipment and associated worker training. Higher labour concentration will also enable organised labour to monitor working conditions more closely. What employers lose by a less 'numerically' flexible workforce, they will gain by a more multi-skilled labour force combined with greater certainty that they will not be undercut by competitors employing outwork.

The alternative scenario involves a continuation of the cut-throat competition within the sub-contracting sector. The anarchic nature of demand will force companies to trim labour costs to a minimum, and drive more registered factories into insolvency. This in turn will generate even more intense competition among outworkers, marginalise more workers and reduce their scope for collective action. For factory employers, the advantages of a more 'numerically' flexible workforce will be offset by problems with even short-term planning, undercutting of costs, insecurity of orders and reduced quality.

While recent Government measures have been designed to promote the first scenario, there is evidence that the types of firms they are fostering will resemble the second scenario. The union movement, which thus far has supported the broad thrust of the Government's plan, must ensure that their resources are evenly spread. If they remain trapped within the TINA tendency, they may discover that they are representing the interests of a declining proportion of the total clothing workforce, while neglecting a thriving deregulated labour market. The final outcome could be the decline of clothing unionism, rather than the decline of clothing production.

Historically, outwork has been a thorn in the side of clothing unionism. In the future, this problem must be tackled through monitoring the decisions and activities of 'core' firms along the clothing chain of production. Retailers, principal manufacturers and fashion houses determine the quantity, quality and production methods within the industry, and it has been with their consent, tacit or otherwise, that outwork and sweating has flourished. Unless this is understood, super-exploitation will continue to be blamed on 'unscrupulous' individuals, rather than the structure of the industry.

Conclusions

Given the vast array of forces currently fostering change within the Australian clothing industry it is difficult to be anything more than speculative in assessing future trends. One warning which emerges

from this analysis is the importance of avoiding the temptation of 'homogenising' the clothing industry, through treating firms as undifferentiated units with equal ability to adapt to the changing environment. Different companies of varying sizes in particular markets can develop a range of corporate strategies in response to reduced tariff barriers, new technologies, new production systems, changing relations with retailers and changes in the labour process. An enabling factor for one company may well be inappropriate, or even a factor of limitation, for another.

Already, pressures from retailers have forced many principals to take the hi-tech road, combined with greater off-shore sourcing. Other principals appear to be taking the Benetton road (although on a less hi-tech scale), while rationalising their relationships with sub-contractors. The response of these sub-contracting principals towards quality and price will, in turn, affect the structure of sub-contracting. The two 'ideal type' scenarios outlined in this paper suggest that either the more successful CMT's will dominate the market, or else production will become further decentralised, resulting in an expansion of outwork.

In reality, a combination of both scenarios is most likely. Given the range of strategic options available to companies, new technologies and new production systems can exist alongside intensified sweating. Few small fashion companies (and CMT's attempting to gain a foothold in a fashion niche) have the capital to invest heavily in the computer-related advances which have transformed the operations of the principals. Furthermore, the demands on lead-times which characterise fashionwear make moves off-shore unlikely in this sub-sector.

The nature of clothing production has always encouraged the practice of sub-contracting and outwork, as well as intense competition on this fragile link in the industry chain. Despite technological advances in the pre-assembly stage, the assembly process has remained highly labour-intensive, and this will not change in the near future. Set-up costs and entry barriers are very low for sub-contracting companies. This is further assisted by the pervasive practice of leasing premises and equipment. Furthermore, migrant women have traditionally been a captive market for entrepreneurs attempting to gain a foothold in the

cut-throat competitive world of fashion sub-contracting. Their main asset has always been the ability to co-ordinate and organise a labour supply network, rather than the ownership of means of production.

For a number of principals (and for many fashion companies) these characteristics of clothing sub-contracting may present the only possible option for corporate survival in the future, given scarce resources and the threat of overseas competition. Thus, while employment numbers in the industry may appear to decline, in reality clothing production will merely be shifted 'off the books'. If this occurs, the problems associated with outwork, ranging from the economic (tax evasion), to the industrial (non-compliance with awards), to the technical (quality) and the social (isolation, alienation, powerlessness, exploitation and inequality, especially among women and migrants) will increase, even though the industry appears, statistically at least, to be declining.

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