SECTION ONE:
RECENT TRENDS IN THE CANADIAN GARMENT INDUSTRY

Over the past three years, the Maquila Solidarity Network has become increasingly involved in research and analysis of the garment industry in Canada, and of Canadian connections to the global garment industry. In our 1999 study for Status of Women Canada[1] we documented several important trends in the Canadian garment industry over the last two decades, including:

- a shift from manufacturer-led garment production, where manufacturers did the designing, marketed their samples to hundreds of retailers, and then produced the orders, toward retailer-led production, where giant retailers and super-labels (apparel merchandisers) design the clothes and then contract out the production of their apparel to suppliers around the world;
- increasing US penetration of the Canadian retail industry, with US retailers gaining control of an ever larger share of the Canadian retail market;
- increasing apparel imports with the elimination of protections for the industry through the implementation of the Canada/US Free Trade Agreement (FTA) in 1989 and the North American Free Trade Agreement (NAFTA) in 1994, and the gradual lowering of tariffs and phasing out of quotas at the international level.

Combined, these changes represented a fundamental restructuring of the Canadian garment industry, in which:

- many manufacturers simply closed down, unable to compete, while others downsized their operations or converted themselves into importers;
- some manufacturers moved into high-skilled, high-tech, and high fashion niches;
- others began to compete for the just-in-time reorder market, where manufacturers bid for short seasonal runs of lower-end fashion items. Manufacturers bid on price and quick turnaround time, with the imperative being to cut every corner possible to lower costs of production.

As a result of this restructuring, employment and production patterns within the garment industry changed dramatically, including:

- a devastating loss of full-time, standard jobs, a disproportionate loss of unionized jobs and the growth of non-standard precarious employment;
- a shift toward production in small factories, from 22 percent of production in factories with fewer than 20 workers in the early 1970s to 75 percent in the early 1990s;

[1] Lynda Yanz, Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally* (Ottawa: Status of Women Canada, 1999).

- the emergence of a pyramid-shaped system of production with the retailer at the top, contracting work out to a jobber, who subcontracts to a small factory for cutting and some sewing, which then subcontracts the majority of sewing to smaller workshops and to homeworkers;

- an increase in employment standards violations, with piece rates falling well below minimum wage;

- the marginalization of homeworkers and contract shop employees, the majority of whom are immigrant women of colour.

In subsequent IDRC-supported research, we have been able to update our research on trends in the restructuring in the Canadian industry. New information gathered in the last year reinforces previous findings, but also points to new trends and raises new questions.

A. CANADIAN RETAIL

Increasing Concentration

Retailers and brand merchandisers continue to play the dominant role within the garment industry internationally and in Canada. Through mergers and buy-outs, the retail sector is becoming increasingly concentrated and the largest international retailers are becoming more powerful. In 1999, two giant French retailers, Carrrefour and Promodes, announced merger plans which will make them the second largest retail chain in the world. Wal-Mart, the world's largest retailer, is continuing its global expansion with the recent acquisition of British and German supermarket and retail chains.

Canada has also seen an increasing concentration of retailing over the last several years. Most dramatically, one of the largest and most important Canadian retailers, Eaton's, collapsed in 1999, after years of declining sales resulting in bankruptcy. With several large US retailers at the table in bankruptcy negotiations, many predicted the Eaton's break-up would be a major opportunity for more American retailers to enter Canada.[2] Ultimately Sears Canada (which is majority-owned by the US retail giant, Sears Roebuck) bought Eaton's shares, and 19 of its 64 stores across the country, with the Hudson's Bay Company scooping up another 7 stores, further concentrating the Canadian retail market. Sears Canada Inc. is in the process of "re-fashioning" several stores to reopen Eaton's as a high-end department store.

Growing US Penetration

US penetration of the Canadian market is continuing at a rapid pace, with recent announcements of Canadian expansion plans by several US retailers. A 1996 study by Wendy Evans included over 54 US retailers operating in Canada, more than double the 21 listed in 1992 and five times the 10 listed in 1985.[3] Most of the US retailers operating in Canada who participated in Evans

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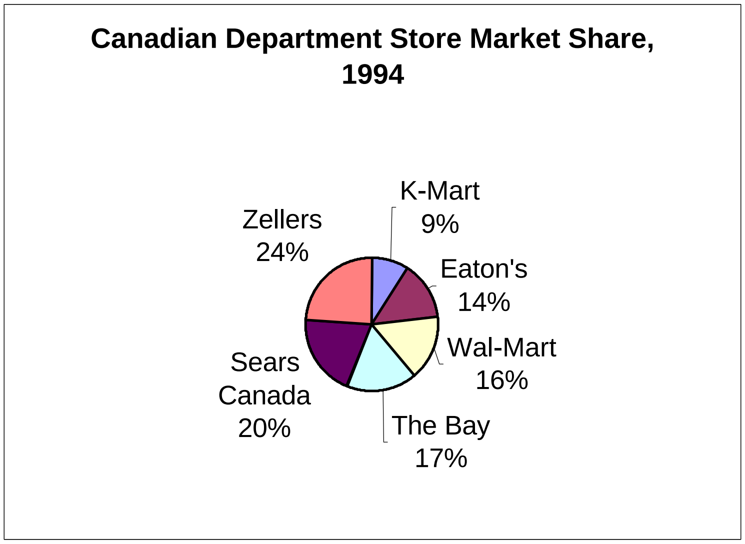
[2] For more information an assessment of the Eaton's collapse see: "Death of a Canadian Icon," *The Globe and Mail*, August 23, 1999, B4-B6, Janet McFarland, "Eaton's suppliers scramble for buyers," *The Globe and Mail*, August 18, 1999, and Ceri Marsh, "Clothes call at Eaton's," *The Globe and Mail* August 19, 1999, C6.

[3] Wendy Evans, *Retail Border Wars: winning the international retail race* (Toronto: Centre for the Study of Commercial Activity, 1996) p. 1.

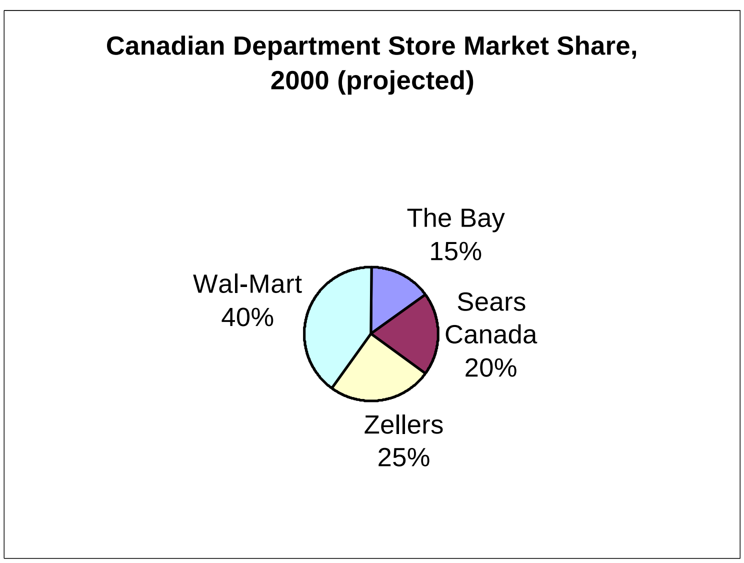
study anticipated that their presence in Canada would increase by 50 to 100 percent in the next five to six years.[4] Wal-Mart's entry into Canada confirms this prediction. In 1994, Wal-Mart held 16 percent of the department store market share.[5] By 2000, Wal-Mart had increased its share to 40 percent, tied for first place with the combined shares of the Hudson's Bay Company's Zellers and The Bay.[6]

Figure 1.1



Source: *The Globe and Mail*

Figure 1.2



Source: *The Toronto Star*

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[4] Ibid. at 24.

[5] John Heinzl and Marina Strauss, "Eaton's sales job," *The Globe and Mail*, September 13, 1997, B1.

[6] This figure is based on a projection to the end of 2000. Cited in: "Hudson's Bay stock jumps on profit gain," *The Toronto Star,* March 11, 2000, p. D6.

Other recent examples of growing US dominance of the Canadian retail market include the acquisition of majority ownership of Club Monaco by Ralph Lauren in 1997, and the decision of Gap to introduce its Old Navy chain of discount retail stores to Canada in 2001.

Contracting Out Production

Retailers and super-labels continue to contract out production to domestic and overseas manufacturers, while retaining control of design and marketing functions. In Canada, retailers are exerting increasing control over domestic manufacturers. A 1999 US trade report describes how "the recent consolidation and restructuring that has occurred in Canada's retail sector has had an impact on producers' product planning and selling strategies, as large retailers use their purchasing power to extract favourable terms and narrow their supplier base."[7]

Retailer Control over Manufacturing

Bert Lafford from Canada's National Apparel Bureau writes that the American practice of charge-backs, whereby retailers charge manufacturers for late deliveries or errors, is becoming more common within the Canadian retail marketplace.[8] He argues that charge-backs are not penalties, but subsidies imposed on manufacturers to help offset retailers' losses. Similarly retailers are increasingly demanding "mark-downs," and are replacing firm orders with estimates. According to Lafford, "not all suppliers can afford to go along for the retail ride -- but most can't afford not to adjust to the new conditions."[9]

In 1998, Sears Canada pushed its men's wear suppliers to accept an extra three percent discount on merchandise, a move many suppliers saw as an ultimatum for doing business with the company.[10] During the Eaton's liquidation, the Hudson's Bay Company pressured its suppliers not to provide goods to Eaton's.[11] Subsequently, The Bay warned suppliers that their lines could be dropped if they continued to supply clothing to the soon to be reopened Eaton's chain.[12] Some industry analysts link these aggressive practices with US retailers who have brought their operating styles to Canada.[13] Others add that the increased presence of US retailers in the Canadian market, who have their own supplier bases, has reduced opportunities for Canadian apparel manufacturers in their home market.[14]

Private Labels

Historically, US retailers like Sears Roebuck or JC Penny have concentrated on the purchase and sale of national brands designed and manufactured by brand-name manufacturers like Levi Strauss or Guess. Recent research suggests, however, that private label apparel is becoming

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[7] Madellon C. Lopes, *Canada: Men's/Boy's Apparel* (Washington: US and Foreign Commercial Service and US Department of State, August 1999).

[8] Gordon Kearns, "Retailers and Vendors: Partners or Protagonists," *Canadian Apparel Manufacturers*, (January-February, 1999).

[9] Ibid.

[10] "The View from Jarvis Street," *Canadian Apparel Magazine* (March-April 1999).

[11] Marina Strauss, "Bay urges suppliers to shun Eaton's," *The Globe and Mail*, September 8, 1999, B1, B4.

[12] Zena Olijnyk and Paul Brent, "Bay suppliers warned not to deal with Eaton's," *National Post*, March 2, 2000.

[13] Gordon Kearns, "Retailers and Vendors: Partners or Protagonists," above note 8.

[14] Madellon C. Lopes, *Canada: Men's/Boy's Apparel,* above note 7.

increasingly important for these retailers. Arguing that manufacturing their own private brands gives them increased control over design and efficiency and allows them to use their superior knowledge of customer buying patterns, many retailers are launching private labels that are gaining market share and are generating increasing profits.[15] In the United States, this trend is creating new relationships between retailers and manufacturers, and is placing even more power in the hands of the retailer. Retailers in the US are increasingly contracting out the production of these private labels to manufacturers overseas.[16]

In order to remain competitive, Canadian retailers have had to adopt the strategies of their larger US counterparts. Zellers, in competition with Wal-Mart's successful private label program, has launched several private label lines following expensive ad campaigns. Sears and The Bay have also jumped on the private label bandwagon. Sears Canada Vice-President Ed Matier attributes the retailer's recent success to an expansion of their private label brand program.[17] The Bay is reducing the number of its Bay brands, which account for roughly 25 percent of sales, and is concentrating on just five private labels, in the hopes of raising private label sales and profile.[18] In 1999, private labels constituted 37.5 percent of Canadian clothing dollars spent, and over 50 percent of clothing units for sale in the Canadian market.[19]

Offshore Sourcing

Label research carried out by the MSN indicates that Canadian retailers, like their American counterparts, also source a significant amount of their private label apparel from overseas. Label checks suggest that roughly 60 percent or more of the private labels sold at Sears Canada, and the Hudson's Bay Company's The Bay and Zellers, are made in Asia, the majority coming from China and Hong Kong.[20] Unlike major US retailers, clothing made in Mexico and Central America is less common.[21]

The MSN has done initial research into the buying practices of Canadian retailers. Following the trend of many international retailers, Sears Canada and the Hudson's Bay Company have established buying offices in countries across Asia, or have contracted out the equivalent buying services to companies with similar global buying offices. For example, Sears Canada has buying offices in Hong Kong, Singapore, the Philippines, Korea, Taiwan, Thailand, Bangladesh, India, and China. The Hudson's Bay Company's exclusive global buying agent, Linmark Westman, has

[15] Mark Hendricks, "Private labeling: who said the stores would get tired of manufacturing...,? *Apparel Industry Magazine*, March 1998.
[16] "Do-it-yourself private labeling grows exponentially," *Apparel Industry Magazine* (October 1997) and Suzette Hill, "The branding of private labels," *Apparel Industry Magazine* (June 1999).
[17] "The View from Jarvis Street,“ above note 10.
[18] Steven Theobald, "The Bay slashes brands: Private labels cut from 57 to 5," *The Toronto Star*, p. C1.
[19] "Canadian Clothing Companies Must Explore Other Export Markets," *Canadian Apparel Magazine* (May-June 2000).
[20] The MSN conducted label research by visiting the stores of several major Canadian retailers and recording information such as, the type of garment, country of origin, CA number and price, for a wide sample of private labels sold by that retailer. Researchers picked labels from men's, women's and children's wear, and examined the full range of items sold under that label. While this form of research can not provide precise statistics on the amount of clothing coming from a particular country or region, it can provide a useful breakdown of broader sourcing patterns.
[21] Whereas Mexican imports accounted for 15 percent of apparel imports into the US in 1999, they only represented three percent of apparel imports into Canada. See Appendix One (US/Canada apparel import pie charts).

divisions in Hong Kong, China, India, Sri Lanka, Bangladesh, Pakistan, Indonesia, Korea, the Philippines, Singapore, Taiwan, Thailand and Vietnam.

It has been difficult to gain information about Canadian retailers' offshore sourcing practices in Asia due to the high level of industry secrecy and the lack of public disclosure of information on production facilities. We do know that sourcing in Asia involves a web of contracting companies, agents, trading companies and other intermediaries. To arrange deals, retailers or their buying agents attend trade shows and visit showrooms where contractors, agents and importers display samples from the factories they represent. Most retailers rarely visit factories directly, although some larger retailers may establish closer relationships with manufacturers to ensure product quality, and in a few cases, compliance with labour standards.[22]

There is much less formal presence of Canadian retailers in Latin America. Sears Canada has one buying office in Guatemala, and Linmark Westman has no offices in Latin America. However some Zellers apparel is made in Nicaragua, in particular the Cherokee brand for which Zellers has the exclusive licence in Canada. It is not clear whether this production is organized through the US brand or directly by the Hudson's Bay Company.

In Mexico and Central America, intermediaries appear to be less important, with many retailers contracting production directly with overseas manufacturers. However, some buying and sourcing agents have been establishing services in Latin America. Again, obtaining information about the operations of retailers and manufacturers in Mexico and Central America has been very difficult, due to the lack of information accessible to the public. More research needs to be undertaken to document how the manufacture of private label apparel of Canadian retailers in Asia and Latin America is organized, and the labour practices and working conditions in these overseas manufacturing facilities.

More Apparel Imports

The trend toward an increasing share of apparel being imported continues. In *Policy Options…*, we noted that in 1995, 42 percent of the $8.5 billion worth of apparel bought by Canadian consumers was imported.[23] In 1998, the last year for which statistics are available, imports represented 46 percent of apparel purchases by value.[24] Import percentages in some apparel classes, such as boys and men's wear, were projected to increase to 51 percent in 1999.[25] While imports from China and Hong Kong, the number one supplier of imported apparel, continue to be dominant, other countries, such as Mexico, are increasing their share of Canadian apparel imports. Reflecting trends in the US apparel industry, imports from Mexico increased from $39 million in 1995 to $163 million in 1999.[26]

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[22] Heather White and Fredi Munger, *Dynamics of the Global Assembly Line* (Verite,1999).
[23] Lynda Yanz , Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally,* above note 1 at 10.
[24] Madellon C. Lopes, *Canada: Men's/Boy's Apparel,* above note 7.
[25] Ibid. The four main sub-groups in the Canadian apparel industry as defined by the Standard Industrial Classification, are men's and boys' clothing, women's clothing, children's clothing and other clothing. These classes are broken down into 18 industries such as the men's and boys' coat industry, the women's dress industry and the sweater industry.
[26] Imports and Exports by Industry, Industry Canada database, http://strategis .ic.gc.ca/sc_mrkti/tdst/engdoc/tr_ind.html. See Appendix 1 for a breakdown of Canadian apparel imports.

Some industry analysts predict that regionalism will be increasingly important in the global garment industry, with NAFTA and Caribbean Basin countries becoming the most important apparel trading partners of the United States.[27] In this case, imports from Mexico and the Caribbean Basin might become more significant for Canada, as a member of NAFTA, and a country in close proximity to the Caribbean Basin.

Other industry analysts focus on the new trade liberalization measures, such as the Agreement on Textiles and Clothing (ATC), which will result in the phasing out of existing apparel quotas under the Multi-Fibre Agreement (MFA) by the year 2005.[28] They argue that Asian countries like China will remain dominant players within the apparel industry as a result of these multi-lateral initiatives, and give less attention to the impacts of regional trade agreements. In this scenario, Asian apparel imports might retain or increase their dominance in the Canadian apparel industry. It is still unclear how the Canadian retail and apparel manufacturing industries might fare within these various scenarios. This is a crucial area for further research.

B. CANADIAN MANUFACTURING IN THE FACE OF MOUNTING IMPORTS AND INCREASED RETAILER CONTROL

In earlier research we discussed manufacturers' responses to increased competition from overseas suppliers and increased pressure from retailers. These included closing or downsizing operations or converting themselves into importers, moving into high-tech niche markets, and/or beginning to compete for the just-in-time order market.[29] In the last year we have had an opportunity to examine additional responses of Canadian manufacturers to the rapid change within the apparel industry.

Increased Offshore Investment and Sourcing

An important and increasingly prevalent tactic has been to shift production to other countries, either through directly investing in offshore manufacturing facilities, or by contracting out a portion of apparel assembly offshore. We have included in this report case studies of two prominent Canadian manufacturers pursuing this strategy.[30]

In contrast to Canadian retailers, whose offshore sourcing continues to be primarily from Asia, our initial research indicates that although some Canadian manufacturers have also contracted out production to Asian countries such as Sri Lanka and China (as in the case of Nygard international), Mexico and Central America have been the most visible sites of relocation.[31]

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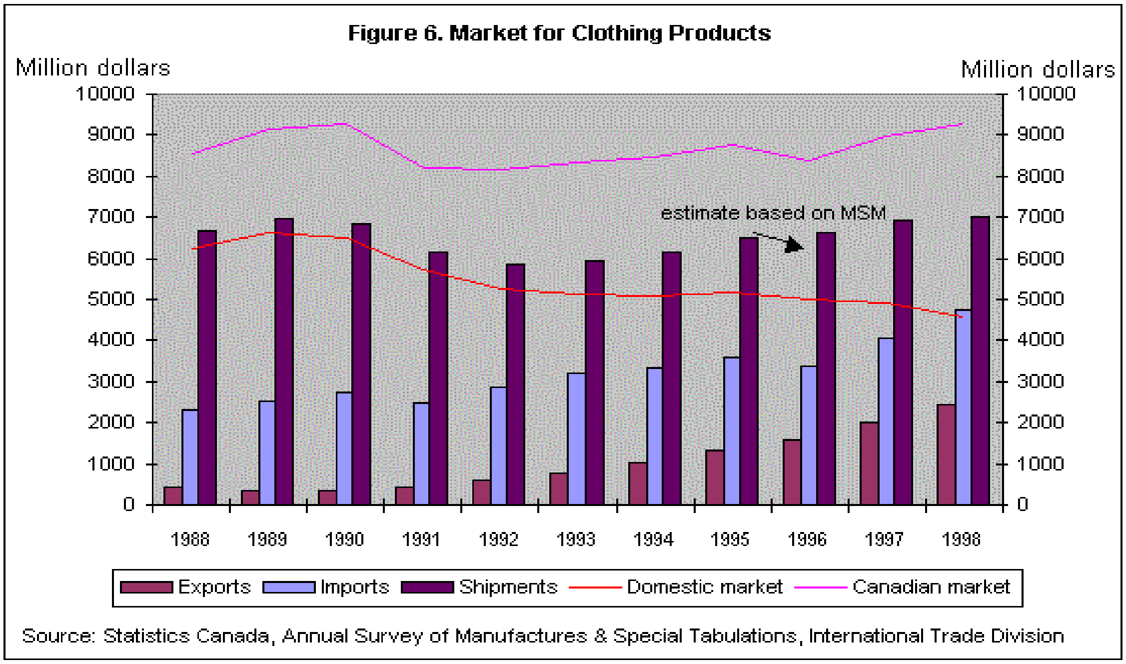
[27] See Section Two: Growth and Change in the Maquila Sector: What does it mean for workers? for a more detailed description of this projection. Brenda Jacobs is a prominent proponent of this scenario. Gary Gereffi's analysis around shifting trends in the global garment industry also supports this scenario.
[28] See Shawn Meadows, "WTO, CBI negotiations heat up," *Bobbin* (January 2000).
[29] Lynda Yanz, Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally,* above note 1 at 10.
[30] Section Two: Focus on Mexico contains a case study on Nygard International. Section Three: The Caribbean Basin contains a case study on Gildan Activewear.
[31] Table 2.1 in Section Two: Focus on Mexico lists the number of Canadian manufacturers we have documented as having operations in Mexico. In our initial research we have found a smaller number of Canadian manufacturers contracting production to Asia; Nygard International, Standard Knickerbocker, Ballin and Western Glove Works.

Increased Production for Export

A second trend which we underestimated in our previous research is the importance of production for export for Canadian apparel manufacturers. In 1998, overall apparel exports were five times the value they were in 1988,[32] and had increased by 586 percent since the signing of the Free Trade Agreement in 1989.[33]

Figure 1.3



Source: Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?* (Ottawa: Statistics Canada, December 1999).

It is significant to note, however, that Canadian manufacturers have not diversified their export markets in this growth, but instead have concentrated on one trading partner, the United States. In 1998, over 95 percent of apparel exports were going to the United States, compared to 89 percent in 1993.[34]

The signing of the FTA and NAFTA have clearly been key factors in the expansion of exports to the US. Industry analysts also point to the strong American economy and weak Canadian dollar, as well as the slow growth and limited opportunities within the Canadian industry for Canadian manufacturers.[35] Canadian manufacturers are said to have an advantage over other suppliers to the United States given their close proximity and quick turnaround time and knowledge of the US market.

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[32] Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?* (Ottawa: Statistics Canada, December 1999).
[33] Russell Kowaluk, *Stability Prevails in the Canadian Clothing Industry* (Ottawa: Statistics Canada, 1998).
[34] Madellon C. Lopes, *Canada: Men's/Boy's Apparel,* above note 7.
[35] Brian Dunn, "Canadian Exports of Men's Apparel Growing," *Daily News Record* (January 31, 2000). "Canadian Clothing Companies Must Explore Other Export Markets," above note 19.

A recent Statistics Canada report explains that this "phenomenal" growth in exports to the US is helping manufacturers of clothing maintain the present level of production.[36] However, Statistics Canada doesn't examine how the export boom is influencing the sourcing patterns of major Canadian manufacturers exporting to the US.

The two Canadian manufacturers profiled in this report, Nygard International and Gildan Activewear, both export a significant amount of their overall production to the United States.[37] Both have made major investments in offshore apparel facilities to complement their Canadian production.[38] A smaller Canadian player, Phantom Industries, a Canadian swimwear manufacturer that recently opened a plant in Mexico, exports 90 percent of its apparel to United States. Although clothing made in Mexico and Central America by these manufacturers is available in Canada, it is likely that the bulk of production in their offshore facilities is headed for the United States and not Canada.

High-end Niche Marketing

In *Policy Options…*, we noted that some Canadian manufacturers were dealing with the pressure of trade liberalization by focusing on a high-skilled, high-tech, and high-fashion niche.[39] That trend continues, with many Canadian manufacturers repositioning themselves as mid to upper market suppliers.[40] This specialization in high-end products is one factor in the dramatic rise in the value of exports.

A 1991 report argued that Canadian apparel manufacturers were lagging behind other countries in terms of technology implementation.[41] However, in the last decade more manufacturers have moved to introduce new technology in their plants in design, pattern making and grading and fabric cutting, as well as in garment pressing, packaging and distribution systems. The Manitoba Apparel Institute website claims that its manufacturers, mainly large plants, are more high-tech than those in others of Canada. This is certainly true for Manitoba-based Nygard International, which is widely regarded as the industry leader in the field.

Our industry research illustrates that niches can also include specialized areas of the apparel market, such as outerwear production or snowboarding apparel. Industries such as women's sportswear and men's and boy's suits and underwear are growing rapidly.

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[36] Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?,* above note 32.

[37] Nygard International exports 50 percent of their overall production to the US, while Gildan Activewear exports 85 percent.

[38] Nygard International has invested heavily in Mexico, while Gildan Activewear has concentrated on Central America and more recently is constructing facilities in Mexico.

[39] Lynda Yanz, Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally,* above note 1 at 11.

[40] Russell Kowaluk, *Stability Prevails in the Canadian Clothing Industry,* above note 33 and Madellon C. Lopes, *Canada: Men's/Boy's Apparel,* above note 7. Both of these authors describe how Canadian manufacturers have increased their focus on high fashion niches and the production of clothing in the medium- to higher-price ranges.

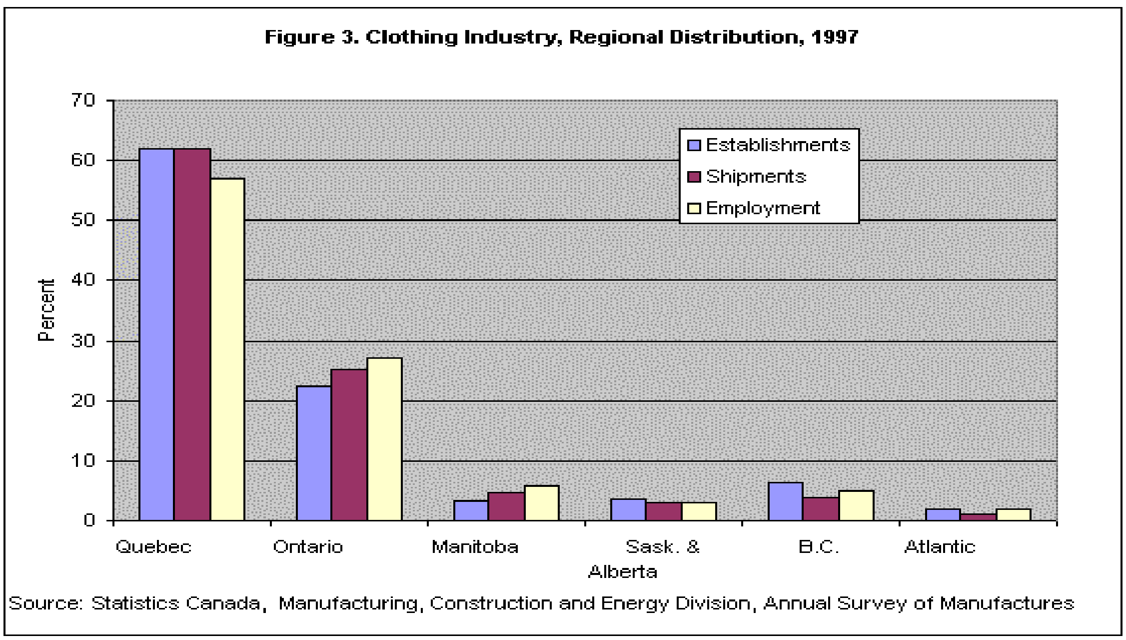
[41] Kurt Salmon Associates for Industry, Science and Technology Canada (ISTC), "Level of Technology Utilization by Apparel Companies in Canada, the United States and Europe" (Ottawa: ISTC, 1991) cited in Katherine Marshall, Denise Guvèremont, Stéphane Pronovost, "Sizing up employment in clothing manufacturing," *Perspectives on Labour and Income* (Spring 1997).

The men's and boy's suit industry provides an interesting example of Canadian manufacturers taking advantage of a niche market. A recent article in the *Daily News Record* describes Alvin Segal, president of Montreal-based Peerless Clothing, as having become "disillusioned with the attitude of Canadian retailers who were looking for creative ways to extract higher margins from their vendors as the retail market became more concentrated... [I]t became increasingly difficult to make money in Canada and so he took advantage of the high protective tariffs imposed by the US on both wool fabrics and tailored clothing to take the US wool market by storm."[42] Since Canada charges a lower tariff on the European wool fabric used in suits than does the United States, Peerless Clothing can manufacture suits in Canada and sell them on the US market, tariff-free, at lower prices than American or European suppliers. Peerless currently exports 90 percent of its products to the United States, and is considered one of the largest men's wool suit manufacturers in North America.

Regional Differences and Strategies

In *Policy Options…*, we discussed developments in the apparel industry in Ontario. IDRC support provided us an opportunity to research trends in the apparel industries of two other key provinces, Quebec and British Colombia.[43]

Figure 1.4



Source: Yasmin Sheikh**,** *Has the Clothing Industry Adapted to the Changing Economic Environment?* (Ottawa: Statistics Canada, December 1999).

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[42] Brian Dunn, "Canadian Exports of Men's Apparel Growing," above note 35.

[43] Sixty-two percent of the countries apparel establishments are in Quebec, with Ontario and British Colombia ranking second and third overall. Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?,* above note 32.

In **British Colombia**, growth in the apparel industry has been driven by niche production in areas such as outerwear, cyclewear and snowboardwear. Private label manufacturing has also become increasingly important.

BC's apparel exports have increased by 210 percent since 1990. The province is now exporting $300 million worth of apparel, 95 percent of which goes to the United States.[44] Manufacturers attribute the rapid growth in exports to the effects of trade liberalization.

Despite the current export boom, however, 1,000 jobs have been lost in the garment industry since 1989. Several prominent manufacturers were forced to restructure, or close down. Homework is now a prominent feature of the BC garment industry. UNITE, the Canadian garment workers union, estimates that there are over 1,500 homeworkers in and around Vancouver.[45]

BC has a stronger relationship with the Asian garment industry than other regions in Canada. According to Maureen Drew of Apparel BC, "Toronto brings Europe to the table; we bring Asia...."[46] BC manufacturers are increasingly importing their supplies from Asia.[47] As well, it has become more common for BC manufacturers to fill orders from Asian trading companies who contract out apparel production around the Pacific Rim. Apparel BC reports that manufacturers operating in this way are increasing their percentage of the total BC manufacturing base.[48] Future research could usefully explore in more depth the links between the BC apparel industry and Asian garment production.

Quebec's apparel industry has also rebounded from the shocks it received in the early 1990s, which, along with the effects of trade liberalization and recession, also included the relocation by major retailers of their buying offices to Toronto.[49]

As in BC, Quebec companies have increasingly begun to focus on exports, and are positioning themselves in the mid and upper markets. Apparel exports grew from $261 million in 1988 to $1.1 billion in 1997. Quebec apparel manufacturers have also seen large losses in competitiveness in relation to US and international suppliers in Canada (and a corresponding loss of 42.5 per cent of establishments). However, the Quebec government calculates that while suffering losses of competitiveness in the Canadian market, the Quebec apparel industry has made a net competitive gain in the combined Canadian and American markets, as a result of increased exports to the United States.[50]

Industry analysts describe the increasing reliance on subcontracting as a second strategy.[51] It's now estimated that many of the province's 60,000 apparel employees are employed in a vast

[44] Paul Thompson, "West Coast report," *Canadian Apparel Magazine* (May-June 1997).
[45] Sarah Cox, "Free Trade Off," *The Georgia Straight* (Feb. 24-Mar. 2, 2000).
[46] Paul Thompson, "West Coast report," above note 44.
[47] Ibid.
[48] Ibid.
[49] Brian Dunn, "Canadian Exports of Men's Apparel Growing," above note 35.
[50] Jule Dufort and Bertrand Nadeau, *The Quebec Apparel Industry Since the Introduction of the Free Trade Agreement* (Québec: Direction des Communications, Québec Industrie et Commerce, July 1999).
[51] Francois Shalom, "The Emperor Still Has Clothes," *Canadian Apparel Magazine* (September-October 1997).

contracting sub-industry.[52] In Quebec subcontracting often occurs in rural areas, and is more prevalent among women's wear manufacturers.

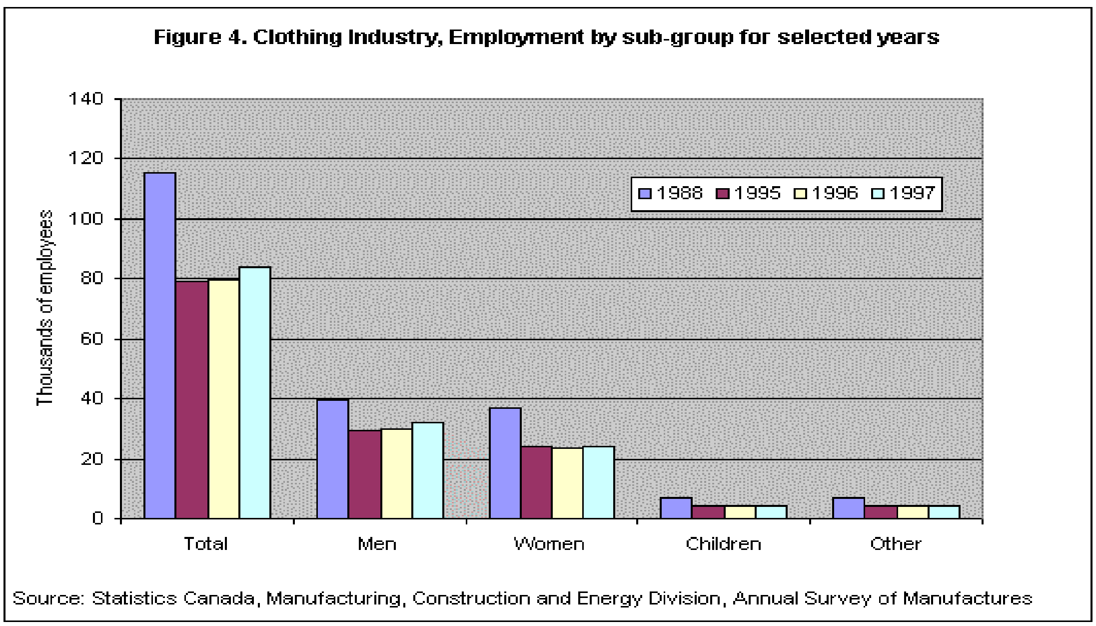
Impact of "Free Trade" Restructuring

In *Policy Options…*, we described the enormous impact industry restructuring has had on garment workers in the last decade. Garment workers have experienced substantial job loss, with a disproportionate loss of unionized jobs.[53]

After a large drop in the early 1990s, the number of establishments in the apparel industry remains relatively constant. Despite this stability, the current number of establishments is still 40 percent lower than it was before the early 1990s.

In 1996, employment in the apparel industry began to rise for the first time in eight years. Analysts attribute the small growth to the export boom.

Figure 1.5



Source: Yasmin Sheikh**,** *Has the Clothing Industry Adapted to the Changing Economic Environment?* (Ottawa: Statistics Canada, December 1999).

These statistics have led industry analysts to claim a successful recovery in the garment industry after the dramatic changes reported in *Policy Options…*. Yasmin Sheikh's 1999 Statistics Canada report states that "although some adjustments were required, the clothing industry appears to have adapted well to the changing economic environment of the past decade."[54] This echoes a 1998 Statistics Canada report which concluded that "the clothiers who make up the more

[52] Ibid.

[53] Lynda Yanz, Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally,* above note 1 at 13.

[54] Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?,* above note 32.

efficient and streamlined industry are now experiencing stability in an intensely competitive marketplace."[55]

What Does It Mean for the Workers?

Statistics Canada glowing assessment of the Canadian apparel industry unfortunately does not take into account the impact of free trade and restructuring on wages and working conditions of garment workers in Canada. The question not addressed in industry or government reports is -- what do the changes to a more "efficient" and "streamlined" industry mean for workers.

It seems clear that increased industry stability has not led to improved benefits for workers. Wages, which dropped significantly in the early 1990s, have remained constant over the last four years. Productivity rates, on the other hand, have increased four-fold in that period.[56]

There is no indication that the pyramid subcontracting production model we describe in *Policy Options…*[57] has been altered by any of these developments. Statistics Canada figures continue to illustrate a fragmented industry, where of the 1,665 registered establishments in 1997, 74.5 percent employed fewer than 50 people.[58]

Many garment workers, as well as the factories and workshops where they work, continue to be unregistered. A recent research report by sociologist Roxanna Ng confirms that labour rights violations continue to be the norm among home-based garment workers in Toronto.[59]

Homeworkers interviewed in Ng's study reported infringements of the Ontario Employment Standards Act such as wages below the legal minimum, and the failure to provide overtime, statutory holidays and vacation pay. Homeworkers also reported health problems, isolation and pressure from trying to balance work and family demands in the home.[60]

In June 2000, a class action suit was launched by UNITE against five retailers and manufacturers, whose products are sewn by Toronto homeworkers.[61] Interestingly, two of the retailers are American, and some of the garments sewn are apparently being exported to the United States.

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[55] Russell Kowaluk, *Stability Prevails in the Canadian Clothing Industry,* above note 33.
[56] Sarah Cox, "Free Trade Off," above note 45.
[57] Lynda Yanz, Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally,* above note 1 at 13.
[58] Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?,* above note 32. Preliminary research done by UNITE in 2000, however, is illustrating that the size of apparel firms in Canada is increasing, according to official statistics. UNITE is still in the process of confirming this research, and assessing whether these figures are a reflection of more underground, undocumented small-scale production, or in fact a trend towards larger establishments.
[59] Roxanna Ng, *Homeworking: Home Office or Home Sweatshop? Report on Current Conditions of Homeworkers in Toronto's Garment Industry* (Toronto: OISE, 1999) p.14.
[60] Ibid. at 6-14.
[61] Interview with Jonathan Eaton, UNITE, June 2000.

Our research illustrates that amid the fragmented market, some large manufacturers do continue to exist. However it is important to note that only 4.6 percent of registered establishments employ over 200 workers.[62] The number of unionized plants continues to decline.

In *Policy Options...*, we reported that union membership in the garment, textile, and knitting industries had dropped to 38,000 in 1992, from 81,000 in 1980.[63] UNITE estimates that there are currently only 20,000 unionized workers in the Canadian garment, textile, and knitting industries.[64] Workers face major obstacles when attempting to organize unions at large plants. A recent organizing attempt at a Montreal Gildan Activewear factory is illustrative of the problems. When in February 2000, workers at Gildan's Clark St. plant attempted to organize, Gildan management threatened to close the plant and move operations to Central America.[65] Clearly, Canada's large manufacturers are increasingly becoming global manufacturers, and gaining the flexibility and mobility that comes along with this status.

Technology can also be a mixed blessing for workers. The shift towards increased technology usage in plants, can lead to the accumulation of new skills, if training is provided. However, it may also lead to barriers for unskilled workers. UNITE's Winnipeg office reports increased stress and pressure on workers at Nygard's high-tech facilities.[66]

CONCLUSION

It is not clear how long the current "stabilization" of Canada's garment industry will last. It is certain that exports to the United States are driving much of the current growth in the industry. However, some industry analysts are warning Canadian manufacturers not to rely overly on this market. They predict that if the US economy enters a downturn, or if the Canadian dollar improves, there could be a major shake-up in the current export levels to the United States.[67]

As mentioned earlier, analysts are unclear how the final phase-out of the MFA in 2005 will affect the Canadian garment industry, as Third World suppliers gain access to Canadian and US markets. It is possible that the final phasing out of quotas under the ATC could have as significant impacts on the Canadian garment industry as did the FTA and NAFTA.[68]

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[62] Yasmin Sheikh, *Has the Clothing Industry Adapted to the Changing Economic Environment?,* above note 32.

[63] Lynda Yanz, Bob Jeffcott, Deena Ladd and Joan Atlin, *Policy Options to Improve Standards for Garment Workers in Canada and Internationally,* above note 1 at 13.

[64] Sarah Cox, "Free Trade Off," above note 45.

[65] La Presse, February 18, 2000.

[66] Interview with Joy Santos, UNITE Winnipeg, June 2000.

[67] "Canadian Clothing Companies Must Explore Other Export Markets," above note 19.

[68] A US trade report writes "...[T]he phase-out of import quotas on apparel may expose Canadian apparel producers to greater competition from low-wage suppliers formerly restrained under the Multi-Fibre Agreement... Competitive pressures will continue to intensify in Canada, as products from low-wage sources gain market share." Madellon C. Lopes, *Canada: Men's/Boy's Apparel,* above note 7.

Another analyst questions the level of success Canadian exports to the US will have once US import restraints are lifted under the ATC. Brian Dunn, "Canadian Exports of Men's Apparel Growing," above note 35.

However, a report on the Quebec apparel industry reflects the degree of uncertainty that continues to exist around the effects of the MFA phase-out. The report states: "It is difficult to anticipate all the consequences of the revocation of the MFA because of several unknown factors." Jule Dufort and

It is essential that future analysis consider how these potential changes will affect the wages and working conditions of Canadian garment workers. If the restructuring of the last decade, precipitated in large part by trade agreements such as the FTA and NAFTA, is any example, workers will face the loss of full-time permanent jobs and an increase in part-time, precarious employment, and labour rights violations.

Bertrand Nadeau, *The Quebec Apparel Industry Since the Introduction of the Free Trade Agreement*, above note 50.