

Fashion Economics: FM 4339
Quiz #6: The US Textile Industry
Chapters 6 & 7
Dr. Adomaitis
Guadalupe Soriano

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press.

Please answer to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count.

- a. In relation to the textile industry, where was the apparel industry located? When was the formation of the Apparel industry? What were considered “inside shops” versus “outside shops”? (2 pts)

The majority of apparel manufacturers in the United States during the twentieth century came from southern Italy and Eastern Europe. Jewish and Italian migrants established small factories and gradually became owners of these businesses, (Rosen 2002, Pg. 96, Par 2). The apparel industry was primarily located in New York City, where skilled workers developed advanced techniques in tailoring, sewing, and production. As a result, they were able to expand into industrial work, which led to the formation of labor unions such as the International Ladies' Garment Workers' Union (ILGWU)

Although the textile industry did develop in the early nineteenth century in New England. The formation of the apparel industry began in the late nineteenth century and early twentieth century, (Rosen 2002, Pg. 96. Par. 1). During this time, there were advancements in technology and transportation that allowed mass production and distribution of clothing. The Industrial Revolution developed the use of machines in textile production, allowing manufacturers to produce clothing on a larger mass. The rise of ready-to-wear clothing also contributed to the growth of the industry, as it made apparel more accessible.

When it comes to the garment industry, there are two main types of jobs involved in the production process - inside shops and outside shops. Inside shops are typically held by producers who are responsible for designing, manufacturing, and selling garments, (Rosen, 2002. Pg. 97. Par 1). They may work for a particular company or brand, or they may run their own business, which in most cases is family-owned. These individuals are involved in every aspect of the garment production process, from creating the initial design to overseeing the final product.

Outside shops, on the other hand, are run by contractors who specialize in garment production. These contractors may handle the cutting and assembly of garments, or they may focus solely on assembly work, (Rosen, 2002. Pg. 97. Par 1). Unlike insider jobs, outside shops are required to produce a variety of garments that are planned and designed by different manufacturers. This means that they must be able to adapt to a wide range of styles, materials, and production methods, it is all under a guideline that must be followed.

- b. Define *runaway* shop. How did *runaway shops* affect the apparel industry? How did the International Ladies' Garment Workers' Union (ILGWU) make union contract shops honor their contractual obligations? (2pts)

The formation of unions brought an end to competition that was causing companies to collapse, and employees to lose their jobs. Unionized workers enjoyed improved working conditions, job security, and higher wages, (Rosen 2002, Pg. 97, Par. 4). Runaway shops refer to manufacturing companies that relocate their operations to avoid unions. These manufacturers move to areas where there are lower wages and fewer or no unions, (Rosen 2002, Pg. 98, Par. 3). The motives behind runaway shops were produced to reduce labor costs by moving to non-unionized areas. Others were looking for tax incentives or access to new markets. Runaway shops were particularly in the southern states where labor laws were less strict, and the cost of living was lower. This led to a significant shift in the manufacturing industry's geography, with many factories moving from the north to the south.

The International Ladies' Garment Workers' Union (ILGWU) faced a significant challenge when a large group of workers went on strike. The workers demanded a 15 percent wage increase, which was impossible to achieve due to the low wages already implemented in Pennsylvania and the low cost of garments produced for the market, (Rosen 2002, Pg. 99. Par.2) . The strike resulted in low growth of demand, which was not up to the standard in garment making. Eventually, after negotiations, the union was able to secure an 8 percent increase in wages which was able to meet the cost of living at that time. This settlement was crucial in restoring stability to the ILGWU. Despite the successful settlement, the labor force towards the union began to decrease as labor contracts were unable to compete with runaway shops. These shops were able to offer better pay and working conditions, which was a major attraction to the labor force.

The International Ladies' Garment Workers' Union (ILGWU) made extensive efforts to enforce their union agreement in various shops, including a New York-based manufacturer that decided to relocate to a smaller southern community. The manufacturer had agreed to honor its contractual obligations with the ILGWU, but the move to the southern community proved challenging, (Rosen 2002. Pg. 101. Par 2)The owner of the

firm initially attempted to fulfill the contract by paying the agreed-upon wages to new workers but faced significant opposition from local authorities and business owners, who were against the idea of a unionized workforce. The ILGWU has been putting in efforts to improve the relationship between the manufacturers and the union. To achieve this, they have decided to take their appeal to the National Labor Relations Board (NLRB).

- c. What was the result when U.S. importers, retailers, and manufacturers decided to contract work to East Asian producers? Why did U.S. importers, retailers, and manufacturers decide to contract work to the East rather than to U.S. textile mills if foreign competition was already problematic? (2pts)

In the 1950s, during the Eisenhower administration, a new foreign policy was implemented in East Asia that aimed to reduce textile tariffs. This policy was intended to encourage the import of textiles in places such as Japan. The new policy worked by reducing the duties on these textile imports, which included a small volume of low-wage apparel items assembled by Japanese workers in shops that contracted with American producers, (Rosen 2002, Pg 103. Par 2). This allowed producers to go to Japan and contract with manufacturers to produce garments and export them to the United States. American producers then took advantage of the lower production costs in Japan and offered lower-priced apparel items to consumers. For instance, a blouse that was made in Japan and later sold in the United States cost only one dollar, while a blouse that was made in the United States and sold in the United States would cost three to four dollars. Because the cost of production and manufacturing was a lot more affordable in east asian countries the U.S imported continued to contract work with them although the foreign competition was at a peak.

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press. (cont.)

- d. Define MFA? What was the purpose of the MFA? How did the NIC (Newly Industrializing Countries) of Hong Kong, Taiwan & South Korea keep abreast of the changes in foreign policy and manage an increase in imports? (2pts)

The Multifibre Arrangement (MFA) was a significant global trade agreement that was in effect for two decades, from 1974 to 1994. It was designed to regulate and control the international trade of textiles and apparel,(Rosen 2002. Pg 110. Par. 3). The MFA introduced a quota system for textiles and apparel, which was intended to protect producers in the industry from low-cost imports. The agreement allowed for special trade

regimes for textiles and apparel, which allowed producers to manage trade and safeguard their businesses against the impact of foreign competition.

The Multifibre Arrangement (MFA) primary goal was to achieve the expansion of trade in textile products while reducing barriers, (Rosen 2002. Pg. 110. Par 3). The agreement aimed to promote the economic and social development of countries by securing an increase in their export earnings from textile products, (Rosen 2002. Pg. 111. Par 1). The MFA recognized the importance of the textile and clothing sector in the economies of many developing countries and sought to provide them with a greater share of the global market.

References

Rosen, E.I. (2002). *The Globalization of the U.S. Apparel Industry: Making Sweatshops*. University of California Press