SEW WHAT?
INDUSTRIAL DECLINE AND LOCAL RESPONSE
IN
NEW YORK'S NEEDLE TRADES

by

Michael I. Garland

B.A., Economics
University of Virginia
(1986)

Submitted to the Department of Urban Studies and Planning in Partial Fulfillment of the Requirements for the Degree of

MASTER IN CITY PLANNING

at the

Massachusetts Institute of Technology

May 1994

© 1994 Michael I. Garland
All Rights Reserved.

The author hereby grants to MIT permission to reproduce and to distribute publicly paper and electronic copies of this thesis document in whole or in part.

Signature of Author ..

Department of Urban Studies and Planning

May 19, 1994

Certified by ................................................................. ................................

Richard Schramm
Senior Lecturer
Thesis Supervisor

Accepted by ................................................................. ................................

Ralph A. Gakenheimer
Chairman, Master in City Planning Committee
Department of Urban Studies and Planning

ARCHIVES
MASSACHUSETTS INSTITUTE
OF TECHNOLOGY

JUL 12 1994
SEW WHAT?
INDUSTRIAL DECLINE AND LOCAL RESPONSE
IN
NEW YORK'S NEEDLE TRADES

by Michael I. Garland

Submitted to the Department of Urban Studies and Planning on May 19, 1994 in partial fulfillment of the requirements for the degree of Master in City Planning.

Abstract

The New York City garment industry has lost over 100,000 jobs in the past twenty years and the 84,000 garment workers who remain face a bleak future. As firms struggle to compete against imports from developing countries where garment workers are paid a few dollars per day, the industry continues to shed jobs, real wages continue to fall and illegal sweatshops that provide unsafe working conditions and pay subsistence wages are on the rise.

This thesis focuses on a collaborative effort to reverse this decline. My subject is the Garment Industry Development Corporation (GIDC), a public/private non-profit established in 1984 by the International Ladies' Garment Workers Union, two industry trade associations and the City of New York to meet the special needs of New York's garment industry.

In this thesis, I examine the evolution and impacts of GIDC's strategies and explore the dynamics of cooperation and compromise on GIDC's tripartite board of directors to determine whether GIDC represents a replicable model for economic development policy in other cities and industries. I find that although GIDC represents an uneasy and imperfect collaboration, with some partners playing more active roles than others, its tripartite sponsorship has enabled it to implement programs that would have been infeasible without that broad cooperation.

I conclude that as a model for local industrial policy GIDC offers advantages over both government-led strategies and more traditional public-private partnerships. Because it is a labor/management-led strategy, GIDC is in a strong position to identify and respond to industry and worker needs. At the same time, the range of often competing interests represented on GIDC's board of directors helps to ensure that public funds will not be appropriated to serve a narrow interest. There are several context-specific factors responsible for GIDC's success, however, that suggest caution when adopting this model to other cities and industries.

Thesis Supervisor: Richard Schramm
Title: Senior Lecturer, Department of Urban Studies and Planning
Acknowledgments

This thesis would not have been possible without the support and cooperation of many people. First and foremost, I want to thank my advisor, Richard Schramm; not only did Richard keep me on track with my thesis, but I looked forward to our Wednesday meetings as a chance to exchange ideas on economic development more broadly. Chris Tilly also deserves special mention for taking an early interest in this project and providing meaningful guidance throughout.

I want to thank Mount Auburn Associates for providing me with the opportunity to link my thesis to one of their ongoing projects; Beth Siegel, in particular, provided useful suggestions and support. I also want to thank all of the people who shared their time and insights with me, and gave me a glimpse into the dynamics of New York's garment industry. Bruce Herman, president of the Garment Industry Development Corporation (GIDC), deserves special thanks for granting me access to GIDC's reports and publications, answering my many questions, and, most importantly, providing me with an entrée to garment firms and union, industry and City officials.

I am grateful to Sarah Carleton and Maria Medioli for helping me to overcome the inevitable roadblocks, both intellectual and spiritual, that I frequently hit. I also want to thank Sophia Heller for her helpful feedback during the final few weeks of writing. My roommates, Pat Field and Terri Teleen, deserve recognition. Terri showed admirable patience putting up with me during my sometimes pained writing process, while the omnipresent sound of Pat typing his own thesis at a hundred words per minute inspired me to press on.

Finally, I want to thank my family for supporting me in their own unique fashion. My brother's generosity made my few weeks away from my work something to write home about, while my mother's turkey breast care packages provided needed sustenance during the final weeks of this process.

I dedicate this thesis to Richard Garland, whose kindness and sense of humor will always be a source of inspiration to me.
# Table of Contents

**Abstract**  
2

**Acknowledgments**  
3

**Chapter One:**  
**Introduction**  
5

**Chapter Two:**  
**The Theoretical Context**

- Overview  
10  
- Industrial Performance  
11  
- Labor Markets  
15  
- Immigration  
18  
- Summary  
21

**Chapter Three:**  
**The New York Needle Trades**

- Overview  
23  
- History and Analysis  
26  
- Summary  
37

**Chapter Four:**  
**The Garment Industry Development Corporation**

- Overview  
39  
- History: 1984 to 1994  
40  
- Summary  
59

**Chapter Five:**  
**Strategic Impact Assessment**

- Overview  
60  
- Analysis  
62  
- Summary of Impacts  
73

**Chapter Six:**  
**Organizational Analysis**

- Overview  
75  
- The Board of Directors  
76  
- Organizational Structure  
83  
- Organizational Summary  
87

**Chapter Seven:**  
**Conclusion**  
90

**References**  
100
Chapter One

Introduction

It is not enough that you should understand about applied science in order that your work may increase man's blessings. Concern for man himself and his fate must always form the chief interest of all technical endeavors, concern for the great unsolved problems of the organization of labor and the distribution of goods—in order that the creations of our mind shall be a blessing and not a curse to mankind. Never forget this in the midst of your diagrams and equations.

Albert Einstein
Address, California Institute of Technology (1931)

Industrial Decline and Local Response

In the past two years, I have studied a range of theories that seek to explain fundamental changes in the global economy that have dramatically affected industries, workers and communities. Some are concerned with industrial performance and economic growth, while others focus explicitly on the declining economic opportunities available to workers and their communities. Together, these theories have shaped the way that I conceive of the problems and possibilities inherent to our industrial economy.

This thesis is my attempt explore these concepts in a context that matters. That context is the New York garment industry, an industry that has lost over 100,000 jobs in the past twenty years. The 84,000 garment workers who remain face a bleak future. As firms struggle in vain to compete against imports from developing countries where garment workers are paid a few dollars a day, the industry continues to shed jobs, real wages continue to fall and illegal sweatshops that provide unsafe working conditions and pay subsistence wages are on the rise.

Garment jobs have never been particularly desirable, but the industry has provided a port of entry into the New York labor market for successive waves of immigrants whose limited English and low skills hinder access to better jobs. For the
Asian and Latino women who comprise the bulk of the industry's current labor force, a garment job paying $7.00 per hour or more is often the best of a limited number of opportunities. This is especially true for unionized jobs, which offer essential health care benefits equal to 25-30 percent of wages (NYC EPMG 1993).

Rather than emphasize the decline of New York's garment industry, however, my focus is on a collaborative effort to reverse that decline. My subject is the Garment Industry Development Corporation, a public/private non-profit established in 1984 by the International Ladies' Garment Workers Union (ILGWU), two industry trade associations and the City of New York to meet the special needs of New York's garment industry. GIDC provides work force training, marketing and technology assistance, export assistance and other business services.

In an industry whose rapid decline has bred deep and pervasive pessimism, GIDC seeks to inspire a vision of alternative possibilities. That vision is predicated on a strategy to help firms compete on the basis of quality and responsiveness, rather than on lower and lower labor costs. According to "Strong Economy, Strong City", a 1993 economic report produced by the City of New York, "GIDC has made a significant impact in addressing the needs of a fragmented industry characterized by small, entrepreneurial companies, and has become one of the leading, if not the foremost, industry-specific economic development organizations in the country" (NYC EPMG 1993).

**Thesis Question**

My interest in GIDC emerged from a project that I have been working on at Mount Auburn Associates, an economic development consulting firm in Somerville, Massachusetts, to study sectoral economic development strategies. Among the initiatives that I found, GIDC stood out as a rare example of a strategy that explicitly linked the competitiveness of an industry with the welfare of a disadvantaged group of workers. I believed that GIDC's collaborative approach and integrated strategy would provide useful
lessons for other cities and industries combating industrial decline.

This enterprise, therefore, is as much an exploration as an evaluation. Where did GIDC come from and how did it evolve? Where specifically has it made a significant impact? What are the elements of its strategies and program design that account for these impacts? And most importantly, what lessons can I extract from GIDC's experience that may be applicable to other cities or industries?

Methodology

My methodology involved reviewing GIDC's annual reports and related documents; conducting sixteen interviews with past and present staff, board members and other affiliated individuals; and visiting two garment factories selected (by GIDC's president) on the basis of favorable experiences with GIDC. Thus, all my interviewees had a vested interest in representing GIDC favorably, though their perceptions did vary considerably. In most interviews, I asked a similar set of questions covering two areas: (1) GIDC's perceived impact on garment firms and workers and (2) the dynamics of cooperation and conflict on GIDC's tripartite board of directors. When appropriate, I also tried to get as much detail as possible on GIDC's founding and evolution.

The purpose of the factory visits was to demonstrate to myself that there are viable possibilities for a New York garment industry other than one predicated on sweatshops. The factories are not representative of the small factories that comprise the bulk of GIDC's constituents; both are large firms with spacious facilities in Brooklyn and both are attempting innovative reforms to take advantage of changing market opportunities.

This project is intended as an initial review of the GIDC model. Due to time and resource constraints I have not been able to undertake a formal evaluation of GIDC's impacts on the New York garment industry.
Organization of Thesis

In Chapter Two, I establish the theoretical foundation for this exploration by reviewing three theoretical areas: industrial competitiveness, labor markets and immigration. Each one provides useful insights into the problems and possibilities facing New York's garment industry. Together these insights inform the Garment Industry Development Corporation's strategies and define the opportunities and limitations that it confronts in its mission to meet the needs of New York's garment firms and workers.

The context for this thesis is New York's garment industry, an industry that has suffered long-term decline. This is the subject of Chapter Three, in which I provide an overview of the industry, including a history of its rise and decline. The theme of the chapter is that New York's garment industry is at a crossroads. The current path, which is predicated on forcing down wages in a vain attempt to remain price competitive with low-cost imports, will lead to either a sweatshop-based industry or no industry at all.

The alternative path is an industry that pays skilled workers decent wages to sew high quality garments for lucrative niche markets. Although New York's garment firms are poorly organized to capitalize on these opportunities, New York's historical advantages as a production center for ladies' garments combined with the experience of the Italian garment industry, where wages average 170 percent of U.S. wages, suggest that the alternative path represents a viable strategy.

The heart of my thesis is the Garment Industry Development Corporation (GIDC), which trains garment workers and assists firms to adopt improved methods of production to access more lucrative, niche markets. I examine GIDC through three different lenses. In Chapter Four I describe GIDC's genesis and evolution, which is an interesting story in its own right. GIDC grew out of an effort to stabilize real estate costs in Chinatown and subsequently expanded to serve the strategic needs of New York's entire unionized garment industry.
I revisit GIDC in Chapter Five with a more critical eye to determine where it has had an impact and where it has not. Among my conclusions, I find that GIDC's strategies are an appropriate use of public resources in that they are responding to identified needs that the industry has failed to address unilaterally and that GIDC has had a meaningful impact on those workers that it has trained. With respect to GIDC's more ambitious goal of shifting the competitive strategy of New York's garment industry, success has understandably been limited. I conclude, however, that GIDC's efforts to effect progressive change in an industry suffering from a conspicuous lack of vision merit continued support.

In Chapter Six, I conduct an organizational analysis to disentangle those factors of program design and governance that account for GIDC's success. I focus in particular on GIDC tripartite board of directors, exploring the dynamics of cooperation and compromise in setting policy. Although the board's role has atrophied in recent years, I find that its tripartite structure has a significant influence on the particular strategies that GIDC adopts. I also conclude that GIDC's status as a public/private non-profit provides it with both stability and flexibility.

Finally, in Chapter Seven, I conclude by summarizing those factors that account for GIDC's successes and by raising some of the issues that my research leaves unresolved. I suggest that GIDC's success derives from the interaction of strategic and organizational characteristics, as well from certain context-specific factors. In particular, I find that GIDC's strategies are successful because they are (1) targeted, (2) flexible, (3) balanced and (4) integrated. Moreover, these characteristics are facilitated by GIDC's organizational design. At the same time, however, I acknowledge the critical role that the ILGWU has played in GIDC's success, and discuss some of the issues and limitations that this raises with respect to both GIDC and its applicability as a model to other contexts.
Chapter Two
The Theoretical Context

Overview

The problems of declining international competitiveness, employment and wages that plague New York's needle trades are unusually severe, but they are not unlike the problems confronting industries and workers throughout the United States. Since the mid-1970s the American economy has undergone dramatic structural changes that have destabilized numerous industries and devastated local communities. American manufacturers, accustomed to stable demand for their mass produced goods, have suddenly found themselves competing against developed and developing nations in an increasingly volatile world economy.

The effect on workers has been profound, particularly for the minority and immigrant workers concentrated in the nation's cities. Real wages have remained stagnant or declined since 1973 and earnings inequality--between rich and poor, black and white, and native and immigrant workers--has increased. As President Clinton often repeats, Americans are working more for less. So much less in fact, that a recent report by the Census Bureau found that 18 percent of Americans with year-round full-time jobs had earnings below the poverty line in 1992, up from 12 percent in 1979 (Rosenblatt 1994).

Researchers seeking to explain these troubling phenomena take a variety of approaches, depending on the way in which they define the problem. While some are concerned with questions of industrial performance and economic growth, others focus explicitly on the declining opportunities available to the work force. Among these theories, three areas are particularly relevant to the New York garment industry:
Industrial performance

In the 1970s, domestic firms produced nearly 90 percent of the clothes that Americans purchased. Today, we import over 60 percent of our clothing (Council for American Fashion 1993). An inability to compete against low cost imports is the primary factor propelling the decline of New York's needle trades.

Labor markets

Garment wages have been declining since the 1960s both in real terms and relative to other manufacturing industries. Today the average garment worker earns 40 percent less than the average U.S. manufacturing worker (U.S. Department of Commerce 1994). Garment jobs are also highly seasonal and unstable. Paradoxically, despite the high rate of unemployment among garment workers, employers contend that there is a shortage of skilled workers.

Immigration

The majority of New York's garment workers are now Asian (27%) and Latino (33%), mostly Chinese and Dominican; sixty-seven percent are women. Most are immigrants who arrived subsequent to 1965. There are also an estimated 1,700 to 2,000 immigrant-owned garment shops (NYC EPMG 1993).

Each of these theoretical fields offers useful insights into the problems and possibilities facing New York's garment industry. These insights inform the Garment Industry Development Corporation's strategies and define the opportunities and limitations that it confronts in its mission to meet the needs of New York's garment firms and workers.

Industrial Performance

The declining competitiveness of American industry over the past twenty years has spawned a vast literature on the keys to improved industrial performance at both the sector and firm level. A common theme in this literature is that the rigid mass production manufacturing system that was once a symbol of America's economic prowess is no longer suited to an increasingly volatile world economy in which tastes
change and consumers demand increasingly specialized goods.

In a quest for alternative forms of economic organization, proponents of flexible specialization have fastened onto the surprising competitiveness of small manufacturing firms clustered in certain industrial districts of developed countries. The archetypal industrial districts are the small, highly-successful firms in that part of northern Italy dubbed the "Third Italy," and in particular the region of Emilia-Romagna.¹ The average firm in Emilia-Romagna employs only five workers and ninety percent of manufacturing firms employ under 99 persons. Yet over the past two decades these small firms have transformed Emilia-Romagna into the fastest growing of Italy's twenty regions with the highest per capita income (Best 1990).

Central to the theory is the notion that economic activity in an industrial district is embedded in a broad web of social and institutional relationships and not just a matter of purchase and sales transactions (Piore and Sabel 1984; Sabel 1989). Similar to nineteenth century craft producers, firms in these districts specialize in particular aspects of the production process and make use of flexible production technologies to respond to rapidly changing demand patterns and serve high-end and niche markets. Rather than competing mainly on price, flexibly-specialized firms are said to compete on the basis of product and process innovation. This entails a balance of inter-firm competition and cooperation that promotes sector-wide flexibility and innovation (Sabel 1989,1992; Harrison 1991).

Significantly, New York City's garment industry is often cited as a classic industrial district (Piore and Sabel 1984; Powell 1987). There are an estimated 4,600 garment factories in the City employing an average of only 21 workers per firm (NYC EPMG 1993). The factories are highly specialized, with separate firms performing particular facets of garment production, such as zippers, belts or pleats. Unlike the

¹The term "Third Italy" was coined by Italian Sociologist Arnaldo Bagnasco in the mid-1970s and introduced to the American literature by Piore and Sabel in 1984 (Harrison 1991).
Italian industrial districts, however, New York's garment complex is suffering as firms, provoked by low cost imports, engage in severe price competition.

One reason for the disparity may be that the portrayal of cooperative inter-firm relations in Emilia-Romagna conflicts with the fiercely competitive, low-trust image of New York's garment industry that dominates the literature and that emerged during my interviews with a range of industry actors. Although changes in retail strategies have opened a window of opportunity for New York's firms to enter more lucrative niche markets, the inability of New York's small firms to cooperate is impairing their ability to meet the quality, quantity and responsiveness standards that today's large retailers require.

The contrasting performance between New York's garment industry and the Italian industrial districts, however, may not necessarily be due to historical or cultural factors that lie beyond the reach of public policy. In fact, researchers credit the success of the Italian industrial districts to the sector-specific institutions created by the regional government to foster cooperative relations and provide shared technology and marketing services (Hatch 1991; Harrison 1991). The Garment Industry Development Corporation (GIDC) is seeking to fill a similar role in New York City.²

GIDC seeks to foster cooperation among New York's fragmented garment firms in several ways. GIDC--itself a collaborative effort of several industry trade associations together with labor and the City--provides shared services, such as training and market information, that New York's small firms are unable or unwilling to provide unilaterally. GIDC is also setting up a number of demonstration projects designed to strengthen relationships among firms and their customers.

² Whatever role the sector-specific institutions have played in fostering trust in the Third Italy, I suspect that GIDC confronts an industry characterized by far greater ethnic, cultural and generational heterogeneity than exists in the Italian industrial districts.
While the literature on flexible specialization emphasizes the need for flexibility and cooperation among firms, theories of high performance work organization stress the importance of flexibility and cooperation within firms. Proponents of work reform suggest that there are two ways to organize work, the "traditional" model and the "transformed" model (Osterman 1991). The transformed model is more flexible and more productive, but requires enhanced employment security, increased worker participation through flexible work teams, and innovative incentive schemes. Most importantly, implementing these changes requires meaningful cooperation between labor and management (Osterman 1991).

The issue of work place reform is particularly important in the garment industry, where the traditional mode of production--known as the progressive bundle system--is ill-suited to the rapid changes in production runs required to meet retailers' demands for shifting styles and quick response. The progressive bundle system entails dividing assembly of cut pieces into dozens of distinct operations performed by separate workers organized in an assembly line fashion (Dunlop and Weil 1993). Because tasks require different amounts of time, the system depends on adequate buffer stocks between operations--typically equal to a day's production--to minimize downtime. As a result, a tailored shirt that requires only 18 minutes of actual sewing time requires as much as 25 days to complete (Dunlop and Weil 1993). Not only does this system tie up capital in inventory, but it complicates quality control, since defective work can accumulate undetected in the buffer stocks for long periods, and blocks fast responses to market shifts (Bailey 1993).

Consistent with the notion of a "transformed" model, there have been a number of recent innovations in the organization of garment production designed to increase efficiency and flexibility. The most prominent is the modular system, in which groups of operators work together in teams, or modules, to complete an entire garment. Since each worker performs a wider range of tasks, and each garment proceeds directly to the next
operator, the need for in-process inventories is greatly reduced or eliminated; thus, the same shirt that required 25 days to complete under the progressive bundle system can be completed in five days (Dunlop and Weil 1993). The modular system requires cross-trained workers and significant cooperation and coordination among team members.

Despite its apparent advantages, diffusion of the modular system has been severely limited due to both a lack of information and the high costs of training (Dunlop and Weil 1993). "Given the absence of auxiliary institutions and traditions that support work place innovation [in the apparel industry]" Bailey concludes that "larger firms with adequate financial resources or those that are particularly committed to change are most likely to carry out significant work place reform" (Bailey 1993:44).

Given the preponderance of small, unsophisticated firms that comprise GIDC's constituency, few firms have implemented significant work reform. In the past, local firms relied on their proximity to customers and suppliers to respond rapidly to market shifts, but proximity alone is insufficient to meet the quality and response requirements that today's retailers demand. Proponents of work reform believe that New York's small firms will need to build on their natural advantage by adopting new forms of flexible work organization. An important element of GIDC's strategy is to assist its constituent firms to adopt these new methods, including the modular system, by providing both technical assistance and firm-specific training.

Labor Markets

Within the field of labor economics, there are several influential theories that seek to explain how workers, particularly disadvantaged workers, interact with the economy. Two theories in particular---the deindustrialization and the skills mismatch hypotheses---attempt to explain the declining real wages of the American work force, a decline which started in the 1960s in the case of the garment industry. A third theory, known as dual labor market theory, seeks to explain why certain workers, such as immigrants and women, tend to concentrate in unstable, low-paying jobs.
Proponents of the *deindustrialization hypothesis* assert that the globalization of the economy combined with the hyper-mobility of capital has made it easier for U.S. manufacturers to seek out cheap labor in developing nations (Bluestone and Harrison 1982). The result has been a steady loss of U.S. manufacturing jobs—which traditionally paid good wages to low-skilled workers—and a transition to a service-based economy providing low paying, often part-time jobs.

The garment industry has unquestionably suffered from deindustrialization. As U.S. manufacturers have shifted production to low-wage workers in developing countries, domestic industry employment has plummeted. But the deindustrialization hypothesis alone fails to account for the significant within-industry wage decline experienced by garment workers. In a subsequent work, however, Harrison and Bluestone (1988) extend the deindustrialization hypothesis and assert that the increased competition from low wage countries has also caused domestic manufacturers to bid down wages to remain competitive. Although this provides an explanation for the garment industry's declining wages, it fails to account for the fact that employers cite a shortage of skilled workers even as more and more unemployed garment workers are looking for work.

The *skills mismatch hypothesis* provides a different interpretation for the growing wage inequality within industries. Proponents of this hypothesis suggest that employers now require higher skilled workers to operate in a more technologically sophisticated and volatile economy. They suggest that there is currently a mismatch between the low skills of much of the labor force and the higher skill requirements now demanded by employers. Consequently, the declining wages paid to low-skilled workers reflect lower demand for their skills, while increasing returns to high skilled workers reflect a corresponding increase in demand for their skills (Levy and Murnane 1991). The skills mismatch hypothesis is consistent with both the within-industry wage decline and shortage of skilled workers in the garment industry. As we will see in Chapter
Three, however, the lack of technological change in the industry is inconsistent with a skills mismatch explanation.

_Dual labor market theory_, which links the variability and uncertainty of modern economies to the segmented structure of the labor market, provides a different perspective on the experience of garment workers (Berger and Piore 1980). Proponents of this theory divide the economy into primary and secondary sectors, a division that is correlated with the relative use of labor and capital. The primary sector caters to the stable portion of demand and this stability facilitates capital investment, which is fixed and therefore requires that firms are able to predict demand for their output with reasonable certainty. The secondary sector, on the other hand, caters to the variable portion of demand. The instability within this sector discourages fixed capital investment and favors the use of labor, which is a variable cost of production.

This division creates duality within the labor market "between that portion of the labor force which shares in some part of the privileged position of capital and those other workers who continue to function as the 'residual' factor of production" (Berger and Piore 1980). The secondary labor market includes unskilled blue collar jobs, low or unskilled service positions and part-time, contingent work (Milgrom and Roberts 1992). Referring to the French labor market, Berger and Piore (1980) identify four types of workers that have made the secondary sector viable: youth, women, migrants and peasants.

_Dual labor market theory_ helps to explain how the unique characteristics of the garment industry result in lousy jobs, and why particular types of workers, notably immigrant women, concentrate in the industry. The garment industry is a classic secondary sector industry in which firms confront highly unpredictable product demand due to rapidly changing fashion trends. As a result, garment firms have little incentive to invest in expensive capital equipment and so the garment industry remains the most labor-intensive of all U.S. manufacturing industries. The volatility of product demand also means that garment workers experience frequent bouts of short-term unemployment.
By identifying the forces that create the lousy jobs in the apparel industry, dual labor market theory helps to define some of the limitations inherent to an intervention such as GIDC; the volatility of apparel demand is beyond the influence of public policy, particularly at the local level. At the same time, however, the fact that a subset of the labor force is relegated to the secondary sector means that it is doubly important that we pursue policies to improve the quality of these jobs to the extent possible. In fact, the quality of garment jobs, in terms of both wages and working conditions, varies quite significantly. Thus, GIDC’s strategy to foster better garment industry jobs seems particularly important.

**Immigration**

A subset of labor market theories focuses on the experience of immigrants within the economy. Two of these theories—one on immigrant labor and the second on immigrant entrepreneurship—provide viable explanations for the prevalence of immigrants within the garment industry. The first is Michael Piore’s *theory of immigration*, which relates to his work on dual labor markets (Piore 1979). Piore argues that jobs serve two functions: the social function that serves to define the person in relation to his or her community, and the economic function of providing income, which is the uni-dimensional reward for work within traditional economic theory. Consequently, there are some jobs that, no matter what the pay, a person will not accept because they are perceived by both the individual and the community that shapes the individual’s values as too humiliating or degrading.

For the immigrant worker, however, her conception of work is divorced from her role in the community. According to the theory, this is because most [voluntary] migrants initially intend to stay only temporarily; they are target earners seeking to earn enough money to return home and start a business or make another investment. This results in a separation of the economic self, which interacts in the labor market of the
host country, from the social self, which remains rooted in the home community. The result is that migrants are willing to take jobs and live under conditions that native workers refuse. This phenomenon is further reinforced by the fact that migrants tend to come from backward regions of underdeveloped economies in which most jobs are low status relative to the types of jobs in the receiving country.

The temporary character of migration eventually breaks down, however, and the resulting change to permanent status alters the immigrants' labor market expectations. Their inability to access jobs in the primary labor market, commensurate with their transformed perceptions and expectations, creates discontent within the secondary labor market and unrest in the community. Two factors operate to transform immigrants from temporary workers, divorced from the host community, to permanent residents who adopt the values and expectations of the host society. First, immigrants from the same country tend to live in close proximity to one another and begin to develop social connections. If these relationships become sufficiently strong and the migrants see themselves as permanent, they will begin to evaluate their job status according to the social criteria of their adopted country. Second, regardless of how migrants conceive of themselves, their children will grow up within the host country and will evaluate their job opportunities according to its value system.

This theory offers one explanation why immigrants concentrate in a secondary sector like the garment industry, and in sweatshops in particular, where wages and working conditions seem intolerable. It also helps to explain why firm owners complain that there is a shortage of skilled workers, a shortage they attribute to the fact that second generation immigrants refuse to work in the industry. This too suggests that there are limits to what an intervention such as GIDC can accomplish. In particular, it suggests that, even if GIDC succeeds in improving the quality of garment jobs markedly, the industry is unlikely to attract non-immigrants into its labor force.
One issue that Piore's theory does not address specifically, however, is that of immigrant entrepreneurship. For that, I turn to Roger Waldinger's (1986) *theory of immigrant entrepreneurship*, the context for which is New York's needle trades. Waldinger suggests that *permanent* immigrants turn to self-employment due to structural barriers—such as poor English-language facility, inadequate or inappropriate skills, age and discrimination—that hinder access to primary sector jobs. But immigrant entrepreneurs' opportunities to enter a particular industry will be constrained by the degree to which they are competing with natives. Thus, immigrants gravitate toward those sectors in which native owners are "leaking out," a process that Waldinger refers to as ethnic succession.

In addition to the barriers specific to immigrants, Waldinger identifies a number of structural barriers that all entrepreneurs confront: technology-driven economies of scale, lack of access to capital and the lack of structured labor market institutions matching skilled workers with jobs (Waldinger 1986). Waldinger concludes that, within New York's garment industry, the structural barriers to small scale entrepreneurs are very low due largely to modest capital requirements. In addition, research suggests that immigrant-owners have an advantage over native-owned firms due to their ability to recruit and train workers through kinship ties and informal networks (Waldinger 1986; Bailey 1987).

As I will discuss in Chapter Three, however, these advantages have certain limitations. First, the high rate of immigrant entrepreneurship is often predicated on exploiting fellow immigrants and family members in sweatshops. Second, the industry's informal training system is imperfect and has impeded the ability of immigrant firms to access the higher skill, higher price market segments. These two issues are related since the ability to access these niche markets represents the industry's best hope for a future other than one based on unsafe sweatshops paying subsistence wages. Once again, therefore, we see how GIDC, by providing training, is seeking to fill a critical gap.
created by the unique conditions in the New York garment industry.

Summary

The problems of declining competitiveness, employment and wages that characterize the U.S. economy over the past twenty years have inspired a body of important research. Among the theories put forward to explain these troubling phenomena, several provide useful clues about the problems and possibilities that New York's garment firms and workers confront.

At the sector level, the literature on flexible specialization is particularly relevant. Taking the highly successful industrial districts of the Third Italy as a model, flexible specialization theory suggests that New York's complex of over 4,500 small, specialized firms has considerable untapped potential when viewed as a collective unit. Rather than continue to compete on the basis of cut-throat price competition, New York's small firms may have the potential to work together to leverage their individual strengths and access more lucrative niche markets that value quality and responsiveness.

The industry's fragmented structure and low-trust environment, however, prevent firms from adopting the type of cooperative reforms necessary to unlock that hidden potential. Similarly, at the intra-firm level, New York's small firms confront significant barriers to the changes in work reform that are needed to improve quality, flexibility and responsiveness.

Barriers to reform at both the sector and firm level suggest an important role for the Garment Industry Development Corporation (GIDC). First, as a collaborative venture supported by the industry, union and City, GIDC is able to provide collective services such as training and market information that garment firms have traditionally failed to provide unilaterally. Equally important, GIDC is seeking to enhance the level of cooperation among firms to achieve the type of benefits that firms in the Third Italy enjoy. As such, it is resembles the sector-specific institutions that many researchers credit as key to the success of the Italian industrial districts.
Improving the competitiveness of New York's garment firms also represents the industry's best chance for arresting the continued decline in both garment wages and employment. Although the industry has suffered from deindustrialization and the resulting bidding down of wages, a strategy to target niche markets that value quality over price offers an opportunity to insulate firms from severe import competition. As dual labor market theory suggests, however, the volatile nature of the apparel industry confines it to the secondary sector and, ultimately, places limitations on what an intervention such as GIDC can accomplish. Both dual labor market and immigration theories also suggest that the garment industry's immigrant labor force has few job alternatives. Thus, it is incumbent upon policymakers to improve these jobs to the greatest extent possible.
Chapter Three
The New York Needle Trades

New York City has one hundred thousand people who, under unfavorable conditions, work with their fingers for so little money that they are understood, even by the uninitiated general public, to form a class by themselves. These are by some called sewing-machine workers, by others tenement toilers, and by still others sweatshop employees.

Theodore Dreiser, 1923

Overview

Few industries have suffered the consequences of global economic restructuring more acutely than the U.S. garment industry. As apparel imports from low-wage countries in Asia, Central America, and the Caribbean surged in the 1970s and 1980s, domestic industry employment declined from a peak of over 1.4 million workers in 1973 to less than a million workers by 1993 (U.S. Department of Commerce 1994).

In New York City, the fashion capital of the U.S., garment industry decline came sooner and has been more severe than that of the nation. In 1947, there were over 312,000 garment workers in New York; today, there are only 84,000 (ES202 Employment Data, 1993). Apparel, however, still remains New York's largest manufacturing industry and forms one part of an extended complex—including design, production, wholesaling and linkages to other local industries—that comprises a $22 billion fashion industry generating over $500 million annually in local taxes (NYC EPMG 1993).

---

3 As cited in Stein (1977:42).

4 I was only able to calculate apparel industry employment back to 1947, but 1947 is not necessarily the peak of local industry employment.

5 New York City ES202 Employment Data provided courtesy of the New York City Economic Policy and Marketing Group.
**Firm Structure**

The largest and most important sector of New York City's garment industry is ladies' apparel, which employs two-thirds of the City's garment workers. In addition, New York's garment industry is distinguished by its immigrant labor force—primarily Asian and Latino women—and its agglomeration of small, highly fragmented firms. There are 4,600 garment factories in New York City, predominantly contractors, that employ an average of 21 workers each (NYC EPMG 1993).

The industry relies on a long-established contracting system according to which garments are designed and merchandised by manufacturers and jobbers, but assembled predominantly by small contractors specializing in various lines of apparel or aspects of the production process. Although most manufacturers maintain a few prime contractors, loyalty is generally low and price competition among contractors is intense.

**Garment Jobs**

Garment jobs are not the manufacturing jobs that helped a generation of post-war workers enter the middle class. Full-time compensation in the U.S. apparel industry averaged only 76 percent of average compensation for all manufacturing in 1950 and declined to only 52 percent by 1985 (Rothstein 1989). But the industry does play an important role in providing jobs to workers, predominantly immigrant and minority women, whose opportunities for alternative employment are constrained by low skills, limited English and/or discrimination.

---

6 Traditionally, manufacturers performed all aspects of the apparel production process, including designing the garment, acquiring the fabric, pattern making, grading cutting, sewing, inspection, pressing and marketing. Jobbers on the other hand, only handled the non-production aspects of the process and contracted out the sewing operations to small contract shops. Today, however, few manufacturers actually sew their own garments and the terms manufacturer and jobber are used interchangeably.

7 A survey conducted by the U.S. Department of Labor (DOL) in January 1986, for example, found that only 52 percent of garment workers that had lost their jobs within the prior five years had found a new job, compared to 67 percent for all displaced manufacturing workers. The DOL survey also revealed that twice as many unemployed garment workers as all manufacturing workers (30 percent vs. 15 percent) became discouraged and/or dropped out of the labor force (Rothstein 1989).
Over half of New York’s garment workers are unionized, primarily through the International Ladies’ Garment Workers Union (ILGWU), but also through the Amalgamated Clothing and Textile Workers Union (ACTWU). The unions police working conditions and provide health care coverage and retirement benefits equal to 25-30 percent of wages (NYC EPMG 1993). In addition, the ILGWU has traditionally been the one stable institution in New York’s highly fragmented ladies’ garment industry.

Return of the Sweatshop

Unfortunately, the same sweatshop conditions that led to the ILGWU’s founding in 1900 are once again on the rise in New York, as they are in Los Angeles, San Francisco, Seattle and El Paso. As domestic firms try to remain price competitive with imports from developing countries—such as El Salvador, where workers earn as little as $3.00 per day—they continue to drive down wages; Department of Labor investigations have found workers earning as little as $1.00 per hour (Echaveste and Nussbaum 1994). This is especially a problem for immigrants who have few job alternatives and, in the case of undocumented immigrants, little legal recourse.

The number of sweatshops is difficult to estimate since the most flagrant violations occur within transient shops that operate in the underground economy and employ illegal immigrants. A 1989 study conducted by the U.S. General Accounting Office, however, estimated that 4,500 of an estimated 7,000 New York City firms (including unregistered shops) regularly violated both wage or child labor and safety or health laws (GAO 1989).

Not all non-union shops are sweatshops; non-union workers often earn comparable wages to union workers, though they do not receive health care or other benefits associated with union representation. Nor does unionization prevent abuses: wage and labor violations occur within the unionized segment as well, since the industry’s fragmented structure makes it difficult to police working conditions effectively. Because of this fragmentation and the small number of workers in any given
contract shop, the ILGWU's strategy has been to target organizing drives to manufacturers; since unionized manufacturers are supposed to use only unionized contractors for all domestic production, the ILGWU's goal is to quash the demand for sweat labor.

Given the industry's declining employment and wages and the proliferation of sweatshops, many Americans are resigned to the notion that there is no future for a U.S. garment industry that offers its workers fair wages and decent working conditions. Understandably, this is a common perception within New York's garment community, where owners and workers have experienced the industry's long-term decline firsthand. Current trends in apparel retailing, however, offer a window of opportunity for New York's firms to exploit their traditional strengths to target more lucrative, niche markets. Although New York's firms are poorly organized to capitalize on these opportunities at the moment, a historical review of the rise and subsequent decline of the needle trades in New York City suggests that local firms still retain certain competitive advantages in the production of apparel, particularly ladies' garments.

**History and Analysis**

*1880 to 1940 - Agglomeration and Immigration*

The rise of New York's garment complex coincided with the rise of factory production in the clothing industry in the late nineteenth century. The invention of the sewing machine in 1846 and the advent of the Civil War, which generated demand for millions of standardized uniforms, set the stage for ready-to-wear men's clothing. By the 1880s, the women's ready-to-wear clothing industry was similarly established (Markusen 1985). In New York, the number of factory workers producing ladies clothing jumped from 39,000 in 1889, when the number of workers making dresses at home was 49,000, to 166,000 by 1919 (Waldinger 1986).

---

8 For this historical account of New York's garment industry, I have relied largely on Roger Waldinger's *Through the Eye of the Needle: Immigrants and Enterprise in New York's Garment Trades* (1986).
A catalyst for the rapid growth of apparel production in New York City was a constant stream of new immigrants. Prior to 1880, Irish, Swedish and German immigrants had dominated the modest garment and tailoring trades. But between 1880 and 1920, New York gained an estimated 460,000 eastern European Jewish immigrants and 390,000 Italian immigrants, a large number of whom entered the garment trades (Waldinger 1986). In 1924, however, this massive flow of immigrants was shut off with the passage of the Immigration and Naturalization Act.

While most Italian garment workers were women, among the Jews both men and women entered the garment factories. Many of the Jewish men had been skilled tailors in eastern Europe and quickly adapted themselves to machine production (Waldinger 1986). Rather than work for the larger manufacturers, which were owned by an earlier wave of Jewish immigrants from Germany, the eastern European Jews worked as or for small contractors. They would set up small factories in the tenements where the immigrants lived and sew garments on a contract basis for the manufacturers. These small contractors proved highly successful in recruiting their fellow immigrants as workers and this manufacturer-contractor relationship remains a defining characteristic of today's ladies' garment industry.

In addition to a ready supply of immigrant labor, the rise of New York's apparel industry benefited from the growing popularity of ladies' fashion:

The 1920s was the era of Gatsby and the flapper, and the loosening of life-styles that they represented was fully reflected in the clothes that women wore. Out went the rigid corset and the long, confining blouses and skirts: in came the dress. Stylishness became more important just as this new style--the dress--became in vogue (Waldinger 1986:53).

With advances in communications and transportation, the fashion craze spread beyond the urban middle-class to rural America (Markusen 1985; Chandler 1980). New York's established complex of garment designers, manufacturers and wholesalers was well-
positioned to capitalize on this growing market and the City's apparel production and employment continued to grow into the 1940s.

1940 to 1975 - Firm Migration

By the 1930s, however, New York had already started losing market share to other regions of the U.S. and by the 1940s employment in New York's needle trades started to decline. The same advances in transportation and communications that had extended the market for apparel also made it easier for apparel manufacturers to leave New York in search of lower costs. In the context of the labor-intensive garment industry, this meant lower wage, non-union workers.

Initially, firms migrated to the Lehigh Valley in Pennsylvania and Fall River, Massachusetts, both within short truck rides from New York. Following World War II, increased standardization, particularly within men's clothing, enabled greater economies of scale in production, which in turn allowed for a finer division of labor. No longer constrained by the need for skilled workers who performed multiple tasks, more and more garment manufacturers followed heavy industry south in search of large production sites and low-skilled, low-cost workers.

Although I only have New York employment data going back to 1958, they clearly illustrate this dispersion pattern. Between 1958 and 1973, a period during which national industry employment rose by 300,000 workers to over 1.4 million, New York's employment declined from 277,000 workers to 180,000 workers. As a result, New York's share of national garment industry employment fell from 23.6 percent to only 11.9 percent over the period. In women's outerwear, New York's largest and most important apparel sector, the City's employment share fell from 33.5 percent to 17.6 percent. Graph 1 below illustrates these trends.
1975 to 1993 - Globalization, Immigration and Stabilization

Since the mid-1970s the dynamics of the U.S. and New York garment industries have shifted significantly due to intense import competition from low wage countries in Asia, Central America and the Caribbean. The rise in imports has been astounding. In the early 1970s, Americans imported about ten percent of their clothing. By 1992, import penetration had surged to 62 percent (Council for American Fashion 1993). As a result, U.S. garment industry employment fell from a peak of over 1.4 million workers in 1973 to about 950,000 workers in 1993.

In New York, the decline has been even more severe. The number of workers fell by over 50 percent between 1973 and 1993, from 180,000 to only 85,000. As a result, the City's share of national industry employment continued to erode, from 12.5 percent in 1973 to 9.5 percent in 1993. These aggregate figures, however, mask important changes
in the composition of New York's garment industry employment. As Graph 2 illustrates, New York's women's outerwear sector has maintained a relatively stable 17 percent share of national employment since 1975, despite a decline in real employment from 70,200 to 56,400 workers between 1975 and 1993. In contrast, New York's employment in the smaller men's suit sector declined from 9,400 workers to approximately 2,000 workers and its share of national employment declined from 10.7 percent to 4.9 percent.

Graph 2
New York's Share of United States' Apparel Employment
1975-1990


What these statistics suggest is that New York City continues to maintain certain competitive advantages relative to other regions of the country for the production of ladies' apparel, the most volatile sector of the industry. Unlike the more stable men's sector, ladies' apparel is characterized by frequent changes in seasons and styles that inhibit the ability of firms to predict product demand with certainty and preclude product standardization. Consistent with dual labor market theory, this creates opportunities for
small firms that cater to the unstable portion of demand, either producing unstandardized goods or else filling in shortages within mass-produced lines (Abeles et al 1983). In fact, a large percentage of New York's contractors survive by producing re-orders on hot selling items first produced off-shore. Within the industry, this is referred to as the "spot market."

Agglomeration and Immigration Once More

The reasons that the spot market for ladies' apparel has stayed in New York are akin to the reasons that led to the rise of New York's apparel complex in the first place: agglomeration and immigration. First, ladies' apparel is becoming more and more fashion intensive. Manufacturers, for example, are now designing for six fashion seasons instead of the traditional four (Rothstein 1989). New York's agglomeration of apparel and related activities, including designing, merchandising, supplying and wholesaling, facilitates the flow of up-to-date information on styles and market trends required by a fashion-intensive industry.

As Waldinger notes, "By being close to the source of style change and fashion information, a New York manufacturer can find out about the latest fad or novelty item, copy it, and 'knock it off' cheaply, doing so before the item goes out of fashion" (Waldinger 1986:98). Although manufacturers are less and less dependent on local contractors, as compared to their need for local suppliers, designers and merchandisers, there are still a large number of manufacturers that rely on local contractors for at least some of their production. A major reason is a renewed supply of immigrant labor that arrived subsequent to 1965, when reformed immigration laws eliminated the discriminatory quota system that gave preference to immigrants from western Europe.

New York's new immigrants are Asian and Latino, primarily Chinese and Dominican. Many have low skills and speak only limited English. Faced with few job alternatives, they accepted the low-paying, unstable garment jobs at a time when white ethnic workers were exiting the industry, particularly from the lower wage occupations.
and sectors. According to the 1990 Census, the majority of New York's garment workers are now Asian (27%) and Latino (33%), less than a third of whom were born in this country; over two-thirds are women (NYC EPMG 1993).

**Immigrant Entrepreneurship**

Like the Jewish and Italian immigrants before them, the new immigrants have been very successful in setting up their own contracting shops. There are an estimated 1,700 to 2,000 immigrant-owned garment shops in New York City, out of a total of about 4,600 firms; few immigrant entrepreneurs, however, are women (NYC EPMG 1993). Unlike most U.S. manufacturing industries, the barriers to entry for small-scale garment entrepreneurs remain very low in the garment industry. This is because of the industry's low capital requirements that, like many of the industry's other anachronistic traits, result from the volatility of apparel demand.

Variations in size, color and fabric, as well as changing seasons and styles, precludes standardization of apparel, particularly ladies' garments. This alone suggests that the industry would be resistant to mass production technology, which requires long production runs of standardized goods (Chandler 1980). But the fact that it has proven difficult to develop automated machinery that can handle limp fabric further exacerbates the problem. As a result, manually-operated sewing machines continue to be the dominant mode of sewing technology.

Sewing machines have changed little in recent years and can be easily leased or purchased used. Capital requirements are therefore modest, and the nature of the contracting relationship further reduces the level of capital needed to start a business; contractors sew material owned by the manufacturer, so there are no inventory costs, and the contractors generally pay wages after they receive cash from the manufacturer (Waldinger 1986). Most importantly, like the earlier European immigrants, the new Asian and Latino immigrant entrepreneurs have been successful at recruiting labor at a time when white ethnic owners are suffering from a shortage of skilled workers.
The Garment Industry Labor Market

It seems counter-intuitive that an industry shedding jobs as quickly as apparel would suffer from a labor shortage; a shortage of skilled workers also seems inconsistent with the declining wages within the industry. Despite these apparent contradictions, however, garment industry employers in New York as well as other in other regions consistently identify a lack of skilled workers as a serious concern (Bailey and Waldinger 1987). 9

Neither the deindustrialization nor the skills mismatch hypothesis provide a convincing explanation for the paradoxical garment industry labor market. Recall that proponents of deindustrialization assert that it is the loss of high-paying manufacturing jobs to low-wage countries and the transition to low wage service jobs that account for the declining wages paid to semi-skilled workers. Although the U.S. garment industry has clearly deindustrialized, this explanation fails to account for the within-industry wage decline that plagues the industry.

The skills mismatch hypothesis, on the other hand, offers an explanation for within-industry wage decline that assumes that changes in technology and work organization have increased job skill requirements; as a result, there is a decline in demand for low skilled workers and a corresponding drop in their wages. Although a tiny number of garment firms are adopting new forms of work organization that require higher skills, for the most part sewing jobs have changed remarkably little this century (in fact, they have become deskillled with the increase in section work). Moreover, employers cite a decline in the skills of the labor force as the problem, not an increase in job skill requirements. Thus, the skills mismatch also fails to explain the garment

---

9 In reviewing responses to a 1993 survey of all Fall River, Massachusetts businesses conducted by Mt. Auburn Associates, for example, I found that only garment firms consistently identified a lack of skilled workers as a concern. Fall River's garment workers are predominantly Portuguese and, in a focus group meeting, employers attributed the shortage to the fact that second generation immigrants refused to work in the apparel factory, even if the alternative was a lower paying job at McDonalds.
industry labor market situation.

Another common explanation for declining garment wages is that domestic firms, forced to compete against foreign firms paying workers a few dollars per day, have bid down domestic wages (Harrison and Bluestone 1988). While this hypothesis provides a reasonable explanation for the declining wages, it fails to explain why employers are suffering from a shortage of skilled workers at a time when more and more dislocated garment workers are unable to find jobs. There is clearly something more complex occurring in the industry.

Michael Piore and Charles Sabel offer a more compelling explanation that lies in the piece rate compensation system and the informal way in which training takes place:

The acquisition of skill in the garment industry depends on the instruction that experienced workers give to novices on the job. Since earnings in the industry...are based on piece rates, the instructors must make substantial monetary sacrifices in order to pass on their knowledge. (Piore and Sabel 1984:292)

It is in their ability to solve this problem that immigrant-owned firms have a competitive advantage over native-owned firms. Similar to immigrant owners within the restaurant industry (Bailey 1987), immigrant garment owners recruit and train workers through kinship ties and informal networks: "[instructors] are likely to bear this cost of training only if they are bound by kin or ethnic ties to the entering generation of workers" (Piore and Sabel 1984:292)10

A 1987 report on the human resource needs of New York's garment industry, however, found that this informal training system works best at the low-skill end of the industry, which is where most of the immigrant-owned firms are concentrated. The white ethnic employers in the more skilled segments, in contrast, suffer from a shortage

---

10 Piore and Sabel assert that this informal training system has reinforced the ethnic division of labor within the industry. Continuing from above quote, they state that, "Given this situation, the Jews and Italians who had long been employed in the industry were unwilling to transmit their skills to the new black and Puerto Rican employees. And because these latter received little training, their earnings remained so low that at the first prospect of better work they left the industry" (Piore and Sabel, 1984:292).
of skilled workers and are dependent on a dwindling supply of aging workers (Bailey and Waldinger 1987). Recall that the earlier wave of European immigrants arrived with sewing skills, while the more recent Asian and Latino immigrants did not.\textsuperscript{11} Moreover, language barriers, ethnic ties and low skills inhibit movement between the immigrant-and native-owned sectors.

In addition to explaining the paradoxical skills shortage in the garment industry, Piore and Sabel's hypothesis provides a plausible explanation for the decline in wages; since earnings are based on a piece rate system, today's less skilled workers are unable to attain sufficient speed to earn a decent wage. This explanation is also consistent with the perception within the industry that skilled sewers continue to earn decent wages.

\textit{1994 and Beyond}

Import competition continues to be the single most serious threat to New York's garment industry, but other forces also threaten New York's agglomeration of small, technologically unsophisticated factories. The advent of specialty apparel retail chains combined with consolidations among large department stores reflects a continuing trend toward greater concentration of apparel buying power among fewer and fewer retailers. Consolidated retailers buy large lots to supply their extended chains, and these lot sizes exceed the production capacity of the small factories around which New York's industry has traditionally been organized.

In addition, retailers--many saddled with large debt loads from mergers and acquisitions in the 1980s--are pursuing "lean retailing" strategies. Rather than maintain high inventory levels and risk markdowns and liquidations, lean retailers limit in-store stocks and rely on suppliers to quickly provide reorders on hot selling items. Thus, at the same time that total lot sizes are increasing, per store inventories are actually declining.

\textsuperscript{11} In the course of my interviews with firms and trade associations I learned that, in contrast to ten or twenty years ago, the more recent Asian and Latino immigrants are arriving with sewing or other factory experience. I was also told that the more recent immigrants are more educated and may have opportunities to leave the garment industry for higher paying work once their English improves.
These lean retail strategies require closer linkages throughout the production and sales chain and new forms of work organization on the shop floor to facilitate quick response. This is particularly important in the ladies' apparel industry, where styles and fashion trends are both unpredictable and rapidly changing.

Lean retail strategies create market opportunities for New York's firms to capitalize on their proximity to their customers. In addition, the trend toward higher fashion content and more frequent style changes, particularly in ladies' apparel, is opening up higher profit market niches well-suited to New York's agglomeration of apparel expertise. To capitalize on these opportunities, New York's small garment firms will require closer relationships with customers and suppliers, as well as with each other, in order to meet the quality, quantity and response requirements of their customers. They will also need better trained workers and more efficient forms of work organization.

At the moment, however, New York's firms are poorly organized to take advantage of these opportunities. Rather than make the necessary investment in technology and human capital, firms continue to bid down the industry's already low wages in a doomed effort to remain price competitive with low-cost imports. Moreover, the industry's fragmented firm structure, its low-trust culture and the lack of formal training all represent formidable barriers to progressive change.

As we will see in Chapter Four, the Garment Industry Development Corporation (GIDC) is seeking to overcome these obstacles in an effort to halt the industry's downward spiral. Among it activities, GIDC:

- offers worker training and job placement services to compensate for the scant training provided within firms;
- assists firms to adopt more efficient methods of organizing production to increase flexibility and improve turnaround time;
- is implementing demonstration projects to foster closer production linkages among retailers, manufacturers and contractors; and
assists New York's small firms to access lucrative export markets.

Together, these activities form a comprehensive strategy to shift the way in which New York's garment firms compete in the world market. Although this is an ambitious goal that is greeted with some pessimism within the industry, the notion of a U.S. garment industry that pays skilled workers fair wages to produce high quality goods for lucrative niche markets is more than an absurd fantasy. In Italy, for example, hourly garment wages average 170 percent more than U.S. garment wages (U.S. Bureau of Labor Statistics 1993; courtesy of ILGWU). Rather than compete on the basis of low cost, the Italians manufacture high quality garments which they export all over the world. Including intra-European trade, Italy accounts for over 10 percent of world apparel exports, second only to Hong Kong; the U.S., on the other hand, accounts for about 2.3 percent of world exports (GATT Data, courtesy of ILGWU).\(^\text{12}\)

**Summary**

The future of New York's garment industry is uncertain, but there appear to be three paths that the industry could follow:

1. Employment can continue to decline until the industry effectively disappears;

2. The industry can degenerate into one based on sweatshops paying subsistence wages in order to remain price competitive with imports from low wage countries; or

3. New York's garment firms can adopt a high skill, high wage strategy to target market niches in which they can capitalize on their natural advantages, which include their supply of skilled workers and proximity to the heart of the American fashion industry.

The first two options reflect current trends, but New York's traditional advantages as a production center for ladies' garments--including its agglomeration of apparel and related

12 In addition, 15 percent of U.S. exports are merely pre-cut domestic piece goods that are shipped offshore for assembly and then re-imported (U.S. Department of Commerce 1994). U.S. trade policy is to only charge duty on the value added which, in the case of these goods, is equal to the paltry wages paid to the foreign workers.
activities and its supply of immigrant labor—together with recent changes in retail strategies suggest that an alternative high road future is also possible. Throughout the rest of this thesis, I will take a closer look at GIDC to see what it is doing to make option three a reality.
Chapter Four
The Garment Industry Development Corporation
1984 to 1994

Overview

Next month marks the ten-year anniversary of the Garment Industry Development Corporation (GIDC), a non-profit institution established by the International Ladies' Garment Workers Union (ILGWU), two garment industry trade associations and the City of New York to meet the special needs of New York City's apparel industry.

GIDC's founding established several important precedents. For the City of New York, GIDC represented the first public/partnership devoted to the welfare of a single industry (Mount Auburn Associates 1987). For the ILGWU, GIDC's initial efforts to ameliorate escalating rental costs in Chinatown represented the first time that the union had linked land use issues to the well-being of the garment industry and the employment prospects of its membership. And for the highly-fragmented, notoriously competitive garment industry, GIDC represented the first time that the various industry trade associations worked together to address common problems.

Since 1984, GIDC has grown from a two-person staff with a $120,000 annual budget to a staff of twelve full and part-time employees and an annual budget of almost $1.5 million. Although GIDC continues to pursue its original mission of meeting the special needs of New York's garment industry, its specific goals and strategies have evolved considerably. GIDC now provides work force training, marketing and technology assistance, export assistance and other business services. The purpose of this chapter is to document GIDC's birth and evolution.
History: 1984 to 1994

The Chinatown Garment Industry Study

GIDC's history is intertwined with the meteoric rise of garment production in New York's Chinatown that started in the late 1960s. Catalyzed by a fresh stream of Chinese immigrants and the availability of low-cost loft space, the number of garment jobs in Chinatown grew from 8,000 to 13,400 between 1969 and 1975, a period during which employment in the midtown garment cluster—the traditional heart of New York's garment industry—fell from 40,000 to 22,000 workers. By 1982, garment employment in Chinatown had reached an estimated 20,000 jobs (Abeles et al 1983). As the landscape of New York's garment industry shifted, so too did the membership among the locals of the International Ladies' Garment Workers Union (ILGWU), which organizes the industry according to both product and geography.

During the 1950s and early 1960s, when the fashion world regarded sportswear as cheap and unfashionable, Local 23-25 of the ILGWU, which organizes sportswear contractors, was considered an underprivileged cousin of the dressmaker and coatmaker locals. But when fashion trends shifted in the late 1960s, sportswear took off and both the new Chinatown garment complex and Local 23-25 grew with it. The number of Chinatown contractors affiliated with the local surged from 73 to 247 between 1969 and 1975, and reached 430 by 1980 (Abeles et al 1983). Local 23-25 had become the premier local in the ILGWU.

As Chinatown's garment industry burgeoned so too did public and press concerns over sweatshop conditions within Chinatown's factories. The industry's low barriers to entry and exit and its fragmented firm character had always made it difficult for the union or government to police working conditions and the existence of sweatshops was an ugly and recurring theme throughout its history. But by the late 1970s officials at Local 23-25, headed by Jay Mazur, were becoming concerned that a rise in sweatshops might somehow lead to deteriorating physical infrastructure within Chinatown as well.
As Muzaffar Chishti of the ILGWU recalled, "the specter of the South Bronx was haunting us somehow. We didn't want the South Bronx to get repeated in New York's Chinatown." Moreover, the union recognized that, while Chinatown had become a critical part of the industry, the dynamic forces that led to this new production complex were only loosely understood.

In response, Local 23-25 enlisted the support of the New York Skirt and Sportswear Association and issued a request for proposals in 1981 for a study of the Chinatown garment industry. The purpose was to examine the forces shaping the local industry and assess the physical condition of New York's Chinatown—presumably its decrepit condition. The consulting firm of Abeles, Schwartz, Haeckel & Silverblatt, Inc. was selected, with Harry Schwartz, an urban planner, acting as project manager. The consulting team included Geoffrey Wiener, a planner at the firm, Emmanuel Tobier, an economist at New York University and John Wang, a Chinese expert. At the ILGWU's urging, Roger Waldinger, a George Meany Fellow with the ILGWU, was added to provide greater apparel industry expertise.

In commissioning the study, the union believed that there were three principal factors influencing the Chinatown industry: real estate, immigration and international trade. "We had to have space where people could work, we needed people to work, and we needed goods for them to work on," remembers Chishti. "If trade continued the way it was going, there were not going to be too many goods to work on." The union had already been working on issues of trade and immigration, but it had never contemplated real estate as an issue relevant to its membership.

It didn't take long for the consulting team to dispel the union's fears of impending real estate deterioration in Chinatown: "the interesting thing," recalled Chishti, "is that within two weeks of their starting to look at the Chinatown industry I met with Harry [Schwartz] and Manny [Tobier] and they said 'what are you talking about, it's going to be just totally the opposite. The rents in Chinatown are just going to escalate'. The truth,
obvious in hindsight, was that New York City was in the midst of a real estate boom and Chinatown bordered on Soho, where loft space had become a precious commodity. The Chinatown garment industry was at risk, but it wasn't from creeping decay, it was from rapid gentrification.

Once the trend of the study's findings became apparent, the project team and union realized that it wasn't worth waiting for the final conclusions to act. They presented preliminary findings to members of the City Planning Commission at 2 Lafayette Street. Although their offices were literally a stone's throw from Chinatown, the City's planners had never appreciated the scale of Chinatown's job base. That 20,000 garment jobs existed within Chinatown's loft buildings, and that these jobs were at risk, was an eye-opening revelation.

To their credit, the City planners were responsive, initiating zoning changes to preserve garment production in Chinatown even before the completion of the Chinatown study. The significance of these meetings, however, extended beyond this notable achievement. First, it put the Chinatown garment industry on the City's agenda. More importantly, however, the meetings demonstrated the potential for cooperation with City officials. The project team recognized the value of that cooperation and would ultimately seek to institutionalize it.

In June 1983, the "Chinatown Garment Industry Study" was released. The 250-page report described the structure of the women's apparel industry and provided a detailed analysis of the economic, social and spatial change occurring within New York's Chinatown garment complex. It documented the rise of garment production in Chinatown and attributed the contractors' success to their ability to serve the spot-market for low-priced blouse and sportswear. It identified several forces contributing to this phenomenon, including "Chinese immigration, which replenished a declining work force; Chinese entrepreneurship; the availability of loft space for the industry and its unique organizational advantages resting on economic and social bonds" (Abeles et al 1983:2).
The most striking element emerging from the report, however, was the unusual interdependence between the garment industry and the Chinatown community. There were 20,000 garment jobs in Chinatown providing a livelihood to four out of ten Chinese households in the City and six out of ten in Chinatown. Half the employees lived in Chinatown and walked to work. More importantly, with 40 percent of New York's Chinese households connected to the garment industry, the ILGWU's health care benefits played a significant role in the welfare of the City's Chinese community (Abeles et al 1983).

The benefits of the Chinatown garment industry, however, also extended beyond the Chinese community. The report estimated that the Chinatown garment industry contributed $125 million annually to the City's economy in the form of wages and profits, of which about $32 million was spent in the shops of Chinatown and about $14 million in the shops of other Chinese neighborhoods in the City (Abeles et al 1983). While the study acknowledged the importance of the larger economy in shaping the future of the industry, it stressed that "other critical conditions are clearly within the grasp of the people and institutions that are concerned with the manufacture of women's clothing in New York. Private and public interests -- contractors, manufacturers, labor, government and the local community -- must all share responsibility for preserving the dynamic Chinatown garment industry" (Abeles et al 1983:6).

The chief threat to the industry, according to the study, was changes in the local real estate market. The conversion of Chinatown's industrial loft space into residential and commercial use was forcing up rents and displacing Chinatown's contractors. In addition, the study identified issues relating to the productivity of garment firms and the availability of skilled workers. Finally, it provided a set of policy recommendations organized into five broad categories:
1. Set the organizational stage for improving the garment industry.

2. Preserve, upgrade and expand the loft space available to the garment industry.

3. Improve the competitive position of the Chinatown garment industry.

4. Enhance the working and living conditions of garment workers.

5. Provide planning and communication activities to support the industry.

**Evolution of the Garment Industry Development Corporation**

To set the organizational stage, the study recommended that a Garment Industry Development Corporation (GIDC)

...representing the key interests in the industry, be established to plan for the industry, obtain resources and coordinate projects. [GIDC's] chief role... would be to act as a strong advocate of the City's garment industry with public and private interests. ...All entities with a direct interest in the City's garment industry -- contractors, manufacturers, labor as well as city and state government -- should participate in forming the Corporation. (Abeles et al 1983:204-5).

It was Harry Schwartz who conceived of the idea for an industry-based, rather than a geographically-based, strategy. Schwartz doesn't recall basing GIDC on any existing initiatives, though he conceded that he may have been influenced by activities around the steel industry in the midwest. It was the ILGWU, however, that recognized that the City's support was critical, financially, politically and programmatically.

One year later, in June 1984, the ILGWU, two garment industry associations--the Greater Blouse, Skirt and Undergarment Association (the contractors' association) and the New York Skirt and Sportswear Association--and the City of New York, through its Office of Business Development (OBD), established the Garment Industry Development Corporation (GIDC). The union, industry and City each contributed $40,000 to GIDC's first year budget and each appointed five members to GIDC's board of directors, not including the Chairman, who was appointed by the Mayor.
To serve as the board's first Chairman, Mayor Koch appointed Peter Solomon. A former deputy mayor for economic policy and development and one-time counselor for the U.S. Treasury under President Carter, Solomon managed the mergers and acquisitions department at Shearson/Lehman American Express (Women's Wear Daily 1984a). Harry Schwartz was selected as GIDC's first president. At the time, Schwartz said he was attracted "by the challenge" posed by the formation of GIDC and felt that, after two years as the chief architect of the Chinatown Study, he had some understanding of the industry (Women's Wear Daily 1984b).

The Early Years - Loft Conversion in Chinatown

Although established to meet the special needs of the garment industry throughout the city, during its early years Schwartz targeted GIDC's limited resources to Chinatown, the largest apparel production complex within the City. The primary focus was to alleviate the pressure on contractors caused by escalating rents. To update data on the rent situation collected for The "Chinatown Garment Industry Study", GIDC conducted a bi-lingual survey of all Chinatown contractors on their use of space in 1984. The surveys found that, between 1981 and 1984, the median rent jumped 53 percent to $5.32 per square foot, an average increase of 18 percent annually\(^\text{13}\) (GIDC 1986b).

Another survey of 70 contractors, also conducted in 1984, revealed that 40 percent would like to own their own factory space and were willing to invest $25,000 of their own money as equity to do so (Mount Auburn Associates 1987).

Based on these findings, GIDC began identifying Lower Manhattan loft buildings that might be suitable for long-term occupancy by Chinatown firms, either as industrial condominiums or through some form of long-term lease arrangement. Over the next several years, the staff would evaluate dozens of possible sites, most of which were rejected because of location, price, terms of sale, condition, availability or other reasons.

\(^{13}\) The survey was repeated again in January 1986, by which time the median rent had risen to $6.20 per square foot, for a combined increase of 78 percent since 1981.
Two buildings identified in 1984, however, a six-story building with 22,000 square feet of industrial space at 424 Broadway and a vacant public school, P.S. 20, seemed promising. The building at 424 Broadway was already home to five contractors employing over 250 workers. The vacant school appeared to be well-suited as either an industrial condominium or a technical center that GIDC planned to establish.

It would be two years before the tenants at 424 Broadway--with considerable brokering, negotiating, and hand-holding by GIDC staff--would complete the conversion of their building into the industry's first industrial condominium. Although successful, the project proved to take far more time and effort than GIDC's staff had anticipated. The fact that garment contractors had such a high turnover rate meant that financing was particularly hard to obtain. In the end, it was owner financing and loans from the City's Financial Services Corporation that made the deal possible. As for the P.S. 20 project, however, it was beset with insurmountable obstacles and the effort was ultimately abandoned.

GIDC also sought to ameliorate the pressure placed on contractors from rising rents in other ways. GIDC staff continued to work with the City Planning Commission to protect garment factory lofts from the continued conversion and gentrification. In support of these efforts, Harry Schwartz testified at City Planning Commission and Board of Estimate hearings in favor of zoning changes to preserve production space in both Chinatown and midtown. At the same time, GIDC recognized that the rising cost of space had already caused new garment firms to opt for locations outside of Manhattan and was pressuring existing Chinatown firms to relocate.

Many of these new garment factories were appearing in the Bronx, Brooklyn and Queens. Acknowledging this trend, GIDC commissioned Abeles, Schwartz and Associates in 1985 to study the eight largest clusters of garment firms outside of Manhattan. The "Outer-Borough Garment Industry Study", published in August 1986, profiled firms in the eight clusters and described their relation to other segments of the...
industry. On the basis these findings, GIDC started providing assistance to firms seeking to locate in one of these clusters.

The ILGWU must certainly have influenced the specific mandate of the study (i.e. to study particular clusters rather than the outer borough industry more generally), since the issue of firms moving to the outer boroughs posed, and continues to pose, a dilemma for the union. Organizing efforts within New York's garment industry have always been hampered by its fragmented structure, with workers sprinkled among thousands of small firms. The densely packed cluster of Chinatown's firms mitigates these concerns somewhat, particularly since the union is close by, and the union has sought to institutionalize this advantage by inserting no moving clauses into union contracts.

But the union has also recognized that space is very expensive in Manhattan, particularly for small garment contractors; the compromise position has been to accept some relocation, but only to areas where there is already a critical mass of unionized firms. Taken in this context, the outer borough study helped the union formulate its relocation policy by providing a clearer understanding of these clusters.

**Reevaluating the Strategy**

GIDC's primary efforts, however, remained focused on the Chinatown industry until an analysis of the Chinatown real estate market in 1986 forced it to reevaluate its strategy. The report, entitled "The Prospects for Long-term Occupancy of Factory Space by the Lower Manhattan Garment Industry," found that the average purchase price-per-square foot for loft buildings had tripled between 1980 and 1985, from $18.86 per square foot to $56.44. These intense pressures on the Lower Manhattan real estate market meant that few of the buildings that came on the market were affordable to either garment contractors or non-profit organizations offering long-term leases to contractors.

As a result, the number of loft buildings sold in the Chinatown area had dropped from 69 in 1980 to 29 in 1985 (GIDC 1986c). The report concluded that "long-term
occupancy through the purchase of loft buildings or long leases will only be of limited value in stabilizing the space needs of the Lower Manhattan garment industry" (GIDC 1986c). These sobering facts, combined with the frustrating experiences at 424 Broadway and P.S.20, led GIDC's board to reevaluate the real estate program and to shift the organization's strategy toward providing technical assistance and training.

**Shifting Strategies**

Despite GIDC's emphasis on real estate during its first few years of operation, it would be misleading to suggest that GIDC hadn't already been active in the areas of training and technical assistance. GIDC, in conjunction with the Office of Business Development (OBD) and the Fashion Institute of Technology (FIT), used a $50,000 grant from the State's Department of Education to provide a 12-week course in its first year on how to compete more effectively for business, how to run a more efficient factory and English as a second language (ESL) for garment contractors. In its second year, GIDC, together with FIT, launched a basic course in sewing machine maintenance and repairs for contractors and foreman—a program which continues today—and offered several seminars and other assistance to contractors.

Notwithstanding these activities, however, it wasn't until 1987, subsequent to the release of the final report to the EDA questioning the efficacy of GIDC's real estate strategy, that GIDC shifted its primary energies to worker training. To assess the specific training needs within the garment industry and ascertain which institutions, if any, were already providing these services, GIDC and the OBD commissioned Roger Waldinger and Thomas Bailey to study the need for organized training programs within the industry. By this time, Waldinger had capitalized on his experience with the "Chinatown Garment Industry Study" to complete a doctoral dissertation and subsequent book on immigrant entrepreneurship in New York's garment trades. Bailey, an economist at Columbia University, had written extensively on both worker training and immigrant labor.
"A Human Resource Development Strategy for the New York City Garment Industry," published in October 1987, concluded that ample training programs were available for the skilled jobs outside the factories, such as designing and patternmaking, but that the factory-based segments of the industry experienced difficulties recruiting skilled workers or improving workers with sewing deficiencies (Bailey and Waldinger 1987). The authors found that immigrant-owners benefited from an ample supply of immigrant labor, but that the rudimentary skills of the immigrant work force confined these firms to a market niche where their competitiveness was diminishing. On the other hand, non-immigrant owners suffered from a labor shortage due to their inability to tap into immigrant hiring networks. The report recommended the development of upgrading programs for experienced garment workers and stressed the need to create linkages between the non-immigrant owners and the immigrant labor pool.

The Middle Years - Training and Technical Assistance

It was during this transition that Harry Schwartz resigned as GIDC's president to return to a career in consulting. The board selected Adam Friedman, Deputy Director of Economic Development to Manhattan Borough President David Dinkins, to succeed Schwartz and lead GIDC's foray into training. As part of its new strategy, GIDC broadened its constituency to include all of the unionized firms within New York City. As a result, GIDC's programs now served the sportswear, better dress, coat and suit, knitwear, belt, children's wear and intimate apparel segments of the industry.

Industry sponsorship expanded to include the New York Coat and Suit Association, the National Association of Blouse Manufacturers and the Apparel Manufacturers Association. City involvement also deepened. Under Friedman's leadership, GIDC's budget jumped from about $175,000 in program year 1988 to almost $700,000 in 1991 - mostly due to increased public support. In part this was due to an increased contribution from the Office of Business Development, but it also reflected GIDC's success competing for public grants from the City and State.
Despite Friedman's success obtaining public funds, several industry and union officials observed that Mayor Dinkins, who was elected in 1988, was much less attentive to the garment industry than Mayor Koch had been. Dinkins eliminated the various industry desks within City government, including the apparel industry desk, that Koch established and generally "turned a cold shoulder to the industry." A number of changes under Dinkins, however, did benefit GIDC. A representative from the Department of Employment (DOE), for example, joined GIDC's board of directors;14 with both Office of Business Development and the DOE on its board, GIDC became a rare example in New York City government in which economic development and employment policies were integrated in one initiative.

To assist GIDC's newly established training programs, the City donated two dedicated classrooms at the High School of Fashion, and the Office of Business Development provided $110,000 in funding to equip the facility with modern sewing machines. Together with increased support from both DOE and the state, GIDC's training curriculum expanded to five programs by 1991.

These included programs to upgrade the sewing and English language skills of dislocated sewing machine operators and to teach contractors basic and advanced sewing machine maintenance and repair. In conjunction with FIT, a course in manual pattern grading was introduced to provide a career path to more skilled garment workers, with participation divided between cutters and spreaders on one hand, and operators and sample makers on the other. Finally, GIDC developed a computerized pattern grading and marking course to train skilled manual graders and marker makers hands on experience with computerized grading and marking technology.

14 Originally, the Commissioner of the DOE was appointed to the board. The Commissioner was subsequently replaced by one of his Deputies when it was determined that there were possible conflicts of interest since the Commissioner made decisions on grant recipients.
GIDC Today

Adam Friedman resigned as President of GIDC in February 1991 to become Director of Economic Development for the Office of the Manhattan Borough President, Ruth Messinger. As his successor, the Board selected Bruce Herman, who had been an economist with the Port Authority of New York and New Jersey. Herman was familiar with the local garment industry from his experience working on a study of the region's garment industry for the Port Authority. In addition, he had performed his doctoral research in Emilia-Romagna, examining the role that labor unions played in the success of the region's industrial districts of small firms. Just as Adam Friedman's background within City government proved invaluable to GIDC at the particular time that he was hired, Bruce Herman's experience in the Third Italy, seems particularly fitting to GIDC's current stage of development.

The training curriculum that GIDC developed in the late 1980s continues to be a major part of GIDC's activities. The two largest programs, the Super Sewers program and Sewing Machine Maintenance and Repair Program, have graduated over 500 dislocated workers and 350 contractors respectively. At the same time, however, GIDC continues to reevaluate its strategies and goals in light of changing industry trends and an ever-increasing understanding of industry needs. As a result, GIDC is evolving from a strategy to meet the special needs of New York's garment firms and workers to a strategy that seeks to fundamentally change the competitive strategy of New York's garment industry.

Keeping New York in Fashion

The seeds for this evolution were sown in 1989 when GIDC's board commissioned Kurt Salmon Associates (KSA), a consulting firm specializing in the apparel industry, to undertake a marketing and technology assessment of New York's women's and children's apparel industry. Funded by grants from the Office of Business Development (subsequently merged into the Department of Business Services in 1991),
the Port Authority of New York and New Jersey, and the New York State Industrial Effectiveness Program, "the purpose of the study was to identify retail market opportunities, examine potential barriers that limit the access of manufacturers and contractors to new markets and develop recommendations to overcome those barriers" (KSA 1992:9). The recommendations outlined in the final report, entitled "Keeping New York in Fashion" (the "KSA report") and published in March 1992, provide the blueprint for GIDC's current intervention strategy.

The KSA study identified the unique competitive advantages that New York's garment manufacturers enjoy, including their proximity to key market players, accessibility to fabric and trim supplies, and access to a skilled labor force. But, the report warns, "if business continues to operate 'as usual,' these synergies will not continue to operate in New York's favor. Unless the City's industry repositions itself, the decline in this sector's employment will continue as retailers seek out and find vendors to meet their objectives among increasingly global markets" (KSA 1992:10).

Among the "megatrends" threatening New York's apparel industry, according to the report, are the rise in private labels, demand for shorter lead times and increasing concentration and instability at the retail level due to over-expansion and excess debt. Although the concentration of buying power among fewer and fewer retailers poses a serious threat to New York's fragmented garment industry, it also creates market opportunities, particularly in the area of Quick Response (QR), a Just-in-Time method of production that "involves the reorganization of production, marketing and inventory management operations to create closer, more efficient linkages between fabric suppliers, contractors, manufacturers and retailers" (KSA 1992:11).

The KSA report concludes that New York's garment firms will need to pursue one of three basic market strategies to remain competitive:
1) a fashion leadership strategy with shorter merchandise development cycles and higher value-added products;

2) a service/convenience leadership strategy, with broad assortments, high in-stock levels, and high inventory turns; or

3) a strategy designed to establish and maintain a truly unique market niche (KSA 1992).

The consultants' research, however, revealed that few manufacturers or contractors were adopting any of these strategies. The reluctance on the part of firms to change is indicative of the industry's fragmented structure and lack of vision. Driven by the demands placed upon them by low cost imports, firms continue to compete aggressively on price to exploit short-term market opportunities, thereby driving down wages, skill levels and ultimately, the local industry's long-term competitive position.

The KSA report recognized that the splintered, low-trust character of the industry posed a formidable challenge to GIDC's ability to intervene effectively. KSA formulated its recommendations accordingly: "The highly fragmented structure of the needle trades industry, with its secretive/competitive history, demands a 'pull' rather than a 'push' strategy: once certain key recommendations are proven successful..., other companies will be attracted to follow (show me)" (KSA 1992:12). Thus, the report recommended that GIDC create several pilot programs to demonstrate the long-term benefits that these changes offered to local firms.

The chief strategy was to diffuse Quick Response principles of production; the report recommended that GIDC create prototype Quick Response linkages among the retailer/manufacturer/contractor/textile production chain and establish a "QR Jobber" staff position to facilitate linkages within the fragmented industry. It also recommended that GIDC implement pilot projects to (1) assist select contractors to adopt more front-end services, such as design, pattern making/grading and cutting; (2) establish a
"Clearing House" to link contractors with customers; and (3) create a joint venture between a manufacturer and its core contractor(s) to introduce appropriate technology into a contract shop.

The KSA strategy set the organizational stage for GIDC's current activities, which GIDC divides into three categories: human resource development, marketing and technology assistance, and export assistance.

**Human Resource Development**

**The Training Curriculum**

GIDC continues to offer the training curriculum developed during the 1980s, including the Super Sewers program, two Sewing Machine Maintenance and Repair courses, Pattern Grading and Computerized Pattern Grading and Marker Making. The sewing classes are held at GIDC's dedicated training facility at the High School of Fashion, while the other programs are offered through FIT. These are now established programs that boast impressive placement rates and earn consistently high marks from the City, ILGWU and industry representatives.

**Employer-Specific Training**

In an effort to more firmly integrate training with its strategy to improve the productivity and competitiveness of its constituent firms, GIDC recently expanded into on-site, employer-specific training. Although on-site training is tailored to the needs of a particular firm, the general intent is to upgrade workers in order to assist firms to adopt appropriate technologies and implement more effective methods of organizing production. At Mademoiselle Knitwear in Brooklyn, for example, GIDC used grants from the City and State to cross-train 125 sewing machine operators and to prepare 44 supervisors to convert the 425-worker plant from the a progressive bundle system of production to a modular system.

As a result, Mademoiselle's shop floor engineer said that the firm has cut its in process time from three to four weeks to only one to three days; total turnaround time on
an order has dropped from six weeks to one to two weeks. Quality is now much improved as well since problems are detected immediately rather accumulating unseen in the buffer stocks. The modular system is also more flexible than the old system since teams can be quickly shifted to different product runs.

As a result of increased production, shortened turnaround time and improved quality, Mademoiselle was able to reduce its backlog and land several important customers. The company, with help from GIDC and the union, has hired additional workers and is making an impressive rebound from Chapter 11 bankruptcy proceedings. More importantly, Charles Priolo, the company's personnel director noted that employee turnover has dropped significantly. He attributed this to improved wages and the fact that workers take more pride in their work since they see the whole garment being made.\(^{15}\) If GIDC's success at Mademoiselle is indicative of the potential that firm-specific training offers, GIDC's new direction holds considerable promise.

To expand upon its recent success at Mademoiselle and institutionalize its firm-specific service capacity, GIDC is in the process of creating a training and technology extension service. The proposed service will add two full-time engineers and two trainers to GIDC's permanent staff. If program funding is approved, GIDC will no longer need to write a grant proposal each time a firm requests on-site training, as is currently the practice. Bruce Herman, GIDC's president, noted that another firm the size of Mademoiselle would still require a separate grant, but Mademoiselle is an exception among GIDC's constituent factories, which average less than 50 employees.

JobNet

To enhance the effectiveness of GIDC's training programs and assist firms seeking skilled workers, GIDC and the ILGWU established JobNet in 1992. JobNet is a

\(^{15}\) The modular system at Mademoiselle differs from the textbook examples in several ways: workers continue to be paid on an individual piece rate and, while I was there, it appeared that most workers still perform only one narrowly defined task.
centralized job referral service that seeks to connect GIDC trainees and unemployed workers to jobs. During the 1992-1993 program year, JobNet was able to refer qualified persons for 62 percent of the 450 positions that employers were looking to fill (GIDC 1993). The relationships that JobNet has forged with employers provide GIDC with a stream of information on the kinds of skills demanded by employers.

This has enabled GIDC to teach specialized skills to select Super Sewer trainees and to channel them into specific job vacancies. In a recent case, GIDC provided several trainees with four days of on-site training to insure that they adapted to the employer's specialized equipment and were able to attain adequate speed to earn a decent wage. As noted in Chapter Three, the piece rate system discourages employers from providing training to workers.

**Marketing and Technology Assistance**

**Demonstration Projects**

Following up on the recommendations from "Keeping New York in Fashion", GIDC has started to identify textile mills, garment manufacturers and contractors, and retailers with which to implement a Quick Response Supplier Network demonstration project. GIDC has hired a part-time QR packager and received implementation funding through the State. A second demonstration project, the Quality Control Network, seeks to develop a prototype quality control system between a manufacturer and its key contractors. GIDC is working with Lloyd Sportswear, a major New York City manufacturer of moderate priced sportswear, and two of its key contractors. GIDC and Lloyd commissioned an apparel consulting firm to develop the quality control system. The intent is to design a system that can be adapted to GIDC's entire constituency and all materials developed during the course of the project will be available in both English and Chinese.
Industry Need Studies/Special Projects

GIDC continues to perform studies, often with support from the City or particular industry interests, to determine industry needs and augment its knowledge base. One of the most interesting was the Child Care Study that GIDC conducted in 1991. According to Adam Friedman, who was GIDC president when the study was initiated, it was the first time that the City of New York supported an effort to study the child care needs of a particular industry. The Child Care Study confirmed that the lack of affordable child care was a major problem for the industry's overwhelmingly female work force and provided a set of policy recommendations for City, industry and/or union action.

In January 1994, GIDC released the Employer Needs Project and the Buyer Needs Study. The Employer Needs Project was an effort to identify the skills training needs of local firms by surveying over 100 apparel manufacturers and contractors. The report identified a variety of training needs, ranging from follow-up training of Super Sewer graduates to production planning. Consistent with previous findings, the report concluded that closer collaboration between manufacturers and contractors was crucial for improving competitive pricing and quick response.

The Buyer Needs Study, prepared in cooperation with Women's Wear Daily, focused on the changing pattern of buying trips to Manhattan by apparel buyers. GIDC surveyed 103 apparel retailers and discovered that buyers were making fewer trips to New York, preferring instead to travel to regional markets in cities like Chicago, Dallas and Atlanta. Buyers cited concerns over the safety and convenience of traveling to Manhattan as important factors for this shift. Most of the report's recommendations focused on hospitality related services, such as creating a shuttle service from the airport to the midtown fashion district, establishing an apparel information hotline and providing hotel discounts to fashion buyers.

The Buyer Needs Study, like the Child Care Study, demonstrates GIDC's role as a facilitator. Few of the report's recommendations suggested a direct role for GIDC, but
the report provides useful information to the recently established Fashion Center Business Improvement District (FCBID).\textsuperscript{16} Property owners in New York's fashion center—the area between Fifth and Ninth Avenues between 35th and 41st street—recently formed FCBID to provide improved sanitation, security and other services to make the district more hospitable to businesses and visitors. Bruce Herman, GIDC's President, sits on the FCBID board and the two organizations recently submitted a joint grant proposal to the State to set up an on-line marketing network program. The system would provide out-of-town buyers with a current listing of New York's garment manufacturers and information on industry events within the City.

\textit{Export Assistance - Fashion Exports/New York}

In 1991, GIDC, in partnership with the Council for American Fashion\textsuperscript{17}, launched Fashion Exports/New York (FE/NY) to promote New York produced apparel worldwide. FE/NY assists the industry's less sophisticated firms tap into export markets and serves as a clearinghouse linking foreign buyers/agents with appropriate firms. Funding for the program, which is administered by one full-time staff person, is provided by the City and State, as well as the industry and union through the Council for American Fashion.

FE/NY's efforts to research opportunities and develop contacts in Hong Kong, Mexico and Europe resulted in $135,000 in export sales on the part of assisted firms during the program year (GIDC 1993). More recently, FE/NY achieved even greater success when it led a group of four New York manufacturers to the March 1994 Igedo, Europe's largest womenswear show. The four firms captured over $200,000 in orders, which, according to Bruce Herman, is an impressive figure for a first time show.

\textsuperscript{16} Business improvement districts (BIDs) are formed by property owners that want to take an active role in improving their neighborhood by providing services such as security and sanitation. BID revenues are raised through an assessment on property owners collected by the City. FCBID is the first of the City's roughly thirty BIDs dedicated to both a geographic area and to an industry.

\textsuperscript{17} The Council for American Fashion is a labor-management initiative established by the ILGWU and the American fashion industry.
Herman noted that one of the firms is now forecasting significant export sales over the next several years.

**Summary**

Since 1984, GIDC has grown from a two-person staff with a $120,000 annual budget to a staff of twelve full-time and part-time employees and an annual budget of almost $1.5 million. Although continuing to pursue its original mission of meeting the special needs of New York's garment industry, GIDC's specific goals and strategies have evolved considerably. Its original emphasis on real estate issues evolved into a strategy to improve the competitiveness of its constituent firms, not by the common practice of offering government subsidies to lower business costs without concern for business practices, but by training workers and promoting the diffusion of best-practice manufacturing principles.

As GIDC matured, it developed a deeper understanding of the complex issues facing New York's garment industry. As a result, its goals and strategies also changed. GIDC developed new programs, expanded its constituency beyond Chinatown to encompass unionized garment firms throughout New York City and broadened its base of support. The number of industry association sponsors increased from two to five. On the public sector side, GIDC forged cooperative relationships with the Department of Employment (DOE) and the Fashion Institute of Technology (FIT), relationships which have been institutionalized through board representation.

Today, GIDC resembles the industry service centers emphasized in the literature on the Third Italy and has characteristics similar to many of the industrial extension programs that are increasingly celebrated in this country (Shapira 1990). It offers services in the areas of work force training, marketing and technology assistance, export assistance and other business services. In addition, GIDC continues to augment its specialized industry knowledge base with new studies and reports performed in-house or by outside consultants.
Chapter Five

The Garment Industry Development Corporation

Strategic Impact Assessment

Overview

At a time when sectoral economic development strategies are becoming increasingly popular among both academics and practitioners, the Garment Industry Development Corporation stands out as a prominent example with an established track record. Since its founding, GIDC's strategy has evolved and its budget and staff have grown considerably. Although GIDC's ability to flourish in a volatile political climate is not necessarily indicative of success in meeting its mission of serving the special needs of New York's garment industry (a broad mandate), the capacity to survive, grow and evolve are critical elements of an effective program. This is especially true for economic development programs, which wrestle with seemingly intractable problems stemming from complex economic forces; thus, the ability to experiment and evolve in response to changing circumstances or improved understandings is vital.

There are reasons to believe that GIDC has had an impact. Its expanding support base, for example, strongly suggests that it is meeting the expectations of its tripartite sponsors, particularly the public sector, which has increased its financial support substantially. A 1993 economic development plan prepared by New York City's Economic Policy and Marketing Group noted that "GIDC has made a significant impact in addressing the needs of a fragmented industry characterized by small, entrepreneurial companies, and has become one of the leading, if not the foremost, industry-specific economic development organizations in the country" (NYC EPMG 1993).

GIDC's influence on other areas of the City's economic development agenda also suggests that it is successful. For example, Adam Friedman, GIDC's second president and the current Director of Economic Development for Manhattan Borough President
Ruth Messinger, is leading an effort to establish a Diamond and Jewelry Industry Development Corporation (DJIDC). Not only is DJIDC modeled after GIDC, but people within City government refer to the proposed initiative as "GIDC for the jewelry industry." Similarly, economists within the City's Economic Policy and Marketing Group are talking about establishing a "GIDC for the recycling industry", though they have yet to present a formal proposal. All of these efforts indicate that New York City's economic development practitioners believe that GIDC represents an effective model for an industry intervention, and strongly suggests that they believe GIDC is having an impact. To gain a clearer understanding of what those impacts are, however, requires a more thorough study of GIDC's strategies.

The purpose of this chapter, therefore, is to conduct an impact assessment of GIDC's programs to determine where GIDC has had an impact and where it has not. Given GIDC's broad mandate, it will be a goal free evaluation examining impacts independent of specific goals (Patton 1982). My methodology precludes a rigorous evaluation, which would require identifying measurable variables and interviewing a large, and preferably randomly selected group of garment firms and workers. Instead, I relied largely on GIDC's own documentation and the perceptions of past and present staff and members of GIDC's board of directors, all of whom had an interest in representing GIDC favorably. Despite these qualifications, however, this methodology does provide a sufficiently clear understanding of GIDC's strengths and weaknesses to lay the groundwork for Chapter Six, in which I identify those characteristics of GIDC's design that account for its successes.

I will approach GIDC from the perspective of the public sector. Thus, I will first examine whether there is a theoretical rationale for public intervention. I will then examine GIDC's particular strategies to determine (1) if each one represents an appropriate use of public resources and (2) what impact each strategy has had. I will not, however, attempt to measure public costs in relation to social benefits.
Analysis

Theoretical Foundation

The defining characteristic of GIDC's strategy is its industry-specific focus. GIDC was established to meet the special needs of New York's garment firms and workers and, despite changes in the way GIDC has perceived and responded to those needs, it continues to define its mission in the same terms. This sectoral approach has a strong theoretical foundation in the growing literature on industrial clusters and, in particular, flexible specialization. Although the small firm clusters of the Third Italy are taken as the paradigmatic cases, New York's garment industry is also cited as a classic example of an industrial district "...composed of a core of more-or-less equal small enterprises bound in a complex web of competition and cooperation" (Piore and Sabel 1984:265).

New York's garment factories are, in fact, quite specialized but, as emphasized in Chapter Two, the elements of inter-firm cooperation and trust that flexible specialization theorists suggest are the key to industrial district success are conspicuously lacking in New York's garment industry. In his detailed study of immigrant enterprise, Roger Waldinger provides a glimpse of how the low-trust dynamic manifests itself in New York's needle trades:

...the [New York] garment industry is a "low trust" environment, whose intensely competitive nature leads most of its participants to look at the world through a Hobbesian lens. Why does the manufacturer cut his own textiles rather than have a contractor do it to specifications? The answer is that the contractor will be tempted to steal a few inches of fabric for each part of the garment that he cuts and use the valuable remainder for goods that he makes up on his own. ...the expectation of loyalty is low, and suspicion extends equally to newcomers and old-timers." (Waldinger 1986:143)

Although changing retail strategies have opened a window of opportunity for New York firms to move into market niches in which they can compete on the basis of quality rather than just price, the industry's low-trust, fragmented structure constitutes a
significant obstacle impeding their ability to penetrate these profitable market niches. Yet the ability to compete on some basis other than price alone represents the industry's only viable means of surviving fierce import competition from low-wage countries. Such a "high road" strategy requires skilled workers, new technologies, better production methods, improved information flows and a more service-oriented mentality among manufacturers and contractors (KSA 1992; Rothstein 1989).

The institutional and environmental barriers that inhibit firms from adopting these strategies—which would ultimately benefit firms, workers and the City's coffers—provide a compelling rationale for public sector intervention focusing on this sector. The "Keeping New York in Fashion" report identifies three barriers in particular (KSA 1992:54-55):

1) A fragmented industry structure with most production taking place in small, undercapitalized contracting shops.

2) Tenuous relations between manufacturers and contractors, and between retailers and manufacturers, that impede medium and long-term investment and production planning by contractors and manufacturers.

3) Manufacturers' and contractors' production managers aren't provided sufficient management training and education opportunities (or fail to avail themselves of such opportunities).

These barriers suggest a role for GIDC reminiscent of the public policy role that Sternberg extracts from his analysis of sectoral clusters: "... through carefully designed policy, governments could build up sector-specific interrelationships in order to strengthen urban and regional economies" (Sternberg 1991:342). More precisely, the tenuous relationships that pervade New York's garment industry and impede investment and innovation imply a role for GIDC in fostering trust and promoting collaboration within a fragmented industry. This role is similar to that played by the sectoral institutions in Emilia-Romagna. Atkinson (1993) also emphasizes that sector-specific programs, as opposed to those focusing on manufacturing industries as a whole, provide
the opportunity to develop specialized knowledge of industry and worker needs and to use that knowledge to formulate effective responses. Given the multiple challenges facing New York's garment firms and workers--ranging from inadequate local child care facilities to intense global competition--the need for such specialized knowledge is evident.

All of these factors suggests that GIDC's industry-specific approach is conceptually sound. The more fundamental questions, however, concern the appropriateness and effectiveness of GIDC's actual strategies. It is to these questions that I now turn. I will examine the appropriateness and effectiveness of GIDC's three strategic phases as defined in Chapter Four--real estate, training and technology extension--as well as those aspects of GIDC's strategy that do not fit comfortably within these three headings.

**Phase I - Real Estate**

**Appropriateness**

GIDC emerged from "The Chinatown Garment Industry Study", which provided GIDC staff with a well-researched, coherent understanding of the Chinatown garment industry, including an examination of the social and economic forces that led to the rise of this sub-sector and an analysis of the forces threatening its continued vitality. The most pressing concern was the escalating cost of loft space caused by wealthy New Yorkers seeking lofts in and around Soho to convert into trendy homes. This was an immediate need that suggested a clear role for the City through its control of land use zoning.

The fact that the "Chinatown Garment Industry Study" identified real estate as the issue of immediate concern was serendipitous for the subsequent establishment of GIDC with the City as a key partner. Not only did the threat of continued loft conversions justify a role for local government, but industry actors could articulate that role as one consistent with traditional local government intervention.
The Chinatown study provided the basis for GIDC's strategy during its first phase, which centered around stabilizing the cost of factory space for Chinatown contractors by advocating for zoning changes, assisting firms to establish industrial condominiums, and helping firms move to lower cost factory space in the eight outer-borough garment clusters identified in "The Outer Borough Garment Industry Study". Given that it was responding to an identified need that suggested a clear role for public sector intervention, GIDC's real estate strategy was an appropriate strategy.

Strategic Impact

This strategy achieved a number of successes. First and foremost, it provided a concrete issue around which industry actors were able to organize public and private interests and ultimately establish a cooperative intervention. Second, as a direct result of "The Chinatown Garment Industry Study" and subsequent efforts by GIDC's staff, the City rezoned areas of both Chinatown and midtown to forestall the continued conversion of manufacturing space into residential and commercial uses. Although it is difficult to determine how effective the zoning changes were in preserving affordable space, Muzaffar Chishti from the International Ladies Garment Workers' Union (ILGWU), and Harry Schwartz, GIDC's first president, both believe that the impact was significant and both identified the zoning changes as one of GIDC's successes. Finally, GIDC succeeded in helping a group of contractors purchase their building at 424 Broadway, where they continue to provide jobs to about 300 workers.

But GIDC's real estate strategy also had its limitations. The conversion at 424 Broadway consumed far more time and resources than expected and efforts to extend the strategy to other buildings failed. And despite the changes in zoning, a 1986 study commissioned by GIDC and funded by the EDA found that the intense pressure on the Chinatown real estate market persisted and concluded that GIDC's strategy to stabilize rents by creating industrial condominiums was of only limited value (GIDC 1986c). As a result, GIDC de-emphasized real estate as its prime focus, though it continued to assist
firms seeking to relocate to one of the eight outer borough clusters, and shifted its strategic focus toward training, an issue that concerned the entire New York garment industry.

**Phase II - Training**

**Appropriateness**

To formulate an appropriate strategy GIDC commissioned two outside experts to study the industry's training needs and survey existing training institutions. Their report found that there was a shortage of skilled workers and few opportunities for either formal or informal training within the production segments of the industry. Moreover, the shortage of skilled workers threatened the ability of New York firms to take advantage of market opportunities in the higher quality, more fashion-sensitive market niches and those niches that require quick response.

The need for an institution like GIDC to provide training was evident. Although unmet training needs within an industry do not automatically justify a role for public sector intervention--economic theory suggests that a profit-maximizing firm will train its workers if the benefits from that training exceed the training costs--there are several factors intrinsic to the garment industry that deter garment firms from providing training to their workers. Employer-provided training is so rare, in fact, that Bruce Herman, GIDC's president, said that "after three years in the industry and visiting hundreds of shops, I know of no formal training instituted by the employer without significant influence from the outside."

What are the factors that discourage employers from providing training? First, most garment contractors are small and undercapitalized, with few resources for training. Second, there is an active labor market for skilled garment workers and sewing skills are not particularly firm-specific; thus an employer that invests in worker training risks losing his workers to another firm that uses money saved on training to pay higher wages. Finally, as detailed in Chapter Three, the piece-rate payment system gives
owners li*le incentive to help workers increase speed and serves as a disincentive to co-
workers to provide informal training--which is the common way that in which skills are
transmitted--since it requires substantial monetary sacrifices on the part of the co-
worker/instructor (Piore and Sabel 1984).

One solution would be for employers to collectively provide training, but the
fragmented structure of the industry, the free-rider problem and the piece-rate payment
system make such an arrangement unlikely without external coordination and support. In
light of these factors, GIDC's entry into the training arena was well-founded in that it was
responding to an identified need that the industry, left to its own devices, had failed to
address. The fact that GIDC's training helps improve the jobs and increase the wages of
the industry's disadvantaged labor force further justifies public subsidization.

Although most of GIDC's training costs are born by the City and State, eligibility
requirements attached to the particular funding sources, combined with the industry's
dismal track record for providing training, limit the risk that GIDC training is merely
substituting for employer-provided training. This is particularly true of the Super Sewers
program--GIDC's largest training program--which uses JTPA money from the City's
Department of Employment to help dislocated garment workers re-enter the industry.
The eligibility requirements cut both ways, however, since they limit GIDC's flexibility
to provide the types of training that may be most needed, such as the upskilling of
employed garment workers. Although GIDC strategically developed its training
curriculum to meet identified needs, it is important to recognize that the composition of
the curriculum is equally shaped by the programmatic criteria of whatever public funding
is available. To GIDC's credit, it has succeeded in tapping a range of City and State
sources that have allowed it to offer several useful training services.

18 JTPA funds can only be used to train unemployed workers.
Strategic Impact

GIDC's training programs have achieved considerable success and continue to form a cornerstone of its current strategy. The programs boast impressive placement rates and earn consistently high marks from City, industry and union officials. This is particularly true of the Super Sewers program, which has trained over 500 dislocated garment workers in the past five years and reports a 70-80 percent placement rate. In light of the program's track record and popularity, Bruce Herman's exaltation of the merits of "an eight-week intervention that gets people off the rolls and gets them reemployed" seems deserved. I did not speak to any workers who completed the program--though I visited a training session during a Chinese cycle--but the fact that GIDC staff encouraged me to do so and offered to provide an interpreter is indicative of their confidence in the program.

Notably, a 1989 effort to extend GIDC's Super Sewing training to workers dislocated from other industries failed when "problems arose during the on-the-job phase which could not be resolved within the tight time constraints imposed by the funding sources" (GIDC 1989). This suggests that GIDC has identified a niche and target population that it can serve effectively with a limited intervention strategy.

GIDC's oldest and second largest program, the Sewing Machine Maintenance and Repair (SMMR) series, has provided training to over 350 contractors over eight years\(^ {19} \). In a recent survey, participating contractors reported saving an average of $115 per month in repair costs alone, in addition to reducing downtime. The SMMR program is also a good example of the way in which the industry helps GIDC to define needs and formulate solutions: GIDC identified the need for the program through its contact with Chinatown's contractors.

\(^ {19} \) Because turnover is so high among contracting shops, it's impossible to estimate how many of the 350 contractors trained over the past eight years are among Greater Blouse's current 540 members.
Finally, the more advanced courses in grading and patternmaking, though smaller in scale, give workers the kinds of skills that offer substantial opportunities for upward mobility into high-paying jobs within the industry. Allan Hershfield, President of the Fashion Institute of Technology (FIT), noted that patternmakers often earn $25,000 per year, while a good one can make up to $200,000.\textsuperscript{20} GIDC has relied FIT's faculty and facilities to provide these valuable courses.

GIDC's training curriculum has unquestionably had a significant impact on the almost one thousand participating workers and contractors. I presume that this success is largely attributable to GIDC's industry-specific focus, which has enabled it to tailor its curriculum as it formed a deeper understanding the training needs of garment firms and workers. To develop that understanding, GIDC has capitalized on its relationships with its constituents as well as on the services of outside experts. The program's success is further reinforced by GIDC's close ties to the union--which refers unemployed workers to the program--and the industry. Recently, in conjunction with the JobNet referral service, GIDC has even begun to tailor training to specific job openings.

All of the above factors indicate that GIDC's training is highly successful and warrants continued support. Measured against a more ambitious yardstick, however, GIDC's training strategy also has its limitations. The approximately 500 sewing machine operators that GIDC has trained represent less than one percent of total industry employment. GIDC's ability, therefore, to provide enough skilled workers to facilitate an industry-wide shift into the higher price market niches that appear to represent the industry's best hope for long-term prosperity is modest. This is less a criticism of GIDC's training, which is clearly effective, than an acknowledgment of its limitations as a long-term strategy to strengthen the competitiveness of New York's garment industry. The

\begin{footnote}{20} Because patternmaking provides such lucrative opportunities for immigrants with limited English language facility, FIT offers patternmaking classes in twelve or thirteen languages, ranging from Chinese to Serbo-Croatian.\end{footnote}
limitations are more than merely a question of training more workers. A shift into the higher price market niches requires changes in (1) technology, (2) the organization of production and (3) the level of cooperation among customers and suppliers.

**Phase III - Marketing and Technology Extension**

**Appropriateness**

To its credit, GIDC recognized the limitations of its training strategy and is now increasingly providing marketing and technology services to facilitate the type of changes that "Keeping New York in Fashion" identifies as integral to the industry's survival. The industry strategy that the report recommends—adopter Quick Response methods of production, improving quality and fostering closer relationships among customers and suppliers—is consistent with current research on the keys to garment industry competitiveness (Doeringer and Terkla 1993; Rothstein 1989; and U.S. Congress, Office of Technology Assessment 1987). It also moves GIDC toward the type of relationship building role advocated within the more theoretical literature on industrial competitiveness (Sternberg 1991; Best, 1990). Finally, GIDC's expansion into technology and extension services coincides with increasing enthusiasm for these types of manufacturing extension services nationally (Atkinson 1993; Shapira 1990).

The particular role that the report envisions for GIDC—establishing demonstration projects with the expectation that successful models will diffuse through the industry as firms seek to emulate success—seems practical in light of GIDC's limited resources and the large size of New York's garment industry. In effect, this strategy represents the integration of GIDC's supply-side training efforts with an increased sensitivity to the demand-side of the labor market. If GIDC can help firms adopt strategies and production methods that make them more competitive, it will fuel the demand for skilled workers.

This shifting focus, however, also raises questions about the efficacy of providing public subsidies to individual firms. Public grants for firm-specific programs include wage requirements and other restrictions to ensure that workers and not just owners
benefit from the subsidy, and the union closely monitors the impact that changes in production have on the working conditions and wages of garment workers; but the benefits of these initiatives do accrue to only select firms and their employees.

Ultimately, I believe that two factors justify public subsidization for GIDC's firm-specific training. First, the training offers the opportunity to save, create and improve jobs for the industry's disadvantaged work force. Second, past history suggests that the fragmented industry is unlikely to unilaterally adopt the types of changes in production methods and strategy that represent its best hope for renewed vitality. Seeding the industry with some successful models at least offers the possibility of generating positive externalities as other firms seek to emulate success. Moreover, debate over firm-specific training among industry representatives on GIDC's board, and the presence of the union and City, further reduces the likelihood that resources will be poorly allocated.

Strategic Impact

GIDC's efforts to strengthen inter-firm relationships--through such initiatives as the Quality Control Network and the Quick Response Demonstration Project--are only in their infancy, so it's too early to evaluate their impact. But the impressive results that GIDC achieved helping Mademoiselle Knitwear convert to a modular production system provides an encouraging example of the potential that technology extension services hold. GIDC's intervention at Mademoiselle is also a good example of how firm-specific work can generate tangible public benefits: as a result of two public grants, five hundred jobs were saved or created, workers' wages increased and the City now has an opportunity to recoup a prior investment.21 Whether or not successful interventions like the one at Mademoiselle will inspire other firms to implement similar changes, however, remains to be seen.

21 Mademoiselle was in bankruptcy at the time of GIDC's assistance and recently emerged from bankruptcy, largely as a result of changes in production technology and organization. It is unclear whether Mademoiselle would have implemented similar changes in the absence of GIDC.
Other Programs and Special Projects

Fashion Exports/New York

GIDC and the Council for American Fashion established Fashion Exports/New York (FE/NY) in 1991, to help some of New York's less sophisticated manufacturers access export markets. The recent rise in U.S. apparel exports, combined with the success that four of GIDC's constituents had at this year's Igedo show in Germany, suggests that this program is starting to have an impact. The $200,000 in first-time export sales that the four firms received at Igedo represents a significant first-time order, and offers potential for larger future orders. But the real value of this program may be in showing a skeptical industry that there are untapped markets out there. Moreover, export markets provide opportunities for increasing the sales of high fashion goods, which is a market niche that can support decent wages.

Special Projects

Once a particular garment industry need has been identified, it does not necessarily follow that GIDC itself must intervene. Accordingly, GIDC has undertaken special projects to identify needs that the industry, union or City may be better positioned to address. In these instances, GIDC may operate as a provider of information and/or catalyst to other organizations. For example, the Child Care Study GIDC conducted in 1991 represented the first time that the City of New York supported an effort to study the child care needs of a particular industry.

The Child Care Study confirmed that the lack of affordable child care was a major problem for the industry's overwhelmingly female work force. Although one-third of the employers surveyed said they would or might be willing to provide day care subsidies for employees, restrictions in the City's zoning laws impeded the establishment of the work-based day care centers (or near-site centers) favored by the majority of working mothers (GIDC 1991b). The City was a strong supporter of the study and many of its findings suggest a role for City, as opposed to GIDC, intervention.
Another example is the Buyer Needs Survey that GIDC recently completed with support from Women's Wear Daily. The objectives of the study were to determine why fewer and fewer buyers representing national department stores and specialty apparel retailers were traveling to New York for market weeks. A national survey suggested that the reasons related to buyer concerns about security, convenience and complexity in traveling in and around New York City. The report identified a range of services ranging from hospitality services and shuttle buses from the airport to discount travel and hotel packages. According to GIDC's president, the impetus for conducting the study was to "seed" the new Fashion Center Business Improvement District (FCBID), which is a more appropriate vehicle for implementing the report's recommendations than GIDC.

**Summary of Impacts**

The above analysis suggests that GIDC has had a meaningful impact, particularly in the area of training. Although I did not attempt to measure training costs per worker, I suspect that the eight-week Super Sewers program, GIDC's largest program, is a very efficient way of re-employing its target population: dislocated garment workers. The program provides ESL and sewing skills training, but little in the way of work place preparedness and other support services that might be necessary to train this population for work in another industry.

Equally important, GIDC has demonstrated the capacity to abandon unsuccessful strategies, such as its efforts to create industrial condomininiums. Once GIDC established credibility with its training curriculum it began to take on more ambitious programs, ranging from firm-specific training to demonstration programs to export assistance. Some of these programs are already showing indications of success, while others are only in their infancy. These ambitious efforts ultimately seek to extend beyond training workers to improve the competitiveness of New York's garment industry.

Whether or not GIDC will succeed in transforming the industry is uncertain. Success will largely depend on the validity of GIDC's push strategy which assumes that
successful demonstration projects will generate ripple effects throughout the industry. Although I remain skeptical of this facet of GIDC's approach, I can think of few other ways to reach such a large and fragmented audience with only limited resources. Perhaps some attempt to bring together firm owners from across the industry, through seminars, information breakfasts or some other networking strategy would complement the demonstration projects. Despite my skepticism, however, GIDC's aggressive efforts to promote innovation and progressive change in an industry suffering from a conspicuous lack of vision are encouraging. As Eli Elias, Executive Director of the New York Skirt and Sportswear Association, aptly put it: "GIDC is only a cog in the wheel, a little cog, but it requires that little cog to keep on turning."
Chapter Six
The Garment Industry Development Corporation
Organizational Analysis

Overview

Over the past ten years the Garment Industry Development Corporation (GIDC) has demonstrated surprising durability. It has survived changing political administrations and staff while, at the same time, exhibiting an impressive ability to learn and evolve. Most importantly, it has succeeded in balancing the interests of a range of stakeholders in a notoriously fragmented industry. The purpose of this chapter is to conduct an organizational analysis to determine those elements of GIDC's program design that account for these characteristics.

From the beginning of my research, I assumed that a key to GIDC's success lay in its organizational structure: GIDC is an independent non-profit institution governed by representatives from the ILGWU, the industry and the City. I assumed that this governance structure offered several advantages. First, each partner has particular resources and knowledge to bring to bear on the complex problems facing the New York garment industry. Second, I assumed that negotiation and compromise among tripartite board members would insure that GIDC's strategies balanced the interests of firms and workers, as well as those of the City. Third, I assumed that as an autonomous non-profit, GIDC would be (1) more flexible than a purely public initiative and (2) largely insulated from the shifting tides of New York politics that can pervert program objectives and condemn economic development programs to premature demise.

These assumptions inform the organization of this chapter. In the first section, which forms the core of my organizational analysis, I analyze GIDC's board of directors to see how my assumptions of cooperation and compromise actually play out within GIDC. Since I am ultimately concerned with GIDC as a model for public sector
intervention, I pay particular attention to the role of the City. In the second section, I identify several tangible benefits deriving from GIDC's status as an independent non-profit. I also discuss non-design factors such as key institutions and individuals that have played an important role in the organization's success. Finally, I conclude by summarizing my findings.

The Board of Directors

More than merely an idealized notion of the merits of cooperation, my assumptions with respect to GIDC's board reflected a growing recognition within the literature on industrial competitiveness that cooperation among government, industry and labor is a critical condition for strategic change. As the MIT Commission on Industrial Productivity observes,

...the American economy exhibits a lower level of cooperation among business, government, and labor than any of its major competitors. And however qualified our conclusions about the role of industrial policy in the success of those competitors, what we do find significant is that closer cooperation has established a favorable climate for strategic and organizational change. ... the cooperative arrangements we found to have been significant are characterized by power sharing, negotiation, and collaboration at all stages of the process. (Dertouzos et al 1989)

Although the theoretical rationale for cooperation was clear to me, the way in which cooperation would manifest itself within the low-trust environment of New York's garment industry was not. How did GIDC's tripartite board formulate policy? On what issues was their unanimity? What issues were characterized by conflict? What issues were avoided? More generally, what were the forces mediating conflict and promoting compromise?

I expected to find conflict, particularly among labor and industry, but also a process characterized by open debate and compromise. In some ways I was disappointed. I discovered that the board is less active than I had imagined, though not unambiguously so. Where there is conflict, it is generally among the different segments
of the industry. And yet, despite the naïveté of my idealized view of conflict begetting constructive compromise, I ultimately determined that my original hypothesis was, in fact, largely valid. GIDC’s tripartite structure does result in policies that balance the interests of firms, workers and the City, even if the board of directors doesn’t play as active a role as it could or should.

Similarly, my assumption that GIDC would be insulated from local politics was naive, yet not altogether untrue. Despite the fact that politics are ubiquitous—which works for and against GIDC--GIDC seems to have developed sufficient credibility as an autonomous institution to give it a degree of permanence, stability and flexibility that many economic development initiatives lack.

**Designing and Implementing an Appropriate Structure**

Recognizing the theoretical merits of tripartite collaboration is one thing, implementing a structure that provides adequate representation and facilitates meaningful power sharing, negotiation, and collaboration is another. According to Harry Schwartz, who helped set up GIDC’s board, designing an appropriate structure was a difficult process. How large should the board be? How would different interests be represented? How would board members be selected? These were delicate issues, particularly with respect to representation for the highly fragmented industry. The result was a fifteen member board with seats divided equally among the City, the ILGWU and the industry, plus a chairman appointed by the mayor.

Initially, industry representation consisted of the directors of two trade associations and representatives from three garment firms. Union representation included the President and Executive Vice President of the ILGWU and three officers from Local 23-25, the Chinatown local. The Commissioner of the New York City Office of Business Development and two of his staff directors represented the City, and the City filled its two remaining seats with the Chairman of the Chinatown Chamber of Commerce and a Chinese-American executive from Shearson Lehman Brothers. As
noted earlier, Mayor Koch appointed Peter Salomon as GIDC's first Chairman, though Mike Sviridoff, founder of the Local Initiatives Support Corporation and a professor of planning at the New School for Social Research, succeeded him shortly thereafter and continues to serve as Chairman.

During the first two years, Harry Schwartz recalled that the board met as often as ten times per year. Once GIDC was on firmer ground financially and programmatically, however, meeting frequency dropped to about six times annually. GIDC's early programs, which focused first on real estate and subsequently training, were not controversial and Schwartz said that there were no major disagreements during this period.

Even though GIDC's Board initially comprised a relatively narrow part of the industry and its agenda was non-controversial, the industry's low-trust character still did manifest itself in ways that affected GIDC's activities. During the first few years, for example, the contractors' association refused to give GIDC its membership list to facilitate mailings, so all correspondence had to be channeled through the association. This association represented such a significant obstacle, in fact, that both of GIDC's past presidents conceded that they were forced to circumvent the association and contact key firms directly. Even today, GIDC's relations with the contractors' association are strained, and its access to members of other associations is constrained by both the association heads and the union.22

When GIDC's strategy shifted to training and it broadened its constituency to the entire [unionized] New York garment industry, GIDC extended representation to three additional associations representing manufacturers in other industry segments and to several additional locals within the ILGWU. Total board size, however, remained

---

22 It is unfortunate that the relationship between GIDC and the contractors' association is so tenuous given that it is the contractors that have historically derived the greatest benefit from GIDC. There has been a recent shakeup of the leadership within the contractors' association, however, and this may lead to improved relations.
unchanged, so the three firm representatives on the board lost their seats to the additional industry associations. Thus, at the same time that industry representation expanded across industry segments, it also became concentrated among trade association leadership. This illustrates some of the tradeoffs inherent to an organization seeking to formally represent a range of interests.

The Board Today

My efforts to develop a clear understanding of the role of GIDC's current board met with frustration and paradox. Bruce Herman, GIDC's president, said that "the board deals with all the issues. Out of the board initiatives arise, and any initiatives that we think of are cleared through the board." Similarly, one of the board members representing industry reported that "the board's role is to govern the workings of GIDC; anything that is of interest to the industry in New York, particularly of workers, but also of firms." Surprisingly, however, the board met only two times during 1993, provoking the following criticism from another board member representing industry: "the board meets once a year, all the policies are already set, and everyone comes in just for the ceremony. How are you going to set a policy if you meet only once per year?"

To be fair, last year was not representative in terms of meeting frequency since there was turnover among board members. According to Herman, board meetings generally occur closer to three or four times per year. The chairman of the board, Mike Sviridoff, also said that the need for frequent board meetings has eased due to GIDC's established strategy and competent director. While the findings in Chapter Five do suggest that GIDC is operating effectively, GIDC would benefit from a more engaged board of directors.

Despite deficiencies in the operation of GIDC's board, however, the policies that GIDC ultimately implements are those that enjoy broad board support since all policy decisions are made by consensus. In most cases, I suspect that proposals originate with GIDC staff and are initially discussed with key players on the board, particularly Jay
Mazur, President of the ILGWU, and perhaps Eli Elias, Executive Director of the New York Skirt and Sportswear Association, before they are introduced to the full board.

Although there are examples of board-driven initiatives, such as the "Keeping New York in Fashion" report, the board appears to operate mainly as final arbiter. Key individuals on the board, notably Mazur and Elias, do appear to play significant policy roles. Where there is conflict on the board, it is generally among representatives from the various trade associations, rather than between labor and management as I had assumed.

Conflict among the trade associations has resulted in compromises that have limited the scope of GIDC's intervention strategy. The "Keeping New York in Fashion" report, for example, recommended that GIDC establish a clearing house to help contractors access private label orders from large retailers. Since this would impinge on the traditional role of the manufacturers, the proposal met with considerable resistance and has been tabled indefinitely. This is unfortunate since the proposal represented a viable strategy to improve the capacity and profitability of the most marginal element of the industry--the contractors who employ most of the industry's lowest paid workers.

But conflict cuts in many directions and can even occur between the ILGWU locals and the International. JobNet, for example, GIDC's job placement program, operates across union locals. Since job placement was traditionally performed within the locals, the program created some dissension (Vela Cordova 1993). Apparently, the ILGWU's strong central controls and Jay Mazur's strong support for GIDC serve to keep the locals in check, but a GIDC case study prepared for MIT's Local Union Innovations Research Project noted that certain proposals have been killed by the locals' resistance (Vela Cordova 1993).23

---

23 Despite repeated attempts, I failed to meet with any of the board representatives from the union locals. This was partly due to the fact the union is currently busy negotiating the next three-year contract with management.
As GIDC continues to implement new programs and conduct more firm-specific initiatives, the opportunities for conflict multiply as different segments of the industry vie for GIDC's limited resources. At the same time, however, GIDC's growing array of programs may help to raise interest among some of the industry segments that feel left out. The trick is to balance these competing demands. As Bruce Herman explained,

you try to take into account the needs of a diverse constituency and address them as best you can. You don't always please everyone, but at least [GIDC's] no longer considered ephemeral, which for years I think it was. Now everyone wants a little bigger piece of it, and you know what, that's okay. We can talk. There are a lot of things we can do with support from one or various partners that would allow us to do new and different things and expand what we do.

As an example of this balancing process, Herman noted that GIDC's export initiative, Fashion Exports/New York, tends to benefit members of the New York Coat and Suit Association, who manufacture high-priced, high-fashion garments, while the Quality Control program is being pioneered at Lloyd Sportswear, a member of the New York Skirt and Sportswear Association, whose constituency produces mainly mid-priced sportswear for retailers such as JC Penney and K-Mart.

**The Role of the City**

The City of New York is a one-third partner in GIDC and, together with the State, its largest funder by a factor of ten. GIDC, however, is at heart a union-initiated and union-led strategy. Given my core premise that GIDC represents a model for local governments seeking to formulate strategic economic development policy, it is important to examine the precise role that the City of New York plays in GIDC.

James Parrott, Chief Economist for the City's Economic Policy and Marketing Group, best captured that role when he said that

the City puts in some money but it doesn't play that important a policy role. And it's not because it's impossible [for the City to play a more active role], it's just that the city hasn't asserted itself. That might be a function of the fact that the union has been fairly well organized and strategic in setting up GIDC and
making sure that it is going in the right direction. When the City looks at GIDC to make sure that its money is being well spent, it looks like its performance has been satisfactory or better. It certainly has a strategic vision that it's pursuing, so there's no need to change that, and it hasn't mishandled its intervention in the industry to create cries of complaint, criticism and so forth.

Although Parrott is not on GIDC's board, his former position as Assistant to the President of the ILGWU gives him an informed and unique perspective. Those public sector board members with whom I spoke echoed Parrott's view, noting that they perceive GIDC as a labor/management-led strategy that uses public resources productively. They are supportive, but do not see their role as an activist one. As John Evansohn, a Deputy Commissioner at the Department of Employment noted, GIDC has "told the City what it wants to hear."

Despite the City's seemingly passive role on GIDC's board, its influence should not be underestimated. Not only does the City (through both the Departments of Business Services and of Employment) provide substantial funding, but it plays an important, though subtle role in promoting consensus. One of the trade association directors likened the City's role on the board to having a thousand pound gorilla at the table.

The implication was that (1) the City establishes the broad parameters for what GIDC can and can't do and (2) the City's presence provides a potent incentive for the fragmented industry to project a unified front to maintain the City's support. In effect, those industry segments that derive little immediate benefit from GIDC's activities recognize the need to cooperate and compromise, especially since the next time around they may be the beneficiaries of the public support.

Although this affords opportunities for logrolling, I see this dynamic as a strength in GIDC's structure given the level of fragmentation in the industry. As GIDC undertakes more and more projects, however, the opportunities for abuse increase. Thus, as GIDC grows, there is a need for a more, rather than less, active board of directors with
continued oversight from the public sector; this is not the trend at the moment.

It's also important to recognize that the City exercises control through the service contract between the Department of Business Services (DBS) and GIDC, which establishes priorities and performance criteria. In fact, DBS officials noted that it is through their role as managers of the contract that they have the greatest influence on GIDC's policies and activities. As noted in Chapter Five, the City also exerts considerable control through the restrictions attached to funding grants (many of these restrictions also come from other levels of government). There are also times, however, when the City takes a more active role on the board, as in the case of the Child Care Study which, though not initiated by the City, enjoyed considerable public sector support. Generally, however, union and industry representatives felt that the City should take a more active role in both GIDC and the garment industry more broadly.

**Organizational Structure**

In the introduction to this Chapter, I noted that I assumed that GIDC's status as a autonomous non-profit enabled it to be (1) more flexible than a purely public initiative and (2) largely insulated from the shifting political tides that can condemn economic development programs to premature demise. Over the course of my research I uncovered several factors that suggest that GIDC does enjoy added flexibility due to its organizational structure and is at least partially insulated from politics. In this section, I will briefly outline some of these findings.

**Flexibility**

Although about 90 percent of GIDC's budget comes from public sources, the fact that GIDC receives private funding provides it with important flexibility, particularly in light of the inevitable delays caused by the City's bureaucracy. At the moment, for example, GIDC's 1994 Department of Employment funding for the Super Sewers program is still tied up at the DOE, although the program year is one quarter finished. GIDC has been able to offer the program anyway, using industry money to fill the gap.
GIDC's private funding also allows the organization to undertake activities that are prohibited under the terms of public grants. An example is GIDC's export program, Fashion Exports/New York (FE/NY), which has funding through a New York State export program. A key part of FE/NY's strategy over the past year has been to establish connections and lay the groundwork to take several New York firms to the Igedo fashion show in Germany this past March. Since funding constraints prohibited travel expenses, GIDC was able to use its private funding to send its president and the program director of FE/NY to the show. The trip turned out to be a success for the firms and an important step for FE/NY.

GIDC's status as a single-source provider of training to the garment industry also allows for GIDC to be much more flexible and responsive. This is because the City is able to negotiate a sole source contract rather than go through an RFP process. As Adam Friedman, Director of Economic Development for the Manhattan Borough President and former GIDC president, noted, this is a very significant advantage:

If there are entities that want to compete for the funds, then the City has to go through an RFP process. I do not exaggerate when I tell you that this can delay things for a year or eighteen months. How are you supposed to respond to business needs in a timely manner if you can't start a program for 1-1/2 to 2 years. So part of the virtue of these public/private partnerships is that they really do facilitate the City process. It does allow the City to respond in a timely way to business needs.

This also reinforces the benefits of broad industry cooperation through GIDC. If one segment of the industry decided to apply for public training funds independent of GIDC, the whole industry could suffer.

**Politics**

In the sense that program objectives are not perverted by narrow political interests within City government nor is the City's financial support the subject of annual politicking, I do believe that GIDC is largely insulated from politics. It would be disingenuous, however, to suggest that a program as dependent on public sector support
as GIDC would be outside of the political process.

GIDC receives most of its almost $1.3 million in public sector funds by competing for grants from the City and the State. The City's contractual contribution is substantial, however, at $400,000.\textsuperscript{24} Most interviewees believed that GIDC would survive the loss of all or most of this money, though some acknowledged that the organization would be severely crippled. It is unclear what will happen under the new Giuliani administration, but some City representatives believe that GIDC is the type of private sector-led, public/private initiative that the Republican Giuliani administration would like to replicate.

Politics seem to have played a more important role in GIDC's early history, however, than it does today. The concept for GIDC originated within the ILGWU and despite strong support from key City officials and GIDC's modest $40,000 price tag, convincing the City to participate in GIDC required persistent lobbying of the Koch administration by the union and industry. Fortunately, the ILGWU is a potent political force in New York politics, due in particular to its legions of loyal-voting retirees, and this has been a critical factor at various points in GIDC's history.

Although apparel represents a major export for the city's economy, it is not an industry with a meaningful political influence or voice. The owners of the industry's small factories are not members of the growth coalition of big business, real estate and finance interests that dominate New York's economic development agenda (Logan and Molotch 1987). Nor do the immigrant garment workers that comprise GIDC's core constituency have meaningful political voice independent of the ILGWU. Thus, the union plays a pivotal role in aggregating interests and making demands upon the City.

\textsuperscript{24} Several interviewees speculated that last year's sizable increase in the City's contractual contribution to GIDC, from $250,000 to $400,000, was linked to the ILGWU's endorsement of Mayor Dinkins for reelection.
Key Institutions

The ILGWU's role, however, extends well beyond its ability to mobilize votes and influence politics. In New York's competitive, fragmented and volatile garment industry, the ILGWU is the largest and most stable institution (Abeles et al 1983). And in an industry characterized by an acute lack of vision, the ILGWU represents the one entity that has traditionally promoted progressive change on concerns that extend beyond work rules and wage setting to encompass issues in the long-term interest of both labor and management. Through its industrial-engineering department, for example, the union historically provided technical assistance and shop floor lay-out assistance to garment firms (Piore and Sabel 1984).

It is no surprise, therefore, that the ILGWU has proven to be instrumental in promoting GIDC's efforts to work with both garment workers and garment firms. In addition to garnering public support, the union has managed to secure and maintain the support of the recalcitrant industry associations. The fact that the union succeeded in writing the industry's GIDC contribution into the 1991 collective bargaining agreement suggests that industry support, with considerable prodding from the union, is now institutionalized.

Key Individuals

If the ILGWU is the key institution responsible for GIDC's success, Jay Mazur, President of the ILGWU, is the individual behind the institution. Mazur was the Manager of Local 23-25 at the time of "The Chinatown Garment Industry Study" and the prime advocate for establishing GIDC. His subsequent rise to President of the International means that GIDC has a staunch advocate in a powerful position.

Eli Elias, President of the New York Skirt and Sportswear Association, has also played an important role. His association co-sponsored "The Chinatown Garment Industry Study" and continues to be a strong supporter of GIDC. Together Elias and Mazur made GIDC possible, and I suspect that cooperation and conflict on a
range non-wage labor-management issues within the industry are informally mediated through their professional relationship.

Finally, each of GIDC's three presidents has played a unique role in shaping GIDC's strategy at a particular moment in history. Harry Schwartz, GIDC's first president, was the consultant who first conceived of GIDC and, as director of "The Chinatown Garment Industry Study", he was intimately familiar with the Chinatown real estate issues that were the focus of GIDC's initial strategy.

It was GIDC's second president, Adam Friedman, however, who built GIDC into a large-scale organization with meaningful credibility. Friedman had experience within City government and was very successful in increasing GIDC's public sector funding at a time when its strategy shifted to training and its constituency expanded. And finally, Bruce Herman, GIDC's current president, brings a vision of alternative competitive possibilities based on his experience studying the success of small firm industrial districts in the Third Italy. That vision has clearly informed GIDC's recent expansion into a wide range of activities.

Organizational Summary

In summary, the fact that GIDC is governed by a tripartite board of directors does seem to result in strategies that balance both firms' and workers' interests, though most policy is actually formulated at the staff level. With respect to GIDC's programs, balancing interests across segments of the industry turns out to be more challenging than balancing the interests of workers and firms. A key point that emerges from the above discussion is the need to get the proper structure in place in order that interests are appropriately represented. This involves a tradeoff between keeping the board to a manageable number of members and the need to represent a broad number of interests.

This is particularly important for the public sector, which assumes that programs that achieve consensus within a fragmented industry are unlikely to benefit a narrow interest. The fact that the City sits on the board provides additional comfort with respect
to the appropriate use of public funds, though the City seems to exercise greater control through its contract with GIDC and through restrictions tied to various grant programs than through its role on the board. While the City's passive role can be justified based on these above factors, however, I agree with several of those interviewees who commented that GIDC would benefit from a somewhat more active City role.

A more important concern, however, is the fact that the role of the board as a group has atrophied considerably in recent years. This may be due to the fact that the board is content with GIDC's current performance or it may merely be a way of avoiding conflict among a contentious group. Whatever the reason, however, GIDC's rapid growth and expansion into new areas requires a more, not less, engaged board to provide both expertise and oversight.

With respect to GIDC's status as an autonomous non-profit, my research revealed significant advantages in terms of programmatic flexibility. In particular, GIDC's private sector funding, though modest in relation to its total budget, allows GIDC to mitigate the inevitable delays and restrictions associated with public funding. One of the most important sources of flexibility results from GIDC's status as a sole source provider of training to the garment industry, a benefit that is dependent upon broad industry cooperation.

Although GIDC's autonomous status does appear to insulate it from the political process at least somewhat, this proved to be a difficult point to confirm or refute. Clearly politics has played an important role at various points in GIDC's history, most notably at the time of its founding. This fact raises the critical role played by the ILGWU and its president, Jay Mazur. The union has been able to apply political pressure on the City at various times and, equally important, has successfully maintained the support of a fragmented industry.

Finally, although the core of my thesis is that GIDC's success is largely determined by its strategic characteristics and organizational structure, it is impossible to
overlook the striking parallels between GIDC's three strategic phases and the unique characteristics of each of GIDC's three presidents. Given that the board selected each director after a new strategic course had already been set, this reflects favorably on both the board and the three individuals.
Chapter Seven

Conclusion

The continuing decline of New York's garment industry threatens the livelihoods of almost 100,000 people. Many are immigrant sewing machine operators whose job opportunities are limited by poor English, low skills and discrimination. Others are entrepreneurs who have struggled to build businesses in a fiercely competitive and highly volatile industry. Taking into consideration the garment industry's significant export revenues and linkages to other local industries, the entire City of New York has a stake in the vitality of the industry.

In the preceding chapters, I have described how these varied interests--labor, management and local government--joined together to create the Garment Industry Development Corporation (GIDC) in 1984. Although continuing to pursue its original mission of meeting the special needs of New York's garment industry, GIDC's specific goals and strategies have evolved considerably. Its original strategy to alleviate escalating rental costs in Chinatown developed into a strategy to improve the competitiveness of New York's entire unionized garment industry.

I found that GIDC has had a meaningful impact on the workers that it has trained and is beginning to have an impact on a select number of firms with which it is working. Whether or not GIDC will succeed in improving the competitiveness of New York's garment industry remains to be seen; but in an industry replete with pessimism, GIDC's incremental achievements are a notable accomplishment. GIDC has explicitly linked the competitiveness of the local garment industry with the needs of a group of workers with limited job opportunities. Rather than merely retain low-paying garment jobs in New York City, GIDC's strategies seek to improve the quality of those jobs. Moreover, by promoting an industry strategy built on the skills of the work force, GIDC is helping to anchor garment firms in New York City.
My purpose in conducting this study was to extract useful lessons that would be applicable to other cities and industries. I would like to conclude this exploration, therefore, by summarizing what I believe are those elements that define GIDC's successes and by raising some of the issues that my research leaves unresolved.

Factors of Success

First and foremost, GIDC's strength as an economic development institution is that it is promoting a viable strategy that seeks to build on New York City's traditional advantages as a production center for ladies' apparel, including its agglomeration of specialized apparel and related activities and supply of immigrant workers. Although changing retail strategies provide new opportunities for domestic firms, many of New York's small factories are unable or unwilling to unilaterally adopt the changes necessary to enable them to capitalize on these opportunities. The industry's fragmented structure, its informal training system and most firms' lack of adequate financial resources all represent significant barriers to change. Therefore, GIDC's efforts to help firms overcome these barriers, by training workers and providing technical assistance and market information, represent a theoretically sound strategy.

It took several years, however, for GIDC to evolve into its current form. As I have argued throughout this thesis, I believe that GIDC's success in making this transition is largely due to its program design, including both strategic and organizational characteristics. There are a number of context-specific factors that have also played important roles in GIDC's success, however, that suggest caution in adopting the model to other contexts.
Strategic Factors

There are four elements of GIDC's strategy that stand out as important to its success:

1. **GIDC has shown an ability to learn; it has developed specialized knowledge of both firm and worker needs, and has recognized the limitations on its ability to intervene effectively.**

   GIDC's ability to develop specialized knowledge of industry needs is consistent with the theoretical rationale for sectorally targeted intervention strategies (Best 1990; Tendler 1989). Each phase of GIDC's strategy has been guided by careful analysis, starting with "The Chinatown Garment Industry Study" and continuing through studies of the human resource needs and marketing and technology requirements of the entire New York garment industry. Equally important, GIDC has learned through its relationships with its constituency; identifying the need for the sewing machine maintenance and repair course is one example.

2. **GIDC has demonstrated the capacity to change its strategy in response to its improved knowledge of industry needs.**

   In part, GIDC's flexibility reflects its broad mandate; GIDC was not founded to help contractors establish industrial condominiums or to train workers. Instead, GIDC's mandate is to meet the special needs of New York's garment industry. The ability to change also requires a degree of program stability; GIDC's effectiveness improved markedly as it shifted into training, yet it took several years to make that transition.

3. **GIDC has explicitly sought to balance the interests of garment firms, garment workers and the City at large.**

   GIDC's strategy seeks to transform an increasingly sweatshop-based industry reeling from severe price competition to one that pays skilled workers decent wages to produce quality garments for more lucrative niche markets. Given the significant unity of interests between garment firms and workers, however, balancing the interests of labor
and management is perhaps the least challenging aspect of GIDC's agenda. As Chapter Six suggests, balancing the interests of the various segments of the fragmented garment industry turns out to be the most difficult challenge.

As a model for local government, however, GIDC's value lies in its ability to balance industry needs with those of the City. GIDC's sector-wide focus allows the public sector to pursue an industrial development strategy that isn't premised on subsidizing select firms. In those cases where GIDC does direct significant public resources to a specific firm, it is in order to effect a permanent shift in the firm's business strategy rather than merely to provide a short-term cost subsidy without regard to business practices.

4. **GIDC has taken an integrated approach to the complex problems facing its constituency.**

At a conceptual level, GIDC's strategy links both the supply and demand sides of the labor market; GIDC assists firms to adopt new production methods and access more lucrative markets, while providing the trained workers that these strategies require. This linkage is reinforced by the fact that both the City's economic development and employment agencies sit on GIDC's board. At the programmatic level, GIDC has built bridges to other supporting institutions, such as the Fashion Institute of Technology and the new Fashion Center Business Improvement District, and has made frequent use of outside experts.

**Organizational Factors**

The above four elements define GIDC's strategy. What I believe makes GIDC a useful as a model for local government industrial policy, however, is the way in which its organizational design—including its status as an autonomous non-profit and its tripartite governance structure—facilitates these strategic elements. As noted in Chapter Six, for
example, GIDC's autonomy and private sector funding have provided a degree of
program stability and flexibility that many public sector economic development
strategies lack. Most important, however, are the benefits deriving from broad
cooperation among the various interests represented on GIDC's board of directors.

In many ways, GIDC represents an uneasy and imperfect collaboration, with
some partners playing more active roles than others. Broad cooperation has also required
compromise on promising proposals, such as the clearing house for contractors. GIDC's
tripartite sponsorship, however, has enabled it to adopt strategies and implement
programs that would have been infeasible absent that broad cooperation; this is largely a
matter of aggregating resources, particularly public resources.

Although GIDC's private funding provides important flexibility, the lion's share
of GIDC's budget comes from the public sector. With a broad range of often competing
interests represented on GIDC's board of directors, the public sector can play a passive
role while assuming that funds will not be appropriated to serve a narrow interest; the
City's representatives on the board help to further safeguard the public's investment. A
critical factor to consider when replicating this model, therefore, is the need to
adequately represent a range of interests. This requires a trade-off between the need to
keep the board to a manageable number while adequately representing different interests.

The proposed Diamond and Jewelry Industry Development Corporation (DJIDC)
suggests one way to improve upon GIDC's board composition.

DJIDC will have a fifteen member board, but the City will only have three seats:
one each from the Departments of Employment and Business Services, and a third
appointed by the Manhattan Borough President, from whose office the proposal
originated. The remaining twelve seats will be filled by trade association heads and firm
owners. Adam Friedman, DJIDC's architect, recognized that there is no need for the City
to have two or three board members representing the same agency since all board
decisions are by consensus.
Unlike GIDC's board of directors, DJIDC's proposed board extends beyond association heads to include firm owners. The lack of a strong union in the jewelry industry, however, raises questions about worker representation in DJIDC. It is also important to consider what other interests are not represented in either DJIDC or GIDC. In the case of GIDC, these might include environmental groups, community organizations, and immigrants' and women's rights advocates, all of whom may have a stake in the vitality and practices of the garment industry. These are the types of issues that ought to be carefully considered when evaluating GIDC more critically and when replicating the model in other contexts.

**Context-Specific Factors**

There are a number of context-specific factors responsible for GIDC's success, however, that suggest caution in adopting GIDC to other industries or cities. I identified two of these factors in Chapter Six, including the role of key institutions and individuals. Jay Mazur, in particular, has been a strong advocate for GIDC throughout its history. As president of the ILGWU, Mazur has been able to galvanize union support, apply pressure to City government and secure the backing of a fragmented and recalcitrant industry. In addition, GIDC's three directors have played critical roles in shaping and implementing GIDC's strategies.

An enthusiastic local government could potentially play a role similar to the ILGWU's role in GIDC, but this raises several issues. First, a proactive government might be able to aggregate support in a given industry, particularly with the availability of public funding as a carrot; but it's unclear that an intervention inspired by the public sector would exhibit the same stability in the face of changing politics that GIDC has shown. Second, without an inspired partner from within industry--either labor or management--the demands on the public sector would be more significant, offsetting some of the benefits of this type of labor/management-led initiative; effective staff leadership combined with an active and well-balanced board, however, could mitigate
this concern. Third, the ILGWU's role in GIDC begs the question of worker representation in an industry lacking a strong union, such as New York's jewelry industry.

There are two interdependent characteristics somewhat unique to the industrial geography of New York's garment industry that have also been central to GIDC's success. First, there is a large garment industry presence concentrated in a relatively small area; hence the notion of an industrial district. This critical mass of firms allows for economies of scale in the collective provision of shared services. Second, New York's garment complex exists within a single, large political jurisdiction, greatly simplifying the process through which the public sector funds and participates in GIDC.

**Shortcomings and Unresolved Issues**

In the course of my analysis, I have skirted an important dilemma underlying GIDC's intervention strategy. Although predominantly publicly funded, GIDC only serves the unionized segment of New York's garment industry. I have wrestled with this issue at some length and remain ambivalent. On the one hand, in an industry characterized by low wages and often poor working conditions, the unionized sector offers workers the best of a bad lot. The union augments the government's inadequate efforts to police working conditions and labor practices. Equally important, unionized workers receive significant health care benefits that non-union workers do not. Because of these benefits, the unionized sector of the industry bears higher costs and, therefore, has been especially vulnerable to the acute price competition plaguing the industry.

I strongly believe that government has a responsibility to encourage those elements of an industry that promote progressive labor practices, especially in an industry such as apparel where the potential for exploitation is significant. Ideally, if unionized firms become more competitive, their demand for labor will rise and they will absorb workers currently in non-union firms and sweatshops. That is an underlying premise of GIDC's strategy.
On the other hand, the benefits of this strategy will only trickle down to those workers currently confined to the non-union sector. For those non-union firms that are in compliance with health and labor laws and pay local taxes, one can argue convincingly that they deserve access to publicly funded programs targeted to the garment industry. In the case of sweatshops that regularly violate labor and health laws, union and government efforts to organize workers and enforce codes may be the most appropriate intervention. Workers in these firms, however, would also benefit from GIDC's programs.

To date, the City of New York has not had to confront the union/non-question since non-union firms have made no demands upon the City for support, through GIDC or otherwise. In part, this is because the non-union sector is so fragmented and disorganized. Resistance from the union and the trade associations (whose members are 100% unionized), however, is not the only barrier preventing GIDC from working with non-union firms. In reality, it is highly unlikely that non-union firms would allow GIDC anywhere near their operations because of its close union affiliation.

This raises another potential shortcoming related to the union's role in GIDC. The ILGWU continues to be the driving force behind GIDC. This has been a critical element in GIDC's success and, as a result, GIDC is understandably viewed by those inside and outside its sphere of influence as a union initiative. In addition to its creating a barrier between GIDC and the non-union sector (an issue over which I remain ambivalent), I wonder if this perception has inhibited GIDC's activities in other ways. Although I know of no specific examples, I can only speculate that, were the City and the industry more engaged on GIDC's board and were the board more engaged in GIDC, GIDC would enjoy added clout within the City government and the industry. It would no longer be perceived as a union initiative with City and industry support, but would be seen as the tripartite initiative that it ostensibly is.
Summary of GIDC as a Model

As a model, GIDC offers advantages over both government-led strategies and more traditional public/private partnerships. First, as a labor/management-led strategy, GIDC is in a strong position to identify industry needs. This represents an alternative to government-led interventions, which are often criticized on the basis that government is unable to acquire knowledge of industry needs superior to that of industry actors themselves (Sabel 1993).

At the same time, the range of interests represented on GIDC's board of directors helps to ensure the prudent use of public money. This design represents an improvement over more traditional public/private partnerships, which often involve generous subsidies to private interests without meaningful public accountability. Moreover, the model offers opportunities to enhance public accountability by representing a broader range of interests on the board of directors. The important role played by the ILGWU and the unique characteristics of New York's industrial geography, however, suggest caution when adopting this model to other contexts.

Concluding Comments

Throughout this thesis, I have focused mainly on GIDC's program design; I examined GIDC's strategies and explored the relationships among the various interests on GIDC's board of directors. I hope that the lessons that I extracted will be useful to other cities seeking to create institutions similar to GIDC. Ultimately, however, it is the behavior of firms and the quality of opportunities that they offer to their workers that are most important.

My enthusiasm for GIDC derives from its struggle to impart a strategic vision on an industry paralyzed by its own decline. That vision is one which recognizes that the welfare of garment workers and the competitiveness of the garment industry are inextricably linked. As local governments increasingly adopt sectoral economic development strategies, I hope that they will recognize this linkage as they select target
industries and develop appropriate interventions. Economic development is about more than economic growth, it's about ensuring that people, particularly those persons with the fewest options, retain or gain access to quality jobs providing decent wages and good working conditions.
References


