EXECUTIVE SUMMARY:

The Garment Industry Development Corporation Case Study

Sectoral
Employment
Development
Learning
Project

This publication is made possible by grants from the Charles Stewart Mott, Ford and Annie E. Casey foundations.

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Printed in the United States of America

ISBN: 0-89843-294-4

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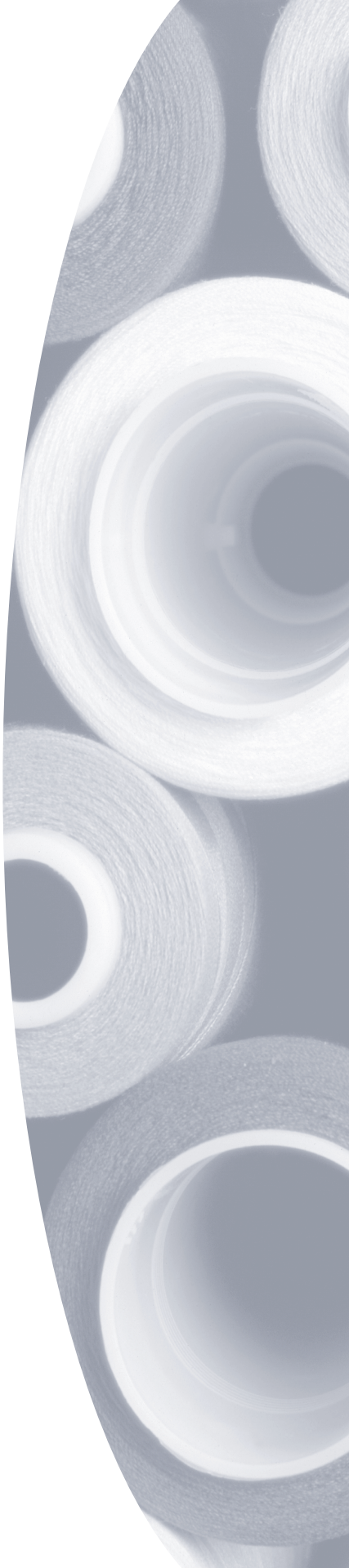

July 2000

Economic Opportunities Program
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The following executive summary introduces one case study in a series of six Sectoral Studies being published by the Sectoral Employment Development Learning Project of The Aspen Institute's Economic Opportunities Program. This one focuses on New York City's **Garment Industry Development Corporation.**

Each study looks closely at one sectoral employment development program and examines its interactions with job seekers, employers and other major actors in a particular industry environment. The findings from these Sectoral Studies should offer practitioners as well as policymakers insights into the specifics of operating a sectoral program as well as how these programs address industry issues and help low-income people achieve greater economic self-sufficiency.

One insight of the sectoral approach is that it is not enough to train workers for manufacturing sector jobs. As this case study shows, the sectors themselves need retooling as much as workers need retraining. Conventional employment programs get people job ready. Sectoral initiatives not only get people job ready, they also get industries ready to utilize entry-level workers at higher levels of productivity. The first is a supply-side effort, while the second is a demand-side initiative.

As will become clear, combining the two employment development strategies is frequently crucial. When a manufacturing firm – particularly a small or medium-sized one – has the chance to hire newly trained workers who can perform at a higher degree of skill or productivity than the firm normally associates with that occupational level, the response is often not to hire them at all. They need to be paid more; then it takes organizational change and effort to begin to use such workers to their full capabilities. Many firms require external help to recognize the productivity benefits of paying the new workers more and reorganizing production processes to take advantage of their new skills. When such recognition fails, the result is an ongoing lose-lose situation. This is where sectoral practice comes in.

This study is the story of how one program, by concentrating on a single sector, has been able to work with firms to the point where they can see why it made sense for them to upgrade the quality of their workforce. It tells how one agency has been helping retain manufacturing firms – and jobs – by gaining deep knowledge about how things work in the targeted industry sector. It used that knowledge to redefine the sector's labor supply problem, overcome attitudinal barriers to change, identify unforeseen business opportunities and promote new kinds of industry alliances.

Creating Industry Change

Sectoral initiatives create labor market change in three ways. They: (1) help low-income people find routes into jobs they have not ordinarily had access to; (2) encourage firms to create new jobs; and (3) persuade firms to replace or restructure low-paying, unstable jobs by doing things such as reorganizing their management practices or production processes. GIDC takes the third approach.

I. An Industry in Crisis

In 1984, in a rare collaboration between the supply and demand sides of one local labor market, New York City's garment industry trade associations and city hall worked closely with the International Ladies Garment Worker Union (ILGWU)[1], to create the Garment Industry Development Corporation (GIDC). The corporation was set up to revitalize New York City's garment industry which, by 1984, was in a precipitous decline.

GIDC would eventually become a new and very different kind of employment development agency. But at that early stage, all that its sponsors cared about was that it find a way to revive the sector — and save the jobs of its almost 100,000 workers, who accounted for one-third of the city's manufacturing jobs.

If GIDC's mission was clear, how it would fulfill it was not. In the wake of federal legislative changes that liberalized U.S. trade, the sector had been decimated by waves of low-wage, offshore competition. But the industry's waning competitiveness also had to do with internal labor issues. New York's garment industry has always been the entry point into the labor market for the city's large immigrant populations. The traditional mode of operation relied on using cheap labor, rather than seeking out more efficient technologies or new production processes. With the changes in U.S. trade legislation, the sector seemed stuck in a low-skill, low-productivity mode of production. But it was also unable to compete on the basis of cost with the off-shore producers, who might pay their workers as little as one-tenth the wages paid in a U.S. shop.

For many of the sector's primarily female, entry-level sewing machine operators, therefore, one of the most pressing concerns was wages. Huddled over their Smith & Olin single-needle, lockstitch sewing machines on the back streets of Chinatown, this 70,000-strong army of largely immigrant Chinese and Latina 40-somethings formed the backbone of the city's apparel sector. Limited career paths and the intermittent nature of the work only worsened the problem. It was not uncommon for veteran employees to have been laid off more than a dozen times. While hard-working, many were finding it difficult to make ends meet.

Yet, in truth, most small, family-owned production shops that

[1] In 1995 the ILGWU and the Amalgamated Clothing and Textile Workers Union merged to form the Union of Needletrades, Industrial and Textile Employees (UNITE).

formed the core of the sector could hardly afford to offer higher wages. Garment shop owners were now at pains to fill increasingly demanding production orders from the powerful retailers who dictated the terms of the market. Many garment firms were barely hanging on.

Not Just a Supply Problem

GIDC did not seize upon the usual "answer" offered by the conventional job training model: If workers lack high-wage skills, train them, since better-trained workers draw higher earnings. The problem was not a simple supply problem. Merely furnishing the apparel sector with higher-skilled workers was not likely to result in better wages for them because the sector's profitability problem was not primarily one of inadequate training.

But if focusing just on the labor end of the problem was not the answer, working on the industry by helping the garment firms regain competitiveness did not look especially promising either. The factors driving industry profitability downward were large-scale structural trends at the level of international trade that seemed beyond the control of any one city, let alone an agency. Apart from some training programs, GIDC's first industry-side rescue mission — helping garment firms negotiate lower rents so they could save and reinvest more of their profits — did not yield encouraging results compared with the amount of resources it absorbed. GIDC did see, however, the competitive niche that New York has in international markets, and began to look at ways to better capitalize on the opportunities presented.

The Sectoral Method: A Systemic Approach

GIDC adopted an integrated, *systemic* view of the entire industry using a novel approach that has since come to be known as the sectoral method. The skill-deficiency/low-wage problem was just one aspect of what was really an interrelated, system-level problem. It was true that garment workers needed training in a broader array of skills to become more versatile on the production floor and qualify for a larger range of jobs. But there was little point training workers for a stagnating sector that could not leverage their full capabilities nor afford to pay them what they were worth.

Modular Production:

GIDC's Role as a Facilitator of Industry Change

Cost-reducing automation — long a hallmark of U.S. manufacturing advantage — has been difficult to introduce in New York because of the limp fabrics and contoured shapes characteristic to the fashion segment New York specializes in: women's clothing. But GIDC has found ways to help firms circumvent this liability and regain their competitiveness. Modular production is simply a new approach to organizing how garments are made. Instead of the old "assembly line" method where a worker endlessly repeats a single step, teams make entire garments from start to finish. This often results in much faster production, better quality control and greater work satisfaction. By requiring workers to be multi-skilled, this form of production makes them less vulnerable to layoffs when the fashion changes.

But modular production is not easy. It requires retraining employees and introducing a pay system with restructured performance incentives because employees now work in teams, not as individuals. So for all its advantages, the small, traditionally-minded firms that make up New York's garment industry have found it hard to switch over. Compounding this issue is that in such fragmented, decentralized industries information travels slowly and hence firm-to-firm technology transfer is slow. So even when they represent a clear advance, new production methods do not simply "trickle down."

Dismantling attitudinal barriers is an example of a change initiative that requires single-sector attention from an employment agency because it is a complex process that requires confronting seemingly irrational beliefs.

By retraining laid-off workers and showcasing the benefits of new production processes, GIDC has helped many garment firms see their workers in new roles and, in the process, boost firm productivity. Without GIDC's intervention as a pacesetter, facilitator and information broker, many firms may have closed shop because adopting new methods has been the key to surviving the combination of foreign competition and retail-driven industry change.

GIDC adopted an integrated, *systemic* view of the entire industry using a novel approach that has since come to be known as the sectoral method.

The *industry* itself needed to be restructured and repositioned. Apparel firms had to make major attitudinal shifts and organizational changes if the sector was to recover. Owners had to be encouraged to invest in new machinery to realize production efficiencies. They needed to replace old production techniques and learn to see and use their workers in new ways. The sector's comparative advantages needed to be carefully reanalyzed. And new market niches and business alliances had to be fully exploited.

(Creating good jobs) called for developing relationships with the sector's major actors in order to create new opportunities for workers and owners.

Job Development: Moving Beyond Simple Resource Delivery

Creating good jobs in the garment industry would take more than ordinary economic development. It called for developing relationships with the sector's major actors in order to create new opportunities for workers and owners. Through such relationships, GIDC also might intervene and engender change through policy advocacy, marketing and technical assistance.

The sector's labor force was just a single element in a network of interconnected industry actors and intermediaries extending far beyond the boundaries of the garment district. That network includes buyers, suppliers, contractors, production firms, jobbers, retail outlets, trade associations, offshore competitors, local unions and government regulators. Each element of this network influences every other, and how one element's decisions affect hiring outcomes cannot be clearly understood unless they are considered in relation to the entire system. Inducing systemic change would thus require an involved effort to map the sector's interrelationships — in essence, to grasp how the industry worked.

To see what needed to be done, GIDC had to conduct studies and gather financial and performance-related information, often from sources not particularly eager to offer it without some level of trust established. To spur the desired collaborations and mutual exchanges, GIDC would have to build coalitions, earn the trust of key constituencies and establish over time a presence as a fair and credible representa-

tive of the strategic interests of the sector's major players. And in this fragmented, traditionally-minded sector, even encouraging technological upgrading would require the agency's staff members to work the garment district one firm at a time, presenting cases of successful adoptions of new processes.

The Two Sides of the Garment Sector Labor Market

SUPPLY

Made up of workers, job seekers and the agencies who train them in order to **supply** labor to businesses. In the garment sector, the tricky task of training people for positions that were still in the process of being created in an industry itself in transition called for a **coordinated intervention strategy**, a feature of the sectoral model.

LABOR →

← **WAGES**

DEMAND

Made up of manufacturers and other industry segments that **demand** labor from the supply side to meet production goals. For GIDC, the challenge on this side was to help the garment sector restructure in ways that would enable it to take full advantage of the higher-skilled labor of the agency's trainees and thereby achieve efficiencies.

Change Management:
Helping Firms Cope with Lean Retailing

The garment industry is made up of many small firms, caught between two giants — the big textile firms that sell raw fabric and the mega-sized retailers who buy the finished product. The size discrepancy means the small, family-owned garment shops have little negotiating power in setting prices; garment firms are "price takers." As such, garment firms are unusually sensitive to costs, particularly labor costs, which are by far their largest expense. It is hard for them to offer their workers benefits and better wages. Added to that, mega-retailers have introduced marketing changes such as "lean retailing"— the practice of holding low inventories and replenishing only items that sell well. Lean retailing enables retailers to showcase eight or more fashion "seasons" a year, which is great for them but puts enormous pressure on small garment shops to adjust production to frequent style changes.

Working closely with garment firms, GIDC has helped many cope with low profit margins and new production pressures. It encourages them to hire multi-skilled workers such as GIDC's trainees and to invest in training their own workers, with GIDC providing on-site training. Multi-skilled workers bring greater flexibility to the production process because they are able to multitask on the shop floor. This has enabled many firms to achieve faster turnaround times and deliver small batches of the latest fashions just in time, beating their lower-cost foreign competitors to the punch by capitalizing on the new demands imposed by lean-retailing. With GIDC's persistent intervention, and the production changes the firms have introduced as a result, many New York garment firms have been able to regain profitability levels while maintaining decent wages and benefit packages.

Managing the Challenge of Change

By the early 1990s, it had become clear that facilitating sectoral transformation was a far more comprehensive job than had been imagined. Catalyzing change would require broadening the notion of employment development beyond the passive concept of just delivering training resources to "skills-deficient" people.

II. Making The Sectoral Model Work: GIDC's Programs

GIDC has three training programs, all drawing on the strengths of the sectoral approach:

1. **The Super Sewers course:** 240 hours of training offered four times a year to laid-off workers in a broad range of sewing skills. Because GIDC has close industry contacts, it is able to adjust course content frequently to match perceived industry needs.

2. **The Apparel Skills courses:** A continually changing set of part-time courses offered to employed workers in specific areas such as machine maintenance and repair.

3. **On-site training:** Employer-specific training tailored to individual workplaces and delivered on the shop floor. A Train-the-Trainer component is used to provide sustainability.

On the demand side, GIDC engages in technical consulting, market development, and managerial training. It also provides on-site worker training as part of its technical assistance services.

A. Technical Consulting includes needs assessment, engineering assistance and quality control training. Through technical assistance GIDC has:

- helped firms make both minor and major changes to production processes that have improved efficiency and profitability;
- enabled firms to see workers not as a cost to be borne but as assets to be developed;
- acquired first-hand knowledge of how the sector works;
- helped firms institutionalize worker training as part of normal operations; and
- positioned itself as a credible industry leader balancing worker and owner interests fairly.

B. Market Development services include:

- a marketing and export assistance program that helps firms identify and capture new market opportunities overseas and domestically; and
- a data-based Sourcing Center that helps garment buyers and producers find each other.

C. Managerial Training

GIDC offers advanced seminars to both managers and incumbent workers through its *Fashion Industry Modernization Center (FIMC)*. The facility is also a technology demonstration showroom that encourages the adoption of new technologies by exposing garment producers to the latest equipment. Working with just one sector has enabled GIDC to locate the FIMC close to its producer constituency in Chinatown. This gives GIDC a local storefront presence that encourages closer interaction with the sector.

Designing A Good Training Program

Sectoral programs such as GIDC have a future-oriented mindset that enables them to anticipate where their sector should be headed. GIDC, for example, developed its job training program not to train workers for the garment sector as it existed, but to train them for *the kind of industry the sector needed to become to survive.* The goal was to produce the kind of multi-skilled workers the agency was expecting to be able to persuade garment shops to hire. Non-sectoral agencies are much less likely to develop effective anticipatory training courses because an agency needs to be working simultaneously with both sides of the labor market to design a good, forward-looking training program.

PROGRAM SUMMARY

Supply Side

Training

- Super Sewers
- Apparel Skills Training Courses
- On-site Training

Demand Side

Technical Consulting

- Technology Training Extension Service

Market Development

- Fashion Exports New York
- The Sourcing Center

New Technology Demonstration

- Fashion Industry Modernization Center

III. Lessons and Issues

GIDC's story offers a number of "sectoral" lessons about what can be achieved when an agency takes a fresh look at a single industry to develop innovative win-win solutions that integrate the interests of both sides of the labor market.

1. Cheap labor is not necessarily the answer.

In the quest to assist the underemployed and unemployed, worker skill deficiency is not always the fundamental problem. The conventional supply-side approach to employment development is founded on the idea that markets work well and that the demand side knows what it wants. It assumes that companies have diagnosed their needs accurately and want better-trained, entry-level workers. GIDC's experience shows that many companies do not have a good grasp of their needs or how to fulfill them. Even in declining industries such as New York's garment sector in the mid- to late-1980s, many firms do not automatically do what it takes to stay viable. Firms sometimes simply fail, often for avoidable reasons. The market, in other words, does not work as well as the conventional job program assumes.

With profit margins shrinking, garment firms actually needed to invest *more*, not less, in their workers.

For example, with profit margins shrinking, garment firms actually needed to invest *more*, not less, in their workers. But this seemed counter-intuitive to many of them. Even more important, they needed to carefully coordinate this investment in training with timely upgrades and adjustments to production processes and marketing strategy. The solution to the sector's crisis needs to be a total package, of which employee training is just one part. Focusing only on training in the conventional way, without coordinating it with demand-side change, would have resulted in a frustrating waste of resources. Further, as a total package, the solution might have failed if GIDC had been unable to get firms to sequence all the parts of the solution, including GIDC's own training program, in one well-coordinated strategy. Due to cash flow and other business operational problems, timing can be critical.

The lesson is that employment development and training programs *need to work more closely with industry* to synchronize and match the labor resources they intend to deliver with industry-side changes that enable firms to leverage the full capabilities of those leaving the training program. This resource matching process is an information-intensive, dynamic process that occurs in real time, with industry's

needs definition changing as the employment program makes greater progress in informing firms about what the new graduates could do if specific changes were made. It is an iterative, tactical process.

Part of this lesson also is that firms will not necessarily undertake changes on their own, even when it would be in their best interest. R & D or management consulting-oriented external assistance of the sort provided by GIDC is often a necessary spur. Employment development programs, especially those that work with small firms, cannot always assume that companies have accurately assessed their own needs and production potential when they say all they need from them is better-trained graduates.

Sectoral programs such as GIDC demonstrate that many opportunities to upgrade or even create new jobs go unrecognized because the needs and resources of employers, and the needs and capabilities of those who could work for them, are not well-orchestrated. This may be a result of information gaps or simply because there was no one there to liaise between the two sides.

One reason sectoral programs such as GIDC have been able to make a real difference in people's lives is that they take an all-encompassing approach to complex industry problems, such as low productivity.

2. Embedded leadership brings deep involvement.

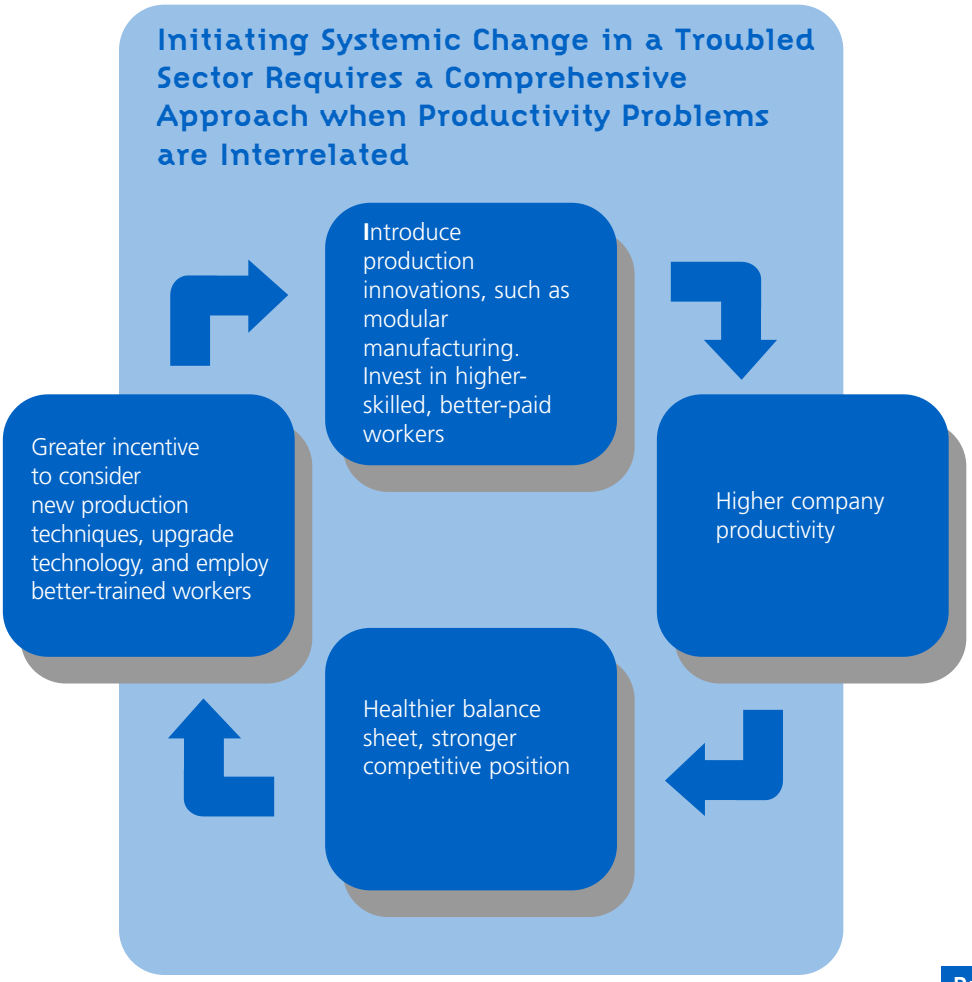
Developing employment opportunities does not always require extensive industry-side changes, as other cases in this Sectoral Series will show. But sometimes it does. A second lesson that emerges from this case is that to intervene effectively on the industry side you sometimes need to occupy the paradoxical position of an "embedded outsider" — an industry insider who nevertheless has enough distance from the sector's competing stakeholders to be able to play a centrist, leadership role.

Only through deep involvement has GIDC been able to develop the degree of credibility it needed to recommend changes and catalyze coalition building in segments of the New York garment industry. GIDC achieved this by positioning itself at an organizational level "lower" and more involved than a national program yet "higher" and with a broader view of systemic industry issues than a neighborhood organization.

3. The sectoral approach has high informational requirements.

A third lesson is that the amount of industry information required to pursue sectoral change is typically very high — often so high that it would be difficult for organizations that work with many sectors to pursue a sectoral approach. One reason sectoral programs such as GIDC have been able to make a real difference in people's lives is that they take an all-encompassing — and necessarily information-intensive — approach to complex industry problems, such as low productivity. By comparison, the conventional approach usually focuses on one piece of the problem, such as skill deficiency/training.

The comprehensive sectoral approach can be particularly powerful because the factors that collude to generate low productivity are often



deeply interconnected. As the flow chart indicates, an industry will not be able, for example, to afford better-trained, higher-wage workers unless it is expanding or making productivity gains. Yet that rise in productivity may not occur unless it upgrades its production method, but upgrading production may require hiring better workers. *Each step in the process presumes the preceding.*

GIDC's intensive demonstration and information brokering services have helped garment companies fundamentally rethink their relationships to their workers and their markets.

In low-technology or service sectors where management tends to be thin, firms often do not have the resources to engage in a sophisticated analysis of their productivity issues. So unless an external organization intervenes by offering technical and R & D services that simultaneously address all the interrelated components of the problem, firms in the sector may not get far in a revitalization program. But without revitalization, such industries may never be in a position where they can afford to offer better wages and job conditions, no matter how many well-trained people graduate from job programs.

Such systemic intervention requires that the employment organization be deeply familiar with the inner workings of the sector. By spreading themselves over many sectors, conventional job programs command neither the resources nor the focused expertise to undertake comprehensive systemic solutions. By concentrating their energies on a single sector, sectoral initiatives such as GIDC often do.

By focusing its resources, GIDC has been able to play multiple roles that include information broker, management consulting firm, business developer, training program, trade association, job referral agency, fund-raiser, conflict mediator, public relations firm and all-round sector representative. Being a one-stop agency with centralized functions has enabled it to use information gained in one role to enhance its ability to carry out its other roles. The roles have been synergistic.

Finally, in a decentralized sector such as the garment industry, where firms tend to be small and family-owned, information travels slowly and industry practices tend to die hard. To encourage change, GIDC has had to work with one firm at a time. Sectoral change is thus both information-intensive and time-intensive, virtually mandating a single-sector focus.

4. The industry-targeted approach of the sectoral model often leads to balanced, win-win solutions.

A final lesson is that by focusing narrowly on one occupational sector, an employment development program can reach a level of understand-

ing of a sector's workings that enables it to identify job restructuring opportunities that expand rather than simply redistribute the resource pie. It is able to create a win-win situation that moves the sector beyond the zero-sum game that often constrains the union-owner relationship. GIDC demonstrates the power of an industry-targeted approach.

It suggests that, at least sometimes, intimate knowledge of an industry may be the only effective way to diagnose deep and intractable industry problems, such as those related to competitiveness, and to unearth truly creative solutions that benefit workers without disadvantaging owners. In addition to knowledge and expertise, the sector-targeted approach also enables an employment organization to develop the kind of industry relationships – and sector presence – that make it easier to implement balanced, fundamental solutions that improve employee conditions in ways that are more than simply a transfer of resources from owners to workers.

Conclusion:

Interventions such as GIDC's raise the effectiveness of job training by coordinating it with industry restructuring, helping a sector reorganize and reposition itself in ways that increase its demand for better-paid, better-trained workers. GIDC's intensive demonstration and information brokering services have helped garment companies fundamentally rethink their relationships to their workers and their markets.

On their own, sector-tailored training and robust demand for labor are not adequate strategies for getting the unemployed employed. The firms must be able to afford the higher paid workers. By showing firms how to leverage the abilities of higher-skilled workers to yield productivity gains, GIDC has made it possible for many of them to afford the kind of higher-wage, multi-skilled workers it trains. The result is a win-win solution for the garment industry, New York City's economy and many job seekers from a hard-to-hire, largely immigrant population with limited language skills.

Considering the complex challenges industries today face, the collaborative and informational requirements for running a truly effective sectoral employment development program may, in the end, be too extensive for general multi-sector training agencies to meet. The GIDC case suggests that, in certain sectors, sector-focused organizations are among the few that can maintain the kind of programmatic focus and industry involvement needed to meet the demands of employment development and industry restructuring in a way that makes these two goals mutually reinforcing.

This executive summary was written by Franklyn Ayensu, based on a case study researched and written by Maureen Conway with Suzanne Loker. Copies of the full case study are available from the Economic Opportunities Program (EOP) at the Aspen Institute, and from the EOP Web site. In addition, if you would like to be added to the SEDLP mailing list, please contact EOP.

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Graphic Design by **olmsted**associates, Flint, Mich.
Printing by PrintComm, Inc., Flint, Mich.

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