APPAREL INDUSTRY ADJUSTMENT
AND THE ROLE OF THE UNION

by

STEVEN WEINGARTEN

Submitted to the Sloan School of Management
in Partial Fulfillment of
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Master of Science in Management

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ABSTRACT

This paper examines the implications for the role of the union in the transformation of the U.S. apparel industry, focusing particularly on the Men's Tailored Clothing industry and the Amalgamated Clothing and Textile Workers' Union.

To counteract ruthless competition based on labor costs, garment unions and their industries have historically collaborated to regulate competition. Both sides have used peak association bargaining to encourage full organization of the industry, and to move the basis of competition to productivity and managerial improvements rather than exploitation of wages and working conditions. Apparel unions gained a role that was central to organization of the industry. However, this role was highly institutionalized through associational bargaining, and encouraged weak shop floor organization.

The traditional mass production structure of the industry is now giving way to a "market-driven" industry model. Characterized by "quick response" to consumer buying patterns and "flexible manufacturing," the new paradigm slashes inventories, compresses lead times, and builds strategic partnerships between industry segments. In this new model, the traditional role of the union is displaced. Strategic partnerships rather than equalized labor costs become the basis of industry stabilization. Transformation of shop-floor production to modular systems makes shopfloor organization newly important.

The Men's Tailored Clothing Industry has been the slowest apparel segment to change, but could potentially benefit significantly from implementation of a market-driven system. For ACTWU, the challenge is how to promote change so as to maintain a viable domestic industry, while at the same time transforming its own role. A proactive strategy on the part of the union would strengthen its shop floor organization as a vehicle for worker participation; and develop a new basis of influence within the industry in order to promote change.

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I. Introduction

The domestic apparel industry is often viewed as the prototypical "sunset" industry, sinking inexorably below the horizon. The growth of apparel imports since the early 1970's has certified this bit of conventional wisdom. Apparel imports doubled in ten years, gaining 48% of domestic market share in 1985.¹

As the market for apparel and textile products became more global, the wage differentials obtained by producers in developing countries vastly undercut domestic production. Realizing that an industry response was essential to preserving the domestic industry, the Amalgamated Clothing and Textile Workers' Union (ACTWU), heavily represented in the Men's Tailored Clothing Industry, engaged with industry leaders to defend domestic production. Most significant was the central role played by the union in launching the Textile Clothing Technology Corporation (TC²), an industry collaborative organization organized to further technology innovation. TC² launched a project to automate the operation of attaching a sleeve to a men's coat. The solution developed has not been implemented within the industry — useful automation of materials handling and sewing still seems many years away. The mistake in strategy for TC², argue the members of the textile and apparel subcommittee of the MIT Commission on Industrial Productivity, was the pursuit of mass production solutions. While the U.S. looked for mass production solutions, other industrialized countries, notably Italy, W. Germany and Japan, were succeeding in the global market through niche marketing strategies and response to fashion trends.

Although most apparel segments (except for some basic goods such as hosiery) have proven resistant to automation, a "revolution" in thinking has been declared in the apparel industry. Leading figures in the industry call for renewal based on "market-driven" strategies: "quick response" between vertical segments of the industry, "flexible manufacturing," and growth in "fashion" segments.

In many apparel segments, these strategies are making strong inroads. However, in the men's tailored clothing industry, these types of innovations are as rare as a three-piece business suit. ACTWU and the Men's Tailored Clothing (MTC) industry were leaders in TC² and the push to automate production. The automation strategy — designing dedicated machines to do the same task repeatedly — fit within the old logic of mass production. However, the union and MTC firms are laggards in the more promising avenue of building a market-driven industry. In other apparel industry segments in which these innovations have proceeded more quickly, unions have played virtually no role in the process of change. Whereas innovation within the mass production paradigm — such as that attempted by TC² — reinforced the traditional sources of strength for garment worker unions, the innovations which fit within the "market-driven" paradigm undermine these traditional roles.

This paper examines the implications of trends in the apparel industry and their effects on garment worker unions. The paper then focuses on the Men's Tailored Clothing industry, and how the Amalgamated Clothing and Textile Workers' Union might recast its role within the industry. The challenge facing the union is how to encourage change in the industry, and at the same time recast its own sources of strength and legitimacy as a key actor in the industry.
II. The Traditional System of Apparel Production

The traditional system of apparel production is based on extreme division of labor and adversarial cost pressure between segments of the industry. As Thomas Bailey puts it, "the traditional apparel production system was based on maximizing, in isolation, the productivity of each stage of production."\(^2\) As a result, each element of production, from the firms within the industry to the individual worker sewing together piece goods, is separated for maximal incentives to productivity and low cost.

**Structure of Production**

The apparel worker predominantly works on the piece work system. The piece work system creates the effect of every worker working for herself [jobs in this industry are highly gender segregated. Stitchers are overwhelmingly women workers. Pressers, on the other hand, are by and large men.] The faster one works, the more one earns. Piece rates are usually set with a standards of production system, in which every action is timed and analyzed, and piece rates are set based on the performance of the average worker. Apparel assembly is therefore an exceptionally pure form of taylorism. Apparel firms still employ industrial engineers, among whose responsibilities is conducting time studies to accurately calibrate the piece rates for a given set of tasks. Both major unions still employ industrial engineers on their own for the same purpose.

Of course, the piece work system is peculiarly subject to certain forms of exploitation. Moving standards of production is the biggest culprit, as increasing productivity is used to raise the average standard, thereby making the worker sew faster for the same amount of money. The piece work system, coupled with low

average rates of compensation, creates an intensely pressured environment. In Saul Rubinstein's recent survey of worker turnover in the Lehigh Valley, 51% of those who voluntarily left the industry cited unsatisfactory treatment on the job — including 14% who specifically pointed to the "pressures of the piece-rate system" as the major factor driving them out.³

The piece rate system structures incentives for the individual worker. Extreme division of labor makes each worker the master of a very specific task. One worker sets pockets, another attaches collars, another makes button holes. A pocket setter does nothing other than repeat the same operation time after time, day after day. While this work may be tedious, pressured, and through repetition may even be physically injurious, the piece rate system generally aligns the economic interest of the worker with this extreme division of labor. By repeating the same motion endlessly, the worker can become very fast, and therefore make more money.

The incentive system does not, of course, capture all of the value added by each employee. A particular problem of the system is the lack of incentives to uphold standards of quality, or to catch quality problems created by another worker. One of the problems of the traditional system is that measurement of the performance of each individual worker doesn't necessarily add up to final value to the customer.

The flow of production in the plant is organized by the progressive bundle system. Each job is broken up into bundles of (usually 20 - 30) garments. All of the piece goods for this group of garments are bundled together. The bundle then travels from work station to work station. Each worker unties the bundle, performs her task on each garment in the bundle, and reties the bundle. The bundle then waits to move to the next work station for the next task to be completed.

The factory floor in the progressive bundle system is organized into functional departments. Each section of floor contains a group of workers performing the same or similar functions. The flow of goods in the factory is a more or less standard flow from one functional area to another, winding up in the far end of the factory for pressing. A simple dress may require 10 - 20 operations. However, a men's suit coat requires between 120 and 150 separate steps.

The progressive bundle system also creates the buffers which are necessary to sustain a piece work system. Running out of work is a major source of contention in the piece work system. By bundling work-in-process inventory, and separating each production step to allow accumulation of inventory between steps, the piece worker can always be kept busy.

The system described above maximizes efficiency through the logic of mass production. Each worker can most efficiently reproduce a narrow task if the plant is generally producing long runs of the same product. Because of the need to separate and time study each step, get every worker up to speed on the job, and keep large inventories at and between each work station, the system works well with long runs, but does not adapt well to continuous change in product or work flow. The traditional system is production-driven because the imperative of low-cost production constrains the flexibility to produce variety; marketing decision have to adapt to the demands of production.

Structure of the industry

Just as elements of production within the assembly plant are separated to achieve incentives for high individual productivity, so are the elements within the industry highly fragmented.
The vertical structure of the textile-apparel complex begins upstream with fiber producers — generally chemical companies for synthetic fibers. The textile mills turn fiber into fabric, which they sell to apparel manufacturers. Manufacturers supply retail outlets on the downstream end. Traditionally, relationships between the textile, apparel and retail segments have been arms-length, and often adversarial. The textile and retail sectors have historically been more concentrated than the apparel sector, thus leaving apparel manufacturers squeezed by either end.

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<th>COMPARISON OF TEXTILE AND APPAREL INDUSTRY CONCENTRATION, 1982⁴</th>
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<td>Percent of industry shipments accounted for by largest companies:</td>
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<tr>
<td><strong>Textile Mill Products</strong></td>
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<td>Men's/Boys' Suits</td>
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<td>Women's Dresses</td>
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Within the apparel manufacturing sector, there is usually even more segmentation. Manufacturing includes the following steps: 1) Product Design; 2) Pattern Grading and Marker making; 3) Fabric Preparation and Cutting; 4) Garment assembly and finishing (pressing, etc.) Much of the industry is structured under a

jobber-contractor system. The contractor actually does the assembly work, but the manufacturer or jobber arranges for design, and may even buy and provide the fabric. Where the contractor buys fabric, there is often severe pressure on timing of payments. The middle stages can be done by the manufacturer or the contractor. But sometimes, the marker-making and cutting are contracted out to still another firm. In the Men’s Tailored Clothing industry, most plants do their own cutting.

The retailer typically plans and orders goods 6 months to a year ahead of season. Traditionally, the retailer warehoused significant amount of finished goods, but increasingly the cost of holding finished goods merchandise has been pushed onto the manufacturer. Through the 1970’s, department stores were the dominant apparel retail outlets. With their large buying power, the department stores could squeeze manufacturer margins, and switch manufacturers to find the lowest price. The retail sector fueled the industry’s continual search for low-cost labor.

**The Logic of Change in the Traditional System**

Automation in garment assembly has been effectively limited by the materials handling problems inherent in limp goods. The widespread adoption and refinement of the electric sewing machine has provided the industry with an increasingly productive tool. But the basic structure of production has remained constant: one person works one machine. There have been innovations which have effectively increased operator productivity through automating and deskilling aspects of these tasks. For example, an automated button-holer automatically cuts the fabric and simultaneously sews up both sides of the button hole. However, an operator still has to load and unload each item.

Efforts to fully automate the sewing process have been largely unsuccessful. The Textile Clothing Technology Corporation, or TC², an industry collaborative to develop
technology applications initially focused on trying to automate sewing steps for the mass production process. Its first project aimed to automate the task of attaching a sleeve to a man's coat, but has not been able to develop applications that industry can really use. Similarly a Japanese project to automate sewing in 3 dimensions is a long way from producing usable technology. What was most interesting about the TC² effort was the emphasis on dedicated machinery. The industry was searching to automate mass production rather than make its production process more flexible.

**Preparation of Piece Goods**

The steps prior to sewing turn fabric rolls into the piece goods sewn together in assembly. These steps include designing the goods, grading the designs, making the markers — or patterns — used to cut the fabric, treating or sponging the fabric, and cutting the fabric. There has been more effective introduction of new technology in the stages prior to actual sewing, and these innovations have helped to make production more flexible. Computer aided design, and computer driven cutters are examples of innovation currently being widely implemented which actually make it easier to switch from model to model. Innovations such as these represent the first deviations from the principle of separation of function, and increasing dedication of tool to task. But these innovations are only part of a larger transformation undercutting the traditional mode of production.

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⁵Berger, et. al. op. cit. pp. 39-41.
III. Controlling Competition: The Union in the Traditional Industry

The traditional system described above is not in itself a stable system. While the progressive bundling system is structured to maximize efficiencies of scale through extreme division of labor, it is also designed to squeeze labor compensation.

The fragmentation of production and industry organization created great inequities of power — between the worker and the employer, and between the more and less concentrated industry segments. The apparel contractor has the weakest bargaining position in the industry, with low barriers to entry, easily appropriable technology, and a predominance of small firms. Furthermore the piece rate structure of production made every production worker her own contractor, in competition with every other seamstress for work during periods of unemployment.

In a system of unregulated competition, these two bases of competition — economy of scale and low-cost labor — were in conflict. The large apparel plant was always more subject to unionization and enforcement of health codes, and the large employer had to assume the overhead costs of running a large plant. The alternative was always small scale production — fly by night operations, or at worst, homework. The pressures of homework usually forced piece rates to their lowest possible levels, as families were forced to enroll their children in production in order to squeeze out subsistence wages. Homework foisted virtually all the overhead costs of production onto the worker. Of course, the system of homework contracting completely eliminated efficiencies of scale and division of labor. Furthermore, in garment assembly, any small scale producer could always pressure wages downward as a way of competing against larger, more established and more efficient shops, as long as new sources of labor were available. As a result, the industry has always searched for pools of cheap labor, and has found them in the rural South, among immigrant
communities, and overseas. Exploitation of labor was not limited to small shops — the sweat shop arose as large employers pressed for ever more work with lower wages and terrible working conditions.

Ease of entry for cheap labor was always a threat to the ability of garment unions to organize the industry. Any significant market share held by non-union or fly-by-night shops would set labor and management on a collision course as firms pressured wages in order to meet the threat of lower wage competitors. As a result, extension of unionization throughout the industry, and standardization of union contracts were a central structure in stabilizing the industry.

The Protocol Movement

J.T. Carpenter, in *Competition and Collective Bargaining in the Needle Trades*, recounts how the garment worker unions came to be accepted by the industry as legitimate partners in stabilizing the basis of competition.6

In the early part of the century, garment shops clustered in New York City employing predominantly European Jewish immigrants were fertile ground for the rise of garment industry unions. In the midst of a general strike by the ILGWU in 1910, Louis Brandeis convened a conference to resolve the problems leading to this industrial unrest. The Brandeis Conferences gave birth to a "Protocol of Peace" between the union and the manufacturers' association. The protocol movement established a range of joint interests for the union and organized manufacturers to eliminate wages and working conditions as the basis of competition in the industry, and secure the industry from "unfair" or "unscrupulous" competition. The basic principles of the protocol movement were:7

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7Ibid. ch's. 2-3.
1. Uniform standards in wages and working conditions;

2. Support by the industry for a strong union capable of enforcing its contracts;

3. Mutual responsibility in enforcing standards of fair competition (both the union and the manufacturers would take action to discipline their members who violated the terms of agreement);

4. Independent adjudicatory bodies to handle matters of dispute;

5. Equalization of the costs of production throughout the industry, which requires expansion of the agreement or the terms of the agreement to all competitive areas, and constant effort to drive out illegitimate competitors.

This framework for regulating both industrial relations and competition was adopted by most apparel industry segments, and essentially remained the core organizing principles for the industry as long as competition remained predominantly domestic. These principles evolved through a period of anti-union backlash in the 1920's, through governmental intervention through the institutions of the first and second new deal and wartime regulation. These principles survived the restraints of the Taft-Hartley Act on secondary and organizational boycotts.

Collective bargaining became the vehicle for working out standards of trade practice within the industry. Employers looked to the union to help set and maintain these standards for several reasons. First of all, competition in wages and working conditions was the prime threat, which meant that trade and labor practices were inherently intertwined.

Secondly, the union had the capacity to enforce agreements in ways that leading firms lacked. The union could organize a strike or a union label boycott, and the union could enter into collective bargaining agreements to bind parties to agreement. The
union and the adjudicatory institutions established through collective bargaining created policing mechanisms in the industry.

A third reason for employer reliance on unions was that, in the post-war years, industry groups were increasingly prohibited by antitrust law from regulating competition in their industry. In earlier years, union agreements explicitly provided for enforcement of terms of trade, not just wage rates. In later years, courts constrained the ability of unions to act as a vehicle for anti-competitive action on the part of the industry. However, the core function of the union to standardize labor costs by taking wages out of competition remained the most important stabilizing factor on the industry.

This legitimacy for the apparel unions in the eyes of manufacturers did not, of course, eliminate industrial conflict. There remained conflict over the terms of employment in union contracts. Curiously, there entered into the relationship between union and management conflict over the terms of cooperation. Industry associations expected unions to organize the entire industry in order to level the playing field, and the failure of unions to do this prompted breakdowns in the relationship. Still, the role of the union remained central to the process of organizing the basis of competition in the industry for over a half century.

Associational bargaining in the apparel industry aimed at taking wages out of competition of course foreshadowed associational and pattern bargaining in industries such as autos, steel and mining. One significant difference between such heavy industries and apparel, is that apparel remained an industry with low entry barriers. The union and the established producers were engaged together in a constant battle to keep control of the industry — to eliminate wages and working conditions as the basis of competition. In heavy industries, employers eventually accepted the union as the price for industrial peace, and agreed to share the
industry's monopoly or oligopoly profits with the union. No such luxuries ever attended the apparel industry. In apparel, the employer/industry associations turned to the union for survival, and wanted to build the union strong. Said J.H. Cohen, counsel for the Manufacturers in the original Protocol conferences,

We seek in the organization of your union one of the strongest means by which to prevent the inexorable law of competition. We do not want to have any business dealings with you unless you are a strong organization, capable of carrying out whatever you agree to.8

Thus the union became a key and legitimized force in shaping the industry, and drew its strength primarily from industry-wide bargaining. Associational bargaining rather than workplace agitation became the playing field for the union.

With their legitimized role of stabilizing the industry, the unions also accepted responsibility for ensuring the economic viability of the industry. The goal of the protocol movement was to take the terms of employment out of the competitive arena so that firms could compete on the basis of productivity and organization. Garment industry unions actively tried to discipline their wage demands as a way of keeping the industry viable, and they intervened in managerial decisions to promote productivity improvements.

From the early years of the protocol period, the Amalgamated Clothing Workers of America, headed by Sidney Hillman, was one of the strongest unions in levelling the playing field in its industry. The ACWA was also the first to establish real associational bargaining covering the preponderance of its industry. To fight the ever-present threat of non-union competition, the ACWA employed a range of strategies, including aggressively organizing in non-union cities (including a decade-long struggle to organize Philadelphia), cooperation with organized employers in trying to drive unorganized contractors in union cities out of business, and promotion

8Ibid. p.43.
of competitive improvements and productivity gains in union shops. In the early
years of cooperation, the ACWA established joint control over business decisions such
as changes in product line. Hillman led the industry in promoting standards of
production as a way of establishing clear standards of worker efficiency.\(^9\) The
ACWA's commitment to rationalizing the industry is recounted by Slichter in his
description of union-management cooperation involving the ACWA in the 1920's. The
union's efforts to protect the competitiveness of union plants brought it into the role of
engineering consultant to improve the performance of inefficient shops.\(^10\)

In a sense, the modern history of this union is simply a continuation of this early
role as a stabilizer of the industry. The union continues to dominate its core industry
(with approximately 70% market share in domestic men's tailored clothing
production). Beginning in the 1960's the union has been lobbying for trade barriers to
protect the domestic industry. This role is essentially the same role it has always
taken in trying to protect the industry (and its members jobs) from the competition of
low-wage competitors. Furthermore, the union's role in promoting productivity
improvements has included its leadership role in TC\(^2\).

**Implications for the Union**

Having claimed a central coordinating role in the industry, apparel unions
developed a top-down style of organization and administration. They did not so much
give voice to their members as organize the terms of competition in their members'
favor. The union's centralized emphasis on stabilizing competition instead of
workplace agitation to protect its members' interests is reflected in Hillman's active
intervention to put down unauthorized strikes for higher wages. As significant a role

\(^9\)Ibid. pp. 78, 99.

\(^{10}\)Slichter, Sumner. *Union Policies and Industrial Management*. Washington, D.C. The
Brookings Institution. 1941. Chapter XVII.
as the union played during the '20's in reorganizing production in the firm, the union functioned in this capacity primarily as an outside consultant rather than as an organization of involved employees. From the 1910's through the 1960's, as apparel unions and industry associations waged a battle to control the terms of competition in the industry, these unions remained strong forces in their industries, but never built strong shop-floor organizations. Of course, the union retained powers to enforce the contract at the workplace level, through adjudicatory mechanisms as established in contracts. But even this workplace role was an example of the union structuring and policing the industry.

However, the lack of strong shop-floor organization does not imply that these unions were not supported by their members. The dynamics of piece work virtually assured that union members would understand the benefits gained from their union. Because the piece worker is essentially an individual contractor, she is acutely aware of the imbalance of bargaining power between the individual and the employer. The piece work system is peculiarly subject to the speed up — chiseling rates so that the worker doesn't gain the benefits of her own productivity improvements. Only the union can prevent the kind of exploitation endemic in piece work systems, and as a result, apparel unions were able to retain a clear base of support from their membership.

The changes rippling through the apparel industry beginning in the mid-1980's undermine the sources of strength that apparel unions have maintained for most of the century. Where unions have stabilized the industry by extending union contracts to virtually all centers of production, the 1980's brought low-wage competition from far beyond the reach of the American trade union. Where the industry relied on equalized labor costs as a way to stabilize a labor-intensive industry with no entry-barriers, firms in the 1980's began competing on other than labor costs. And where
unions flourished by setting the rules of competition and production through centralized bargaining, new forms of production require strong employee involvement at the plant level. The changing industry is changing the role of the union.
IV. The "Revolution": An Industry in Transformation

The traditional system of apparel production remained essentially intact for about 40 years. However, the industry is undergoing a series of changes which have been labelled a "revolution." The transformation has been described as the change from a production driven to a market driven industry; or from a push system to a pull system.

The Threat to the Traditional Structure of Production

Competition in the apparel industry has always centered on the search for cheaper labor. As long as labor costs continue to be the dominant competitive variable, several characteristics of apparel assembly seem to doom domestic production to extinction. Apparel assembly is:

1. **Labor intensive.** The value of capital assets per worker is approximately $4000 — the basic process machinery is the sewing machine.12

2. **Resistant to automation.** Despite concerted research projects, the problem of materials handling for limp goods is years away from being solved. Except for certain basic industries (such as hosiery), apparel assembly will continue to be resistant to automation.

3. **Low skilled.** The most important skill in traditional apparel assembly is repetition. Sewing is an accessible in all parts of the world. Repetition is the basis for getting the individual worker up to speed.

4. **Highly fragmented.** The apparel industry is dominated by small production facilities: in 1986 the industry was composed of 15,000 firms with

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Also: Office of Technology Assessment. op. cit.
21,000 plants, most plants employing fewer than 50 workers.\textsuperscript{13} The men's tailored clothing industry is significantly more concentrated, with an average of 144 workers per plant.\textsuperscript{14}

5. **Has few entry barriers.** Apparel assembly is probably the easiest industry to enter. Anyone can take a sewing machine home and become part of the ever-present underground apparel market. It is estimated that in the mid-'80s 30% of all apparel production in the U.S. occurred in transient sweatshops or home work situations.\textsuperscript{15}

Because of these characteristics, apparel production has moved geographically to the South in search of cheap labor off the farms, and to the city in search of immigrants willing to work for a fraction of the average manufacturing wage. Because of these characteristics, apparel assembly has historically been the lead industry for developing countries. And because of these characteristics, domestic producers can't compete against foreign producers on the basis of direct labor productivity alone.

For years apparel unions and apparel contractors pressed for import barriers as the only way to preserve domestic production. The Multi-Fiber Agreement formed the basis of protective regulation insulating domestic production from the onslaught of low-wage competition.

The simple story of low wage countries gaining comparative advantage in apparel would have sealed a compelling close to the story of the U.S. apparel industry, except for the fact that other industrialized countries seemed to find a path to viability.

\textsuperscript{14}Fairchild Publications. op. cit. pp.21-23.
\textsuperscript{15}Ibid. p.18.
During the same years, countries such as Japan, Italy and West Germany strengthened their domestic apparel industries, despite lower import barriers than the United States. West Germany became the second largest importer of apparel, but has also become the third largest exporter.\(^{16}\) Thus there were two lessons from the 1980's:

1) On the one hand, the globalization of markets presents industrialized countries with low-wage competition they simply can't meet head-on in the traditional mass production logic of apparel production.

2) On the other hand, these countries could develop viable apparel sectors by transcending the traditional system.

A new framework has emerged for competition in the industry, based not on production per labor dollar, but on tight industry coordination and responsiveness to the market. What we're really seeing is not the disappearance of the industry, but the emergence of a new basis of competition for a viable domestic industry.

The drivers of change to the new system include:

1. Changing consumer markets, with a proliferation of products aimed at consumer niches.

2. Information technology, enabling the manufacturer to get closer to the market.

3. Increased competition, as relatively insulated domestic markets have given way to a global apparel market-place.

The transformation of the U.S. apparel industry has clearly lagged the performance of its main industrial competitors. As with other sectors of the U.S. economy which have been slow to change, the very success of the industry for most of

\(^{16}\) Berger, et. al. op. cit. p.45.
the 20th century left in place a system that was too entrenched and rigid to change. The contrast between the logic of the traditional system and the logic of the emergent system is stark, and is therefore part of the explanation of the slow rate of change in the United States.

**The New Paradigm**

The changes in the industry which several participants have labelled a "revolution" fit into a coherent new paradigm. The traditional system, organized around production of standardized goods through mass production efficiencies, is yielding to a more "market-driven" system, geared to responsiveness to differentiated consumer niches.

Strategically, the market-driven system revolves around segmentation of markets through product innovation, branding, and response to fashion trends. Production is said to become a "pull" rather than a "push" system.

These concepts are of course parallel to the just-in-time and lean production strategies pervading other industries. However, the low level of automation in assembly, the fragmentation of the industry, and the fashion component to the final product give this transformation in the apparel industry a different flavor than in the heavy industries in which much of the current manufacturing transformations reside.

The market-driven system creates several levels of strategic advantage:

1. It lowers costs through reducing inventory, compressing time, and simplifying administration. The strategy cuts costs not by squeezing labor but by squeezing out steps and time which don't add value.

2. It reduces losses at the retail level by eliminating stock-outs and mark-downs, which result from over or understocking. The industry typically
cites a figure of $25 Billion as the annual losses due to such miscues. A key strategic advantage of the emerging system is getting the right goods to the right place at the right time.

3. It increases responsiveness to actual consumer preferences. This benefit is what really makes the system market-driven. By making production responsive to the consumer, the industry can compete based on the niche marketing strategy and response to fashion, rather than competing on the basis of low cost of standard goods. The market-driven system builds a competitive edge in which time-to-market is more important than wholesale cost.

The most common programmatic buzzword describing implementation of the market-driven approach is "Quick Response." Quick Response (QR) as a program is used to refer to a wide range of innovations, but there is a coherent vision of what a QR system should be. In the QR concept, speed sourcing is achieved by eliminating inventory and building tight linkages throughout the apparel-textile pipeline.

Efforts to implement QR strategies have generally focused on information exchange through Electronic Data Interchange (EDI). EDI entails direct information linkage between supplier and customer. EDI cuts the time lag involved in ordering, billing, verifying deliveries, monitoring inventory, etc. virtually down to zero. Ideally, linkages should exist from the retailer all the way back to the fiber producers.

In their most limited form, QR programs fall far short of the integrated market-driven system which QR visionaries aim for. In its limited form, QR essentially becomes an inventory and administrative management tool. For example, one company involved in extensive EDI linkages inventories extensive final goods so as to be able to deliver to individual stores quickly. This strategy eliminates one layer of

\footnote{Office of Technology Assessment. op. cit. p.24.}
inefficiencies involved in stocking each store to forecast rather than to actual demand, but it does not meaningfully transform the production process into a responsive system. Manufacturers are still mass-producing undifferentiated goods.

Improved inventory management is, of course, quite important. Inspired by the just-in-time movement, retailers and manufacturers began to realize that the traditional system of production produced tremendous inventory holding costs. The progressive bundling system creates large in-process inventory buffers. The short-term antagonistic vertical relationships between the textile-apparel-retail sectors created enormous holding costs of raw materials and finished goods. Traditionally, the retail stores warehoused merchandise to avoid stockouts at its stores. However, as the retail business grew increasingly competitive through the 1980's, retailers began reducing their inventories, and began pressing apparel manufacturers to increase the number of deliveries.

In its more sophisticated form, QR transforms the supplier-customer relationship into a strategic partnership aimed at understanding and responding to the changing tastes of consumers. Transforming the traditional system into a real market-driven system requires a much more thorough overhaul than simply conducting business through electronic linkages. A truly market-driven system requires, first of all, responding flexibly to market trends in terms of production decisions. And that requires a flexible form of production, not dependent on large lead times and large production batches. Secondly, such a system requires a strategic, not just electronic, integration of the different links in the chain. The supplier-customer relationship, traditionally marked by adversarialism, must become a true partnership.

The truly market-driven system contrasts with the traditional system at almost every level.
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Two aspects of this emergent system fundamentally alter the historical basis of strength for garment industry unions: establishment of flexible production systems, and established of inter-industry partnerships. These two elements of the market-driven approach will be explored in greater detail in Section V below.

**Implementation**

This emergent system, while widely championed, has been introduced only fitfully in various segments of the industry. Although the literature on Quick Response emphasizes the ability to respond flexibly to a changing marketplace, most of the QR systems put in place have focused on electronic information linkages for basics such as jeans. A Levi's manager points out that while such linkages really only amount to a system of inventory management, these kinds of linkages are really
a necessary first step, because the apparel and retail industries lacked inventory management capabilities.\textsuperscript{18}

While electronic linkages have focused on basics, flexible manufacturing systems are tried mostly for fashion goods with a shelf life of approximately 10 weeks or less and for which short production runs make the most sense. An example is Osh Kosh, which switched to modular production to enable it to more rapidly change over from one style to the next. Osh Kosh has linked production to a market-driven strategy by offering a new collection of garments for its retailers every 2 months. Osh Kosh has in effect taken over direction of the marketing function. Flexible manufacturing enables them to make frequent changes, and to let production planning respond to actual sales experience.\textsuperscript{19}

This new paradigm is a robust philosophy. It does not do the same thing for every apparel vendor or retailer. But the concepts of responsiveness and inventory reduction through time compression apply in different ways to almost all lines of goods. However, complete integration of all of the QR-related concepts is still hard to find. The textile mills have been particularly slow to move to small lot production. All retail segments are pushing for smaller and more frequent deliveries. But most of the changed relationships between retail and manufacturing have focused strictly on inventory management rather than on style innovation.

\textbf{QR and Competitiveness}

A Quick Response strategy, in its fullest sense, clearly entails a thorough transformation of the logic of production and competition from the traditional system described in the earlier section. Competition based on time to market, response to market, and product innovation/design clearly make direct labor costs a less

\textsuperscript{18}Interview with Levi's Link manager Ralph Brisken.
\textsuperscript{19}Interview with Osh Kosh production manager Leslie Erwin.

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important competitive factor. However, this transformation does not eliminate the importance of labor costs, and it should not be assumed that transformation of the industry will in fact create new barriers protecting domestic apparel manufacturing or apparel jobs.

The caution is that a QR pipeline based only on integrated information technology can encompass global production. An example is the experience of Mast Industries, a manufacturing subsidiary of The Limited which sources around the world.20 Mast has reduced its throughput time from order to delivery from 6 months to 1 month, and is pushing to get it down to 3 weeks in the early 1990’s. Mast has used EDI to slash administrative and logistical time, and furthermore is using computer linkages to speed product design for its customers. Air freight shipment and computer linkages have enabled Mast to capture the benefits of Quick Response while continuing to source overseas. While their Asian and other developing country producers are not using flexible manufacturing approaches, Mast is able to keep enough labor essentially on call so that it can obtain the flexibility it needs. It maximally uses the availability of cheap labor to support a quick supply system.

There are several alternative explanations for the Mast story:

1. A QR system offers no meaningful advantage for domestic production. The only enduring advantage to domestic production is the cost and time of air freight.

2. A QR system offers limited advantage for domestic production. While proximity to market may not be an impenetrable barrier in a QR system, the difficulty of transforming relationships in the industry make it much easier to transform and sustain the system with domestic partners. Furthermore,

20Interview with Mast Industries President Martin Trust.
there are additional costs of coordination in building QR partnerships with overseas producers.

3. A QR system offers the opportunity for large advantages for domestic production, and these advantages are not captured by Mast. While information technology may facilitate QR relationships, technology is not the source of advantage to domestic partnering. Instead, the transformed manufacturing organization must be stable and must learn how to learn to perform flexibly. A flexible and responsive supply pipeline is inherently unpredictable and fragile. Skilled, adaptable organization makes the system work. The Mast strategy of flexible sourcing prevents development of a stable and adaptable manufacturing organization.

Whichever explanation is most accurate, the experience of companies such as Mast should caution us against reliance on information-linkage strategies alone to rebuild domestic competitiveness. If the domestic industry is to gain significant advantage from the transformation to a more market-driven industry, the gain will have to come from a well developed level of strategic partnering between the manufacturing and retail segments.
V. The Role of the Union in the Flexible Industry

The Union in the traditional industry played a central role in stabilizing competition based on labor costs. However, the transformation to a market-driven system also transforms the basis of strength for apparel industry unions. There are two main areas of change which fundamentally shift the basis of strength for apparel unions: development of partnering industry relationships; and development of flexible manufacturing.

A. Partnerships in the Market-driven Industry

While the vertical sectors in the traditional industry are fragmented and adversarial, the emergent industry structure is stitched together vertically through partnerships. In the old system, information (such as one's own real costs of production, sales data, quality information) was carefully guarded. In the new system, firms are sharing such data through electronic linkages. Most importantly, they are beginning to cooperate on marketing strategies to identify emergent buying patterns.

As a result, the marketing function becomes the link in the chain which organizes the industry. This is clear in fashion goods — consumer preferences are by definition ever-changing, and success requires matching what you deliver to the market to what is hot at a given time. However, with a Quick Response pipeline, the market drives the system even for basics. The QR pipeline with automatic reordering is set up to minimize inventory while making sure that the right goods are there at the right time. The QR system is built on capturing point of sale (POS) information to drive reordering and, in a more advanced system, to capture data for use in product planning. In a QR system, apparel manufacturing is stabilized by the partnership to
the customer — the manufacturer becomes as much a provider of marketing services as a seller of a good.

In such a system the rationale behind associational bargaining virtually disappears. Not only, as argued earlier, has the producer market globalized and therefore expanded far beyond the ability of the union to equalize costs; but labor costs also no longer drive success — provision of response, quality, and product innovation become the keys to stabilizing the market for the firm.

In the transformation from a mass production to a market-driven industry, the sources of flexibility and rigidity shift. In the traditional system, firms had little flexibility in what they make and what they can offer. There was, however, tremendous flexibility in the relationships between firms: lack of long-term commitment to one supplier makes it possible to squeeze profits out of the supplier. In the market-driven system, on the other hand, all firms are partners in understanding and responding to the final consumer. The relationships between suppliers and customers become more rigid — but the production and marketing system becomes much more flexible.

Role of the Union

As a result of the structural shift to partnerships based on marketing, the union loses importance from the vantage point of the apparel industry. As the market-driven system permeates more and more of the industry, there will be less and less for advanced manufacturers to gain from maintaining a strong union. This is not to say that apparel firms will initiate a union-busting campaign — the disruption involved might not be worth it. However, this loss of importance for the union might have other real consequences. For example, the union may lose the ability to do top-down organizing. The union may lose bargaining power. And the union may be less able participate in shaping the new firm.
Most important, loss of status and power in the industry means that unions won't be able to insist on making employees part of the partnership. While quick response makes it possible to compete on bases other than labor costs, it also makes it increasingly easy to source goods anywhere in the world. As companies develop world-wide electronic networks it becomes easier to switch production from New York to Tennessee to Costa Rica to Hong Kong. In losing its central position in organizing the industry, the union loses some of the power to constrain the industry from such flexible sourcing strategy.

Flexible Manufacturing.

Another essential component of a market-driven system is a manufacturing process capable of producing with fast throughput times and in small quantities. For the American Apparel Manufacturers' Association, "flexible manufacturing" is the core of the "revolution." Apparel firms are experimenting with two fundamental types of flexible production systems: unit production systems (UPS) and modular systems.

Unit Production Systems

Unit Production Systems (UPS) use a mover to route garments from work station to work station. Usually the garment rests on a hangar. The system is designed so that the routing can be changed depending on the work needed to be done for a particular garment, or for balancing the workload among workers on the line. The UPS system eliminates the inefficiencies of the progressive bundle system because it eliminates work in process between stations, and eliminates the need to bundle and rebundle. It eliminates the rigidities of the functionally organized factory, because the flow of work can be easily redesigned for a new, small batch job.
By relying on central control of the flow of work, the system maintains central control of the process. A pure UPS system changes the flow of work without changing the role of the worker. It does not fundamentally require multi-skilling, because work flow can balance the lines rather than, in the modular system, workers self-balancing by working at multiple stations.

According to Bailey\(^{21}\), pure UPS systems — which don't change the role of the worker — have had trouble adapting to continuing changing styles because the routing problems are complex and unpredictable. UPS systems replace the rigid process flow buffered by WIP inventory which characterized the progressive bundling system. However, it replaces it with a centralized real-time information system rather than the decentralized decision-making of modular production.

The product mover which is the core of the UPS system can be used in conjunction with a modular production design.

**Modular Production**

Modular manufacturing implies the most thorough break with the traditional mass production model. Modular systems are the apparel industry's application of the concepts of team-based production. In modular production, a group of workers are responsible for production of whole garments. A module usually consists of 10 - 15 cross-trained workers and a cluster of machines. The group does divide up tasks to gain efficiencies. However, workers are cross-trained to balance the production lines; they work on different products frequently, and are able to perform all tasks on the line. Modular production replaces inventory buffers with worker flexibility.

Modular systems typically produce rapid throughput, change in the cost structure of production, and quality improvements. Quality improvements largely

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\(^{21}\) Bailey. op. cit. p.47.
come because mistakes are caught early. In the bundle system, a whole batch could be produced before anyone would figure out that a mistake was made in the beginning. In the modular system, mistakes are caught early because garments are completed rapidly and inspected, and also because the group as a whole has an incentive to catch mistakes.

Cost savings derive from the following sources:

1. Reduced Work In Process Inventory.
2. Reduced rework due to quality improvements.
3. Reduced supervision and support services.
4. Reduced idle time because all workers are cross-trained.

Most modular production systems use some sort of group incentive pay. Design of pay schemes is perpetually one of the most vexing problems in a modular system, largely because the old ways of measuring performance are difficult to apply. One reason is that individual performance is impossible to separate from group performance. More importantly, flexible production of changing styles in short runs defies measurement in the old standards of production framework. Every change in garment being produced requires a new learning curve — by the time operators reach peak efficiencies, they are probably at the end of the run for that garment. The difficulty that most firms experimenting with modular production have in designing a pay scheme perhaps reflects the continuing imprint of the logic of the old system: they are trying to incentivize production based on quantity of output in a system in which throughput time and flexible adaptation (not to mention improved quality) are at least as much a component of value added as quantity produced.

In fact, the difficulty in conceptualizing the full transformation implicit in the modular system is reflected in the range of interpretation of "multi-skilling." The narrow view of the changing role of the worker in modular production is that the
workers are multi-skilled in order to balance the lines — thus the flexible worker obviates the need for inventory buffers. A broader view is that modular production allows the work team to self-govern the production process. Few modular experiments fully represent this latter definition. However, it is clear that there is a range of breadth to the experiments that are underway.

The most telling reflection of the breadth of vision in a modular system involves how multi-skilling is defined and implemented. It should be recalled that this industry traditionally imposed an extreme division of labor in which pocket setters and and collar layers held different jobs, even though they used the same materials and machines. In such a setting, even the most limited definition of multi-skilling can seem like a radical innovation.

In one modular unit the extent of multi-skilling is that operators who use basic sewing machines are allowed to do any task with that machine. However, these operators do not learn how to use other specialized finishing machines such as a button hole cutter. Even within the module there are only 3 individuals who work these finishing machines. This module still uses a supervisor to plan and route the work, and to move people around to balance the line. The group never meets to discuss production problems.

In this example it is striking how little has been changed. The only significant change in the role of the workers is that their tasks change more frequently. Equally striking, however, is how significant an innovation this modular unit has been. Because whole garments are routed through the module without WIP, this module has enabled the firm to charge price premiums for smaller lots produced quickly — the management of this firm understands that they are providing a service valued by their customers, not just a manufactured good. Quality has also improved because mistakes are caught quickly.
The narrow changes required for this module were not only striking innovations from management's point of view. Despite the complete lack of skill training and the continued centralization of production control in the supervisor, the changes were still striking from the worker's point of view. For one thing, the individual piece work system many of these workers had experienced for years encourages a sense of isolation — the worker perceives that she is working for herself. Even though the workers were still sitting at their machines performing tasks assigned by the supervisors, the modular structure suddenly made them interdependent. As a result they warily eyed how hard the others' worked, and lacked the communication skills needed to cooperate in making the system work well. The firm eventually brought in a communications consultant to provide training in basic group communication skills.

While the above example shows how limited a change in the role of the worker can be contemplated when a firm introduces a production module, other examples show more breadth of imagination. In recently installed modules at Rifkin, the work-team plans the production flow, meets regularly to problem solve, and is responsible for discipline, dismissal (within fixed rules) and hiring into the team.22

We can imagine a continuum of breadth in transformation of the role of the worker, with the truly self-governing work group holding up one end of the scale. In a fully self-governing team, the group divides tasks, plans the production route, changes assignments to balance the line, paces work, and solves problems. Workers in such a group need a broader application of multi-skilling. They not only need to know how to do each production task; they also need to know how to analyze and plan construction of a garment; they need far more sophisticated group work skills,

22Interview with Rifkin production manager Ron Timko.
including problem-solving skills; they also should have skills in preventative and basic maintenance for their machines; and they should have the skills required to evaluate new technologies or other change proposals.

What advantages does such a self-governing team provide when compared to the more narrow group described in the first example? The more narrowly defined system provides the basic benefits of eliminating work in process inventory and obtaining quick throughput time, both of which are the key requirements for manufacturing in a quick response apparel pipeline. However, the more broadly defined module builds the following advantages:

1. **Slashing of overhead costs: supervisors and middle management.**

   Self-governing modules eliminate the need for: supervisors, maintenance staff for basic and preventative maintenance, industrial engineers to plan and measure each step of the process, and middle or top management to intervene in problem-solving.

2. **Human Resource issues: recruitment and retention of workers.**

   The job of working on a modular team is a more challenging and interesting job than sewing the same stitch on a pocket over and over again every day of the week. Much of the industry literature supports modular work redesign as a strategy for recruiting and retaining workers in apparel manufacturing. In fact, creating a better work environment to aid in recruitment and reduce turnover has been the prime motivation behind more modular installations at Rifkin among other plants.

3. **Real flexibility: a workforce which learns to learn.**

   While the traditional system maximized worker productivity by extreme division of labor, flexible manufacturing encourages each worker to learn and perform multiple tasks on short runs of garments. Even though each task has a
learning curve, the constant change keeps returning productivity to the
beginning of a new curve. However, change is what a modular team becomes
good at. The learning curve that is important is the improvement in the ability of
the team to pick up new tasks — the flexible team learns to learn.

Factors such as those above suggest that the real value in broadening the role of
the worker in a modular team is that it builds the organizational stability which is
required for maintaining a viable and flexible production system. Flexible production
requires stability of organizational relationships. A fragile system leaves less margin
for error. A quick response pipeline which requires delivery in a week does not leave
time for inexperienced workers to rework garments which have been done wrong; to
wait for a machine to be fixed or replaced; or to wait to be given complete instructions
on a job different than they’ve done before. A quick response system requires a
manufacturing system with people who can cope with change. Maintaining reliable
flexible organizations with enduring relationships becomes much more important
than shaving direct labor costs.

Unfortunately, the process for creating modular production systems generally
does not lend itself to creating a broadly participative system. The decision is usually
made in a top-down fashion, with management bringing in an outside consultant to
supervise the "installation." Workers are informed of the change, taught the
concepts, trained in the new technical and group skills. However, the workforce is
never involved in the decision to proceed, nor involved in the design of the change
process. Usually, management screens and carefully selects a group to work in the
module. Where workers are forced to make the switch, it is quite common to lose
many who don't adapt well to the new system. Common wisdom in the industry is
that, as one production manager said, "not every worker is cut out for modular."
Certainly working in a group is a more difficult transition for some than for others. However, the process of imposing the new production system inherently limits the scope of participation, and tacitly disenfranchises those who are not yet comfortable with the change. This pattern of start-up becomes more important in contemplating application of modular production to the complex process of producing a suit coat, which is discussed later.

Role of the Union

Earlier it was argued that union representation of workers under a piece rate system was natural — workers were essentially individual contractors highly vulnerable to chiseling of pennies by the employer — and that the need for a union contract to defend the terms of their work was apparent to every worker.

The emergence of a new basis of competition and organization of production as described in this paper changes the relationship between the worker and the firm. First and foremost, the new unit of production is the group rather than the individual. Second, labor costs are no longer the basis of competition, and therefore there is less incentive for the employer to chisel labor costs. Third, the skills of working in a group and the development of a self-managing team creates a valuable investment that gives the team some bargaining power with its employer. And fourth, the pay scheme for the modular worker changes from piece rate — in which the worker bears the risk and buffers variability — to some system which more resembles either time payment or profit-sharing, in which the worker is either insulated from risk or shares risk with the employer.

Thus the terms of employment for a flexible production worker are likely to feel less tenuous, and therefore less in need of the protections of a union contract than the traditional piece rate arrangement. Note, this does not imply that a union-bargained
contract loses value to the worker; only that the worker has less reason to feel vulnerable or squeezed economically in a modular team environment.

Added to the above, the relationship between workers and their work has also been transformed. No longer performing a discrete task, workers in a modular system take on responsibility for production of whole products. In the broader schema outlined in the section above, they are a self-governing team, accorded a sense of trust and respect from management for their ability to plan their work and problem-solve. In fact, a competent management developing a modular system is likely to provide workers with a range of communications and group work training; to encourage raising problems and criticism of the process; and to give the group sufficient autonomy to correct real or perceived problems.

Again, this argument requires qualification — it is not claimed here that the antagonism of interests between worker and management is entirely eliminated — in fact the lack of contractual basis for the arrangement leaves the worker just as vulnerable to back-sliding, layoffs, and capriciousness on the part of the employer. It is surmised, however, that day-to-day experience in a modular environment will not so intuitively counsel each garment worker that the union is a necessary institution to protect their livelihood.

If it is true that labor costs in a flexible system no longer are the key competitive variable, and modular teams become important investments of the firm, then the task of worker representation fundamentally changes. Under the old system, the task of the union was first of all to take wages out of competition by equalizing labor costs across the industry; and second to bargain wage and benefit levels upward within the window of sustainability. Gaining comparable wage levels is less likely to be the problem in a flexible manufacturing environment — more important is obtaining job security and a long-term commitment of the firm to supporting the self-governing
team. But the largest task of all — and the one with the strongest impact on the work experience of union members — is making the idea of the self-governing team a reality.

Worker participation in modular production.

It is a large leap for someone to move from the old piecework system to a modular unit. As described earlier, even the narrowest definition of the new role of the worker entailed striking change for both management and the worker. Difficult organizational challenges required to make the change work include: building group process among workers used to working for themselves; building participation and respect between management and the work team where there existed before a regime of wage squeezing; and building the self-confidence of a predominantly female and immigrant workforce to honestly share opinions with management in designing a new system.

It seems obvious that independent workplace organization would facilitate building the organizational skills of the workers, and the self-confidence and lack of fear necessary to make the team-building process work most effectively. However, it is at the shop-floor level that apparel unions have historically been very weak. Their strength has always come from their central role in structuring the industry through associational bargaining. As currently structured, they do not have the strong relationship with their workforce, nor with the leadership at the shopfloor level, which would enable them to effectively be the agents of organization of worker participation in building and maintaining flexible production systems. There are no examples of unions actively participating in the development of modular systems.
VI. The Men's Tailored Clothing Industry

The Men's Tailored Clothing industry (MTC) is a key case for considering the outlines of a proactive role for the union. This industry is 72% unionized\(^{23}\), and domestic production still accounts for approximately 70% of the domestic market. Because the ratio of labor to materials costs is low, the MTC industry is one with a good chance of survival in the United States. However, it is apparent from current trends that transformation of this industry to the market-driven framework described earlier is essential to preserving the jobs of union members in the years to come. The MTC industry faces growing import inroads on both the high and low ends. It is an industry ripe for change, but it is highly resistant to change. It is, therefore, an industry in which there is every reason for the union to take a proactive strategy to preserve the jobs of its membership.

**Industry threats**

ACTWU and the producers of Men's suits and jackets face an industry in decline. Domestic production of Men's suits and jackets fell throughout the 1980's. Employment in the industry has been in a free-fall since the late 1960's.

Because of changing lifestyles, demographics and taste, the market for American-made suits and sport coats has been a shrinking one. The threats to this industry are threefold:

1. Cost competition from developing countries;
2. Fashion penetration from Europe; and
3. Overall decline in the size of the market.

In large part, the decline in production reflects a shrinking of the market. Changing lifestyles and work cultures account as well as demographic shifts

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25This number overstates the growth of imports, because the 1980 figure was a several year low.
conspire to reduce overall demand for tailored clothing. Overall demand for sport jackets has plummeted.

The decline in production also reflects inroads from imports. Import growth reflects imports on both the high and low ends — Asian and 807 imports penetrating the off-the-rack discount market, and Italian and other European fashions coming in at the upper end.

The explanation for the low-end imports is straightforward. Retailers and manufacturers source overseas to obtain lower labor costs. The manufacturers sourcing overseas are also non-union. One manufacturer maintains production capability domestically, in the Caribbean as 807 sourcing, and in Asia. This manufacturer can then source from whichever location is cheapest at the time, given wage rates, exchange rates, utilization levels, etc.

The main source of import penetration on the upper end has come from European designer labels. Armani, Hugo Boss and Fezza suits developed great appeal in the American market, and until late in the 1980's there was little fashion response from the American industry to the growing popularity of European styled suits. The European labels which have penetrated the United States market represent the success of European producers at moving from a mass production to a niche marketing strategy. It is this competition based on taste that the American firms, stuck in the traditional mass production paradigm, have had the hardest time meeting.

Clearly, response to both the overall decline in sales and the incursion of imports requires adaptation of marketing strategies for MTC firms. While slow to respond, many American producers are responding with a range of more fashion-oriented models. American firms are promoting more "updated" or "contemporary" styles under labels such as Pierre Cardin and Perry Ellis, and are now also promoting
American designers such as Joseph Abboud and Bill Robinson in more forward, European influenced styles. Said one manufacturer: "Armani helped us, he's made contemporary clothing more acceptable, and pushed the rest of us to start marketing fashion."

There is, of course, much ambivalence among many manufacturers and retailers about how to balance the push for fashion with the dyed in the wool traditionalism which has typified this industry. For years, models changed only slowly. Fashion trends (such as shrinking lapel widths) took place over a decade, not within a single season. However, the trend toward more designer influence and marketing awareness is apparent. American producers are turning out a much wider range of models than they did 10 years ago. However, while product innovation has begun to take hold, the transformation of production systems needed to sustain a marketing orientation has barely begun. While producing a broader range of styles, most American producers are still not producing for fashion — for short rack lives and rapid fluctuations in taste.

Change is not an activity that MTC firms are experienced at. The Men's Tailored Clothing Industry did not change very much since acceptance of the sewing machine and the proressive bundling system. Said one industry observer: "many of these production managers used to be the tailors themselves, and still think you should make a suit by hand." (At the upper end, Hickey-Freeman and Oxxford suits are still largely made by hand.) The business has been based on continuity, not change. Men bought a wardrobe of business suits from Brooks Brothers or from Saks 5th Avenue, and came back for replacements. Producers provided the traditional suits, and didn't have to keep an eye open to the marketplace, because they already knew what their customers wanted.
As more stores and retailers promote more contemporary styles, the pressure for change in the system is building. These firms are just beginning to feel tension between the stability of the traditional business, and the variability inherent to a more market-driven orientation. For example:

- Greif has been expanding their model offerings, and as a result they are changing products much more frequently. Their ratio of units to SKU's sold (Stock-Keeping Unit — industry term for a specific item stocked; an SKU represents a unique size, cut and color of a given model) has fallen 5 times. As a result, they are pushing many more changes through their plant, and operator efficiencies are falling. The increased variety has, of course, helped business enormously. However, it is taxing a system designed with uniformity rather than variety in mind.

- Filene's department store has been increasing the number of models it stocks, but is struggling with SKU glut. The more offerings, the more inventory. The store is very careful not to change its image of carrying strong traditional lines, and therefore tries to maintain the full line of traditionals while adding "updated" (wider shoulder, looser fit, but consistent with the traditional look) silhouettes. Because of the financial pressures of the debt-laden department store industry, the store is evaluating return on investment tighter than it has before. Therefore, the store is pressing to better manage inventory, and would like its suppliers to more effectively manage shipments so as to contain inventory costs. "We can't offer all things to all people, if you try to do that in this business you're dead."

For the most part, the introduction of contemporary stylings has forced retailers to either add to the number of SKU's they show on the rack, reduce their offerings in traditional lines, or cut back on sizes. The marketplace has therefore gained variety but not responsiveness.
An Industry Ripe For Change

While no one strategy is likely to return growth to the industry, the trends discussed above suggest that flexible apparel pipeline and market-driven strategy would take the industry in the right direction. While developing a more fashion-oriented marketplace, and the capability to sustain it, would likely increase the market, the overall benefits of a Quick Response/Flexible Manufacturing system has the potential to benefit all segments of the industry. Current trends suggest that the MTC industry can be divided into 3 segments:

1. Low-end off-the-rack basics.
2. Traditionals.
3. Fashion-sensitive goods.

Low-end

This is the segment most vulnerable to low-wage competition. Discount chains carry "separates" at a price point below $200. Producers on this end are typically non-union manufacturers who source both domestically and abroad. Price is everything in this segment — there is no fashion element. Piece goods make up a much smaller percentage of total costs for a $200 suit, and therefore this segment is more sensitive to labor costs. This is the segment that most in the industry seem willing to surrender to foreign sourcing.

However, this segment deserves another look. Direct labor costs are a larger proportion of costs. However, the application of QR concepts to basics in other industry segments suggests that significant advantages could be obtained for basic men's suits and jackets. A retailer and manufacturer of these goods could save significant amounts of money from automatic reordering and inventory reduction through a QR/FM pipeline.

Some of this end of the product line is already managed for inventory reduction at the store level through QR-style electronic linkage. However, the items are
manufactured for final goods inventory, and are warehoused with the manufacturer until needed. The benefits of rationalizing store delivery are real, but the savings of a fully responsive pull system could have potentially larger benefits. At a minimum, the industry should find out how much more competitive the industry could become at the low end from the cost benefits of QR alone.

**Traditionals**

The second segment is traditionals — the goods American firms have been making for years. Traditionals will remain a significant part of the market for year's to come. Although they are not likely to be fashion-oriented in terms of having short seasons of trendy styling, the concepts of a quick and flexible pipeline could easily apply to these goods.

The generic benefits of reduction in inventory and reaction to overall market-conditions (discussed above) are relevant to each segment. In an industry which places orders 8 months ahead of the beginning of a season, there is built into the system significant inventory holding costs, and it is inevitable that retailers will over- or under-estimate their sales.

But there are peculiarities to the Men's suit business which make it a candidate for unique benefits from a FM/QR system.

First, suit jackets come in many sizes. With every additional model, a retailer has to stock 8, 10 or more sizes. Inevitably, space or inventory-conscious retailers don't hold many suits in irregular sizes. It is impossible to accurately predict on a store-by-store basis what the distribution of sales will be across size, model, color, etc. Thus, even though traditional suits are not likely to go out of fashion, a quick response pipeline can still create significant improvements in getting the right goods to the right place at the right time in response to consumer demand.
A second important consideration is alterations. Almost every moderately priced suit gets re-tailored at the point of sale. Alterations add cost and, most importantly, add substantial time between purchase and delivery. In-store purchasing in effect is an ordering rather than a carry out business. This raises the possibility of another application of flexible manufacturing and quick response: development of custom ordering. MTC manufacturers are already increasing their custom business. Companies such as English American bypass the retailer with a business focused on custom ordering through sales reps. A Japanese firm, Melbo, produces suits individually using a unit production system. Greif is considering ways to restructure production of suits in a growing custom order segment of its business.

One industry observer argues that custom ordering is the "only real future for this business. This is the only industry in which when you finish the product, it's not finished. It's going to get taken apart and tailored at the store." He foresees 3-D video measurement technology linked to CAD/CAM design tools which would be able to print out a custom-sized marker. With a flexible manufacturing process, a custom-designed suit could be produced more quickly (and for less money) than it currently takes to alter the garment at the retail outlet.

**Fashion-sensitive goods.**

For this segment of the market, the possible benefits described for the previous two segments obviously apply, but with stronger effects. Reducing inventory and eliminating stock-outs and mark-downs would provide enormous savings in the more volatile fashion segments.

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In addition a QR/FM pipeline for fashion-sensitive goods yields a full range of strategic benefits. Retailers and manufacturers gain the opportunity to essentially test market in season, and make purchasing decisions based on actual consumer preferences. Such a system therefore also gives the industry more ability to develop a marketing strategy to promote fashion. If the industry had a more flexible production system, it would be able to more consciously market fashion. Said one manufacturer: "I want the American man to think he looks like a Yokel if he's wearing a 2-year old suit." Of course, the custom-production concept described above would be a bonanza for marketing fashion. Every customer could order the exact style he wants.

This ability to promote and not just accept fashion is potentially the most important effect of innovation on the industry. It is the one strategy which could help the industry respond to the overall decline in MTC demand. A reduction in demand for suits may result from a less traditional work culture in growth industries such as computers and advertising, or even among younger workers in such mainstays as the legal profession. Creating a sense of fashion and style for population segments which are not buying traditional business suits could only help reverse the overall market decline.

**Barriers to change**

The above discussion suggests that QR/FM concepts could potentially be of enormous benefit to the domestic MTC industry. The market for men's clothing is changing in ways which would seem to demand innovation if the industry is to survive in good health. However, the MTC industry is perhaps the slowest segment of the apparel industry to change. The innovations which typify the market-driven paradigm are almost non-existent in the Men's Tailored Clothing Industry. There
are only the beginnings of movement toward QR-style electronic linkages, and usually only because of pressure from the retailer. The only example of modular manufacturing in production of men’s coats is in a cutting room of Joseph & Feis. Frankly, few within the MTC industry see the QR/FM concepts as applicable in the near-term. Below is a discussion of the real and perceived barriers to transformation of this industry.

Production

The complexity of production is most often mentioned by skeptics as a reason flexible production would not work in the Men’s Tailored Clothing industry. It is true that complexity of construction is the distinguishing characteristic of production in this industry. There are usually 120 - 150 sewing operations required to make a coat. One manager claimed that “there are more operations to assemble one of our suits than to assemble a Hyundai.” As a result, the factory organized in the progressive bundle system is itself an elaborate system. The average plant has 144 workers (the average for apparel as a whole is less than 50)\textsuperscript{27}. Throughput time from cutting to finishing is approximately 16 weeks.

The sense that tailored clothing is too complicated for a modular manufacturing system is widely shared by production managers and even by some flexible manufacturing consultants. A core fear seems to be the loss of accountability in a team system involving so many operations. The job seems too large for a team; the interdependency too frightening for workers used to working for themselves. When Joseph & Feis managers installed a production module in the cutting room, they also explored the possibility of transforming the stitching room. The idea met with widespread resistance, and was quickly deemed infeasible. While happy with the

\textsuperscript{27}Clothing Manufacturers' Association. op. cit.
module in the cutting room, where a team of 6 people perform under 10 operations, J&F has no plans to expand use of this production concept.\textsuperscript{28}

It is obviously impossible to determine whether MTC production managers are right, or simply resistant to change in their dismissal of flexible manufacturing. A good experiment has not yet been done. However, one insight is that the complexity they identify makes more problematic the top-down method by which most modular systems are installed. Earlier it was indicated that the installation of production modules is generally done in a top-down fashion. Flexible coordination of production on as large a scale as would be required in this industry would necessitate broader involvement by the workforce. The bundle system makes each worker ignorant of the organization of the production process, and this knowledge is vested in central control of the flow of production. In modular production, central coordination is replaced by having each worker understand how the system works, and giving them the tools to adapt to the changing needs of the process. In a system as complex as coat assembly, coordinating production at the shop-floor level means that the level of understanding of the process and freedom to act to adjust to production flows would be more extensive. To successfully implement an MTC module would therefore take much more involvement of the workforce in the thought process, the design, the evaluation, and the continuing planning of the innovation. The hypothesis, therefore, is that the managers and the industry consultants' experience thus far in imposing modular production does not prepare them to apply the modular concept to a more complex system which would require far more intensive worker involvement.

Of course, the very complexity of process which makes modular production difficult to contemplate is also the reason why the modular system could be of such

\textsuperscript{28}Interview with J. Laetel, Joseph and Feis.
value. Modular production could slash the enormous inventory and long lead times necessary to buffer the rigidly planned bundle system.

**Suppliers**

Fabric suppliers are the second barrier to change in the MTC industry. The piece goods for this industry are usually delivered in large runs with long delays. Lead times for worsteds typically range from 72 - 196 days, and run up to 224 days for specialty fabrics. Even basics usually require a 5-week order lead time. American mills also have minimum order requirements around 2000 yards, much higher than the size wanted by many producers for specialty orders. As a result, manufacturers increasingly turn to foreign suppliers for many specialty fabrics. However, the price of foreign sourcing can be even longer delays due to coordination problems.

As a result of the slow turnaround in piece goods, manufacturers are forced to inventory substantial amounts of fabric themselves, and often have to commit to orders from suppliers before they have commitments from their own retail customers. The slow order cycle for fabric is identified by many manufacturers as the most insurmountable barrier to compressing the production pipeline enough to meaningfully respond to consumer behavior. And the problem is recognized by retailers as the largest impediment to creating a responsive pipeline.

However, it is apparent that the pressure from retailers to speed the whole pipeline is finally being felt by piece goods suppliers. Burlington recently started a new plant for the purpose of running small specialty orders, and clearly identifies improving its ability to do small runs with shorter lead times as a core strategic need. However, producing worsted woolens with quicker turn-around times remains both a

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technical and organizational challenge for Burlington and other woolens producers. 30

**Arms-length relationships**

Certain characteristics of the MTC industry should make it easier to coordinate planning among industry segments. The manufacturing segment is more concentrated than other apparel sectors, and the dominant firms have long traditions and stable relationships with retailers. The scale of production and the extent of unionization have successfully stabilized the industry on the homefront. It should be an easier job to coordinate planning among the mills, manufacturers and retail outlets.

Of course, that picture is not the one we actually see. The data sharing, market planning and inventory management techniques which are taking off in other sectors are barely crawling forward in tailored clothing. Manufacturers make little if any use of electronic data from stores — they agree to bar-code their products when the customer pressures them to do so. Retailers say there has been virtually no change in their relationships with their domestic suppliers — no cooperation in analyzing market and sales trends; no participation in planning in-store promotions or other marketing strategies; no joint search for ways to speed deliveries and reduce inventories. There is clearly a long way to go in building the relationship among all segments before significant change can take place.

**Real Threats Posed by Change**

For clothing manufacturers who have perceived the influx of European clothing to be a threat, encouragement of fashion-orientation seems suicidal. A number of retailers and manufacturers are having difficulty figuring out how to maintain their

30Interview with Alex Neeley, Burlington woolens division.
traditional customer base and their image of traditional good taste while at the same time keeping up with the demand for more contemporary silhouettes and colors. While change might make the industry as a whole more resilient, change is clearly [and always] a threat to those who have been strongest in the traditional system.

There is, of course, room for diversity of approach, and that is probably what will continue to happen. Brooks Brothers has decided to update its styles. J. Press has been the beneficiary, as disaffected Brooksians flock to the never-changing preppy outlet for a refuge of natural shoulders and traditional shades. But the decisions for Brooks, Saks and other retailers (and manufacturers such as Greif which are trying to offer all styles for all people) are difficult decisions. The step to redesigning production and marketing strategies to encourage fashion-consciousness is a long step particularly because it encourages the very trends many in the industry are having difficulty coping with.

**Traditional Mindset, First Mover Problem**

Aside from the real threats posed by change, many observers simply say that this is a tradition-bound industry which is slow to change. Retailers are essentially resigned to the long pipeline, and therefore are risk averse in making advance orders. Retailers and manufacturers are aware of the supply problem from the textile mills, and are therefore pessimistic about developing a QR/FM approach. Because retailers are in general resigned to the existing system, and the mills have been slow to develop faster and smaller production, the manufacturers feel little pressure from either side to change their role in the production process.

**Competing Strategies**

Some resistance to adoption of a market-driven QR/FM concept for the industry is the temptation of the low cost model. For manufacturers used to foraging for the cheapest available labor, wage scales in the Carribean or in China are a tempting
target. While foreign sourcing wouldn't solve the problem of a narrowing market or deal with the threat of European imports, it would give domestic manufacturers a strategy for warding off any threats based on cost. Furthermore, Mast and Bennet have shown that some aspects of the QR approach can be used to access foreign sourcing even for fashion goods. Furthermore, domestic manufacturers can source European goods as well as goods made in developing countries.

This strategy poses the ultimate threat to the domestic workforce, because it severs the community of interest between the manufacturer and the apparel worker in protecting the viability of this industry. Yet this seems to be the strategy being pursued by non-union producers at the lower end of the market. Thus far, the union contract seems to be one strong factor dissuading expansion of this strategy. However, it may be that manufacturers are reluctant to risk experimenting with new production processes because they feel an inevitability to chasing low wages overseas.
VII. Role of ACTWU within the Industry

As described earlier, ACTWU has developed a position of strength in this industry. It has approximately 70% of the MTC workforce organized, and does most of its bargaining on an association level with the Clothing Manufacturer's Assoc. ACTWU has been accepted by the industry as a stabilizing force, and has historically taken an active role in promoting the success of the industry. Because of this level of strength, ACTWU has been able to contribute to stabilizing the industry even in the face of global competition. The companies it has under contract cannot produce overseas. Since ACTWU has such a large proportion of the industry organized, this is a meaningful restraint on the growth of imports.

However, even for ACTWU, the central role of stabilizing the industry is passing beyond its grasp. Imports are expanding on both ends of the price spectrum, and retailers are buying overseas. Employers are chafing at the restraints of the union contract. Furthermore, the possibility of change toward a more-market driven production system is also the direction of change which would threaten the union's traditional source of strength, as discussed in section V. Already, as the industry flirts with modular manufacturing in the cutting room and development of more flexible design concepts, the union is losing the opportunity to shape the transformation of the production process because of a lack of shopfloor organization. And already the union is losing its central role as firms become more and more marketing oriented.

While change is dangerous for the union, change which protects jobs is essential. As employment has plummeted in this industry, so has union membership. Maintaining a viable domestic industry is the first priority for the union and its members. Clearly, the domestic industry as a whole must become more
market-driven, and production must permit more of a "pull" system — if production of MTC is to remain predominantly domestic. For the union, formulating a proactive strategy to encourage innovation in the industry is essential first of all to save jobs, but second of all because transformation in the industry requires transformation in the role of the union. Otherwise, change will simply undermine the historical basis of strength for this union.

   Given the potential benefits of a transformation of this industry to the new paradigm, and given the sorts of barriers discussed above, there is clearly room for a strong and innovative union to be a catalyst for change. Clearly, there are obstacles to the union asserting such a role, including barriers to change within the union. However, it is useful to outline the opportunities for a transformative role which are present for this union in this industry. This section outlines the elements of a strategy for the union to secure the viability of this industry, while recasting its role as a central player in the industry. Three broad areas are identified through which the union can effect both types of change:

   A. Promoting modular flexible manufacturing.

   B. Developing collaborative efforts to promote change.

   C. Reclaiming the role of "enforcer."

   In each of these areas, there is ample precedent within the union's history for the role it could play. However, each role would also require fundamental change on the part of the union.

   **A. Promoting modular flexible manufacturing.**

   While the industry is as yet suspicious of the potential for flexible manufacturing strategies, there is tremendous potential gain for the union in FM innovation in which the union is involved. The possible role for flexible manufacturing in
bolstering the competitiveness of U.S. plants has been discussed at length. Additionally, the evidence thus far suggests that a FM work environment improves the job for the worker. Initially many workers are suspicious of the change because of the novelty and uncertainty of team-based work and compensation. However, once the system has been developed, the variety of tasks, the increased level of responsibility and the team environment itself all seem to increase job satisfaction. Thus, the baseline motivation for the union is that the innovation will be good for their members, both in terms of securing and improving their jobs.

Most modular installations seem to maintain wage levels at about the same rate as people had in the traditional system. To the extent that flexible manufacturing adds value through quicker response, reduced inventories, reduced support and managerial requirements, and better quality, the union may see modular manufacturing as a strategy which will enable them to increase wages also.

As mentioned earlier, even in a unionized environment, FM experiments are proceeding in the apparel industry with no real union involvement. Strong union participation in the development of FM systems would enable ACTWU to:

1. Steer design of the system to a model in which their is meaningful control of production by the work team, as opposed to the strict UPS concept or the narrow concept of modular production.

2. Develop stronger shop-floor organization. By involving the union in structural change of the manufacturing process, the union will gain a vehicle for building its strength at the shop floor level. Shop floor leadership will gain the opportunity to be involved in important policy decisions at the firm level. The union will have an opportunity to do significant member and shop floor leadership training.
3. **Overcome management resistance.** Once the union engages management in a joint process to redesign production, it has the effect of pushing management beyond the defense of traditionalism.

**Levers for union involvement**

The union can promote adoption of flexible manufacturing in the following ways:

1. **Identifying and promoting experimental sites.** The union is well-positioned to figure out which plants are the best targets for innovation. The initial step could be development of firm- or plant-level labor-management committees to examine and plan flexible manufacturing systems. There are several ways through which the union can engage management in planning production redesign. Regular collective bargaining, financial crisis, and worker recruitment problems all give the union an opportunity to invite a joint process of investigating and planning innovation. Whatever the context for initiating such an effort, a joint labor-management committee at the plant level could be a powerful tool for engaging management in the innovation process. Such an effort also gives the union an important opportunity to develop its shop-floor leadership and level of involvement.

2. **Organize worker involvement in the planning process.** This step is a corollary to the previous one, but it is the most important step of all. Because production redesign has been such a top-down process, and because that top-down process might be a particular liability in planning a flexible system for tailored clothing, the union's role in involving employees in the planning process is essential.

3. **Member education.** The union can raise expectations and reduce the fear factor by undertaking a program to educate its membership about change in the industry and the concept of flexible production. This role would lay the ground work for successful change and would build expectations of change from the ground up. If
union membership were ahead of management in thinking about change, a significant change in the role of the union would already have taken place.

4. **Take over the role of training.** It is apparent in the apparel industry that management does not know how to train its workforce. Stitchers are expected to know how to work their machines, or to learn from others. When plants install production modules, they bring in outside consultants to organize the skills cross-training and the group skills training. Once the initiation period is over and the consultant goes home, there is usually no on-going training mechanism left in place. There is a window here for the union. Through its 70% MTC presence, the union could develop expertise in training the workforce that managements sorely lack. Training for workplace change could give the union a central role in reshaping work organization, and would also build the training role more permanently into the organizational life of the plant.

5. **Organize on-going worker input.** Not only is worker input necessary in the planning process, it also should be an on-going part of the flexible production environment. Of course, few if any apparel plants have meaningful structures for on-going worker input. In a FM setting, the union can organize the process of on-going worker input. Note that this meshes with the training role described above. As long as the skill base of the workforce is continuously expanding, so will be their capacity to critique the existing production process and organizational environment. However, the union doesn’t have to wait for the FM environment to initiate a worker input process. Any plant with a set of inefficiencies or worker gripes would benefit from a forum for raising complaints or concerns. Raising other issues at the plant level may be a way for the union to initially engage management in joint processes.

6. **Use of Collective Bargaining to promote change.** Finally, it should be stressed that the collective bargaining process remains an avenue for the union to
engage management in joint problem-solving aimed at exploring innovations. Many of the problems which inevitably surface in bargaining will reflect the structural problems facing the industry. Establishing a joint problem-solving process is one avenue for addressing these problems. Collective bargaining has historically been the launching pad for cooperative efforts to stabilize the industry. It can continue to serve that function.

B. Developing collaborative efforts to promote change.

The current logjam in the MTC industry reflects retailers' expectations of resistance to change, the slowness of the textile mill sector to produce in smaller lots or with faster throughput, and the lack of leadership coming from the manufacturing sector. It will take a coordinated effort to develop collaboration among textile, apparel and retail firms.

Levers for union involvement

1. Pressure for imports from organized manufacturers.

The Labor Management Committee formed between ACTWU and the CMA could be a platform for engaging the other industry segments in laying the groundwork for a more QR system. The original purpose of the committee was to negotiate the terms under which CMA members could import lower priced garments to balance their offerings. CMA manufacturers insisted that the goal wasn't to displace U.S. production, but rather to allow them to offer garments at price points which their competitors (foreign and domestic non-union) would otherwise occupy. The union agreed to permit a trial period during which manufacturers could source goods that fell within this category, in exchange for job security guarantees to workers to ensure that the imports would not displace domestic work.
The quest by organized manufacturers to access cheaper labor for low price-point garments would seem to give the union leverage to promote greater innovation in the industry in general. First of all, there is an opportunity for joint investigation of ways to lower production costs. Can the cost efficiencies of a QR/ FM system in Men's Tailored Clothing make domestic production more competitive in lower end goods? No one yet knows the answer to this because there are no good test cases in this industry. However, it would be a productive exercise for the union and the manufacturers to jointly explore the conditions under which domestic production could be viable. The union could insist that before turning to imports, a joint search for ways to produce more competitively, including flexible manufacturing and QR linkages, is essential. Such a strategy would of course require the industry to engage the retail segment — to whom many of the direct benefits of a faster pipeline would accrue, — and the mills, who are the biggest stumbling blocks in developing a QR system.

2. Collective Bargaining

As with firm-level change, the collective bargaining process can be used as a platform to launch industry-level change efforts.

C. Enforcer

A fundamental problem which remains for the union is that its influence does not extend beyond the Apparel sector, while effective collaboration among the mills, retailers, designers and manufacturers must be part of a more market driven industry. Clearly the union's leverage on the apparel segment can be useful in building relationships outside of that sector. Union initiatives with apparel employers can be an opening for dialogue with the other sectors. It may be that the union has other unique tools for influencing the other sectors.

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ACTWU in particular has developed sophistication in using public, political and financial pressures to engage firms in discussion — these skills could be put to use to reward retailers who pursue buy America programs; and to punish those who aggressively source from the cheapest labor available. There is much historical precedent for the union to play this role. Union label campaigns were ways of pressuring retailers to buy union through public and consumer pressure tactics.

These days such strategies require nimble dancing around legal obstacles from current interpretation of labor and anti-trust law. However, unions are successfully using a range of public pressure, corporate pressure, and financial interventions to pressure anti-union companies, and ACTWU is one of the unions with this capability. This same set of skills could be used to build an updated union label-style campaign with some teeth in it. While unions don't have the public support to make a broad buy-union or buy-American effective, a strong campaign could be built around particularly abusive sourcing practices, particularly if U.S. plant closings are involved, or if buyers are sourcing from particularly exploitive situations.

Such a campaign can be positive. Walmart's involvement in QR linkages with domestic producer included a public image campaign around buying American. The union and the manufacturing industry should find ways to encourage such PR strategies. But the most important positive PR strategy could be to promote public understanding of the cooperative efforts to make the industry viable.

These kinds of campaigns will not in themselves effect the range of innovations contemplated in this paper. However, they can accomplish a couple of important objectives which the manufacturers are really powerless to effect themselves:

1. Appealing to the public. The union has the ability to make survival of the industry an issue meriting public attention.
2. The threat of a negative campaign was always important in holding together standards of fair competition since the days of the protocol movement. There is so little history of cooperation among industry segments; and there is likelihood of ongoing fluctuations in the level of competitiveness on the part of the domestic industry. An example of a union with the teeth to punish selfish behavior as well as encourage cooperative behavior would help bind together an interindustry approach to innovation.

**Conclusion**

The proactive role contemplated here for the union is not an easy or necessarily natural one for a union in this circumstance. However, it is a response to the central issue identified in this paper: That to preserve the viability of the domestic industry, and therefore the jobs of union members, requires transformation of the apparel industry from competition based on labor costs to a market-driven orientation. The paradox for apparel unions is that this transformation undermines the traditional strength and legitimacy they gained throughout this century as central stabilizing influences on the industry. Stabilizing labor costs and supporting improvements in the mass production model is no longer a practical strategy for the union. But shop-floor weakness, and lack of influence over the market forces which are the new drivers of the industry make transformation of the industry threatening to the strength of the union.

For ACTWU in the Men’s Tailored Clothing Industry, the resistance to change on the part of the industry gives the union ample opportunity to initiate change, but to do so the union has to recast its source of strength. A proactive strategy on the part of the union would strengthen its shop floor organization as a vehicle for worker
participation; and develop clout within the industry to help organize the elements of the industry for change.
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