

Competitive Dynamics of Southern California's Clothing Industry: The Widening Global Connection and its Local Ramifications

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Summary. A general outline of the functional and spatial characteristics of the clothing industry in Southern California is sketched out. Two important trends are noted: the increasing design- and knowledge-intensive structure of the industry; and, the marked increase in off-shore sub-contracting by local manufacturers that has occurred in recent years. The predicaments and promises of this situation are explored. Will the industry simply continue to lose its employment base in the region? Will it succeed in making the transition to the status of a major world centre of fashion? It is argued that the southern California clothing industry is potentially capable of rising to the latter challenge, although it remains strongly overshadowed by the New York industry in terms of both fashion significance and commercial reach, and it also retains strong elements of its traditional underbelly of sweatshops. It is further argued that considerable effort needs to be invested in building social infrastructures to reinforce current positive trends in the industry. Given the right kinds of private and public response, it is submitted that Southern California is capable of becoming an international fashion centre on a par with New York, Paris, London or Milan.

Introduction

The clothing industry is one of those increasingly familiar but puzzling sectors of production in the modern world whose outputs play upon a cultural register of aesthetics and semiotics, while producers are at the same time subject to the discipline of profitability criteria and price signals in the context of market competition (Bourdieu and Delsaut, 1975; Caves, 2000; Scott, 2000). It is also an industry whose geographical configuration is recurrently resolved in the form of dense agglomerations of firms (often in core areas

of major world cities), even as the industry becomes more and more subject to the play of locational and competitive cross-currents rooted in processes of globalisation.

In few instances at the present time are these intertwined conditions more evident than in the clothing industry of Southern California. On the one hand, the industry has started of late years to lose large numbers of manual production jobs to low-wage countries and this loss threatens to turn into a rout. On the other hand, the industry is also

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poised at the brink of a decisive shift into much more design- and knowledge-intensive forms of production compared to the recent past, although this prospect remains problematical and there are many reasons to suppose that it might finally be realised only in an abbreviated form. Major changes in production technologies in the clothing sector during the 1990s have added to the complexities of this peculiar historical conjuncture.

The clothing industry of Southern California has been subject to much scrutiny over the past two decades by scholars such as Appelbaum and Christerson (1997), Bonacich (1998), Bonacich and Appelbaum (2000), Hess (1990), Kessler (1999, 2002), Light *et al.*, (1999), Scott (1984) and Soldatenko (1999). For the most part, these authors have concentrated on descriptions of the industry as an agglomeration of low-wage sweatshops with a labour force made up predominantly of female and immigrant (often undocumented) workers. Concomitantly, they have also tended to lay stress on the economic and political dilemmas engendered by this peculiar combination of circumstances. In view of the emphasis that has been placed upon these matters in the existing literature, and important as they may continue to be in both scientific and political terms, I shall largely (but not entirely) skirt around them in the present analysis, and instead I shall seek to highlight other but complementary questions. I shall pick up on an emerging body of research that has begun to explore the impact of globalisation on the clothing industry of southern California (see especially Kessler, 1999, 2002) and attempt to add something to this line of work by means of an in-depth examination of the ways in which both global and local forces play upon the productive and competitive strategies of clothing manufacturers within the region. I shall, too, offer a few remarks about the main policy tasks that seem to be brought to the fore by this situation.

The research results now to be outlined draw on a variety of sources, including published and unpublished government statistics, a questionnaire survey (whose specifications

are given in the Appendix), and twenty-odd interviews with clothing manufacturers located in southern California.

Functional Characteristics and Locational Structure of the Southern Californian Clothing Industry

A Preliminary Overview

For most of the 20th century, New York was by far the most important centre of apparel manufacturing in the US, with Los Angeles trailing behind in distant second place. In the early 1960s, the New York industry was five to six times larger than that of Los Angeles. Since that time, however, the number of jobs and establishments in the New York industry has fallen while the Los Angeles industry has grown, so that by the late 1980s, Los Angeles was starting to pull ahead of New York and, today, it has many more jobs and establishments than the latter (Table 1). The early onset of this decline in New York is due in part to the relatively high land rents and wages of Manhattan locations and, more lately, it has been reinforced by various effects of globalisation, including off-shore sub-contracting. Southern California is thus now the largest clothing manufacturing centre in the US in terms of employment, although New York retains its supremacy as the premier centre in terms of fashion and commercial influence. In fact, the industry in Southern California has now started to show signs of the same syndrome of job loss that appears to have been at work over a much longer period in New York. Employment in the clothing industry of southern California reached its peak in 1997 and, as demonstrated in Figure 1, has declined quite sharply since then (LAEDC, 2000).¹

The data laid out in Table 1 and Figure 1 reveal that Los Angeles County accounts for the lion's share (i.e. about 90 per cent) of clothing industry employment in Southern California, with the other four counties of the region (Orange, Riverside, San Bernardino and Ventura, but especially the first) making up the rest. Southern Californian firms—like

Table 1. Employment trends in SIC 23 (Apparel and other textile products) for Southern California and New York, 1963-97

Year	Los Angeles County ^a		Southern California ^b		New York PMSA	
	Employment	Establishments	Employment	Establishments	Employment	Establishments
1963	49 100	1 873	50 236	1 956	282 300	12 319
1967	50 500	1 760	61 400	1 901	260 400	10 549
1972	61 400	1 954	65 600	2 149	220 000	8 141
1977	78 200	3 073	84 100	3 388	192 100	7 374
1982	78 400	3 042	89 900	3 503	153 500	6 124
1987	95 100	3 363	103 850	3 809	108 200	4 498
1992	94 800	3 562	106 800	4 156	91 600	3 882
1997	96 500 ^c	3 808 ^c	106 300 ^c	4 283 ^c	80 900 ^c	3 646 ^c

^aLos Angeles County is identical to Los Angeles PMSA.

^bSouthern California corresponds to the five-county area of Los Angeles, Orange, Riverside, San Bernardino and Ventura.

^cData for 1997 are defined in terms of NAICS 315 (Apparel manufacturing). Note that NAICS 315 is not strictly comparable with SIC 23.

Sources: US Department of Commerce, Bureau of the Census, *Census of Manufactures and Economic Census*.

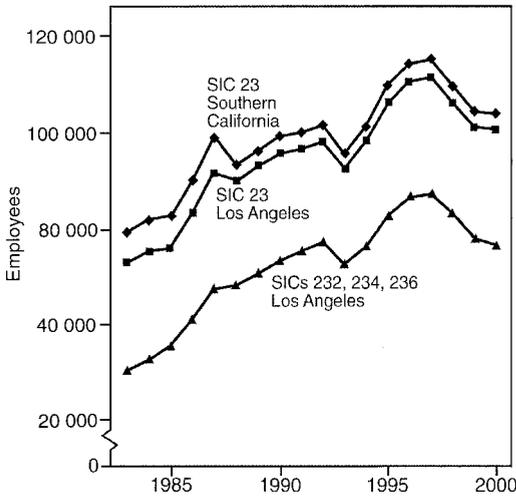


Figure 1. Clothing industry employment in Southern California, 1983–2000. *Definition of standard industrial categories:* SIC 23—Apparel and other textile products; SIC 233—Women's and Misses' Outerwear; SIC 234—Women's and children's undergarments; SIC 236—Girls' and children's outerwear. *Source:* California Employment Development Department (available at: <http://www.calmis.cahwnet.gov>).

those of New York—specialise primarily in women's and girls' clothing. Over three-quarters of all employment in SIC 23 (Apparel and other textile products) in southern California in the year 2000 was accounted for by SIC 233 (Women's and misses' outerwear), SIC 234 (Women's and children's undergarments), and SIC 236 (Girls' and children's outerwear). In spite of the parallels between the Southern Californian and the New York clothing industries in this respect, the former can be differentiated from the latter by reason of its much greater concentration on casual, outdoor, sports-oriented fashions and the appeal of its products to a rather more youthful, playful clientèle (Pitman, 1995).

A major proportion—probably the majority—of the labour force in the southern Californian clothing industry consists of low-wage immigrants, mainly of Asian and Hispanic origin, some of whom eventually become small entrepreneurs in their own right (see Light *et al.*, 1999; Light and Ojeda,

2002; Waldinger, 1986). The labour force is also highly feminised, especially in regard to sewing operations. Kessler (2001) has recently pointed out that the number of sewing jobs in the region is now declining rapidly as manufacturers expand the amount of sub-contract work they send to off-shore producers; between 1995 and 1997 alone, the region lost 13 000 sewing jobs. Up to 1997, this decline was more than offset by correspondingly greater increases in employment in relatively skilled activities such as quality control, import-export management and production management, although this level of compensatory job creation is no longer being maintained. In any case, the net effect of these changes has been to alter the profile of the clothing industry in southern California in that some parts of it at least appear currently to be taking a more high-road developmental trajectory as marked by a greater emphasis on design- and knowledge-intensive production compared to the recent past.

Organisational Structures

Wherever the clothing industry is found in large city-regions, it is typically characterised by a swarming together of many small and medium-sized producers, and Southern California is no exception to this generalisation (Scott, 1984). Large manufacturers are certainly present in the region but, as Table 2 informs us, over 50 per cent of all establishments in Southern California can be accounted for by units with just 1–9 employees.

The large number of small establishments in the region is symptomatic of a production system whose individual units encounter diminishing returns at rather low levels of output, but that generates strong external economies of scale and scope as a whole, so that it is marked by deep horizontal and vertical disintegration of functions. This sort of disintegration is typical of industries, like apparel manufacturing, that face extremely unstable markets and high levels of competition (Scott, 1988, 2000). Consequently, the

Table 2. Frequency distribution of establishments by employment category, Southern California, NAICS 315 (Apparel manufacturing), 1999

Employment category	Number of establishments		Percentage of establishments	
	Los Angeles County	Rest of Southern California ^a	Los Angeles County	Rest of Southern California ^a
1-9	1 985	281	51.2	56.9
10-19	723	90	18.6	18.2
20-49	752	73	19.4	14.8
50-99	237	31	6.1	6.3
100-249	138	13	3.6	2.6
250-499	33	3	0.9	0.6
500-999	8	2	0.2	0.4
1000 +	1	1	0.0	0.2
Total	3 877	494	100.0	100.0

^aThe rest of Southern California comprises the counties of Orange, Riverside, San Bernardino and Ventura.

Source: US Department of Commerce, Bureau of the Census, *County Business Patterns*.

industry tends to function as a dense network of producers organised on the basis of shifting interestablishment sub-contracting and service relationships. Some of these relationships are represented by competitive arm's length dealings; others involve more collaborative interactions, often of some durability, and with a degree of confidence by each party in the other's reliability (see Djelic and Ainamo, 1999; Uzzi, 1996). As a reflection of this network structure, individual establishments in the clothing industry are typically arrayed along a range of different stages in the division of labour. The foremost elements of this arrangement are represented by manufacturers (who engage in design, research and marketing activities, but who actually tend increasingly to do little in-house cutting or sewing work apart from making up samples) and contractors (who take on cutting, sewing and other operations on a fee-for-work basis). Around this core relation, there revolves a mesh of other firms offering a multiplicity of specialised sub-contract services such as pattern making, button-hole making, pleating, silk-screening and dyeing.

In Los Angeles County, according to the 1997 *Economic Census*, a total of 1133 manufacturers and 2354 contractors were

classified under NAICS 3152 (Cut and sew manufacturing), giving a ratio of the latter to the former of 2.08. Questionnaire data on the activities of clothing manufacturers in Southern California (see Appendix) throw some light on the relations between these two types of firm. On average, questionnaire respondents claimed to sub-contract out 64.8 per cent of all their cutting work and 82.1 per cent of all their sewing (a less skilled activity). As we shall see, some of this sub-contract activity is passed on to local firms and some to off-shore firms. These figures may be compared with the findings of an earlier survey of Los Angeles women's dress manufacturers, carried out in the early 1980s, which showed that manufacturers put out 47.8 per cent of cutting and 88.6 per cent of sewing (Scott, 1984). The earlier survey contained only a small number of firms and is probably rather unreliable. That said, the comparison is more or less consistent with information collected in interviews in which manufacturers repeatedly suggested that, whereas large-scale farming out of sewing work has long been the practice in Southern California, only recently have cutting contractors in the region attained to a level of capability where they can be widely entrusted with sub-contract work.

In addition to the cutting and sewing work that they put out, manufacturers sub-contract out so-called 'full-package' work (again to both domestic and foreign firms), an activity that was virtually unheard of in the early 1980s. Full-package work in the clothing industry consists of extended but undivided production sequences, from acquisition of the fabric to final trimming of the finished garments, leaving the manufacturer free to concentrate on front-end and back-end tasks—above all, design and marketing (Gereffi, 1999). Questionnaire respondents indicated that on average 49.6 per cent of all their work entails full-package sub-contracting. Note in passing that there was evidently some confusion among respondents in answering different survey questions about their cutting and sewing versus full-package sub-contracting activities. Despite this difficulty, their responses, overall, appear to be reasonable in the sense that the average sample statistics on cutting, sewing and full-package work as presented above are generally in line with more informal findings gathered in face-to-face interviews with manufacturers.

These extensive contracting-out operations on the part of southern Californian clothing manufacturers can no doubt largely be explained in terms of cost factors in combination with a number of labour control and employment issues (see below). But what, we may ask, accounts for the extremely wide variation that is in practice to be found among questionnaire respondents in their degree of vertical integration/disintegration? Let us for the moment ignore any possible differences between sub-contracting to domestic firms and sub-contracting to foreign firms. Two general hypotheses regarding the

extent of sub-contracting operations in any given sector are that we would expect to observe, *ceteris paribus*, that any individual firm's degree of vertical disintegration or externalisation is positively related to its scale of production and negatively related to the quality of its outputs (see Adler and Brietenacher, 1997; Appelbaum and Christerson, 1997; Scott, 1984, 1988). The first of these sub-hypotheses is derived from the notion that, at relatively small levels of output, firms are unable to supply sub-contractors with enough work to make the cost worthwhile (i.e. they are unable to command discounts on either external processing or transactions costs); the second is deduced from the presumed need for firms that strive for high-quality products to maintain tight supervision over labour processes (Scott and Angel, 1988).

Table 3 sets out questionnaire data permitting a preliminary check of the first of these propositions. For the purposes of constructing this table, firms that responded to the questionnaire were divided into those with annual sales less than \$3.5 million and those with sales equal to or greater than this figure, where \$3.5 million represents the annual sales of the median respondent. The cutting, sewing and full-package putting-out activities of respondents were then cross-classified according to these two annual sales categories. The results, shown in Table 3, inform us that the propensity to externalise cutting and sewing is indeed positively correlated with size, although a *t*-test reveals that the relationship is not statistically significant. In the case of full-package work, the observed relationship is the opposite of that which is hypothesised; in this instance, moreover, the difference between the measured values is

Table 3. Sub-contract rates of cutting, sewing and full-package manufacturing for questionnaire respondents (percentages)

Type of work	Annual sales < \$3 500 000	Annual sales ≥ \$3 500 000
Cutting	62.0	65.2
Sewing	79.0	85.1
Full-package	52.3	38.7

almost significant at the 0.05 level. The reasons behind the latter finding remain to be more definitively established. Many manufacturers who were interviewed for the purposes of the present project asserted that full-package sub-contracting is still for the most part in a developmental stage and that firms engaging in the practice (especially with overseas partners) face high levels of risk. It may be, then, that large firms are at this point in time less willing than smaller firms to take a gamble on full-package sub-contracting because they are relatively less flexible in their ability to experiment with different sub-contractors and have considerably more to lose.

The second proposition laid out above can be briefly dealt with by stating that no statistically significant relationship between quality (defined as the manufacturer's price point) and sub-contracting activity of any sort can be found in the questionnaire data. This result is unexpected given the strong negative relationship between these two variables reported in Scott (1984), but it may well be a reflection of the ever-rising competitive pressures to which even high-price clothing manufacturers in southern California are subject nowadays, and their concomitant search for cost-cutting strategies.

The Geographical Distribution of Manufacturers

Figures 2 and 3 map out the locations of clothing manufacturers in southern California. A brief scrutiny of the two figures reveals a dominant pattern comprising a dense central agglomeration complemented by a progressively more dispersed arrangement of firms as we move towards the outer reaches of the greater Los Angeles area, with a notable extension of the whole system reaching southwards into Orange County. Even towards the outer limits of the region, however, minor clusters can be detected at selected locations. The main agglomeration, shown in detail in Figure 3, lies just to the south of downtown Los Angeles and is anchored at Ninth and Main Streets by the California

Mart (a major complex of some 1200 show-rooms serving the commercial, wholesale and distribution needs of the industry). This area represents the functional and spatial pivot of the industry and is the source of a multifaceted stream of positive externalities or agglomeration economies, ranging from the services offered by the many specialised sub-contract shops that lie within a stone's throw, to the dense local labour market of garment workers that has developed in the vicinity.

These remarks are consistent with prevailing theories of economic geography, which suggest that we should expect to find strong proclivities to locational agglomeration in industries precisely like clothing that are characterised by deeply disintegrated production systems and dense local labour markets, as well as by an overarching 'atmosphere' of social and cultural assets. Such industries have a strong inducement to converge around their own geographical centre of gravity (Scott, 1988). In this manner, they are able to maximise consumption of the economic benefits generated by their joint presence, thus boosting both their productivity and their ability to contest markets. It is in this sense that we can talk about the competitive advantages of *places*, in contradistinction to the competitive advantages of *firms*.

Widening Global Connections

Basic Trends and Forces

In 1997, the value of all US shipments made by firms classified under SIC 23 (Apparel and other textile products) was \$81 194 million. Total imports of clothing into the US in the same year were valued at \$50 204 million (i.e. 61.8 per cent of domestic shipments) and total exports were \$8989 million (i.e. just over 10 per cent of domestic shipments).² The striking imbalance between imports and exports as revealed in these figures is testimony to the fierce competition to which US firms are subject, not only from each other but also from foreign producers. With the phase-out of the Multifiber Agreement after

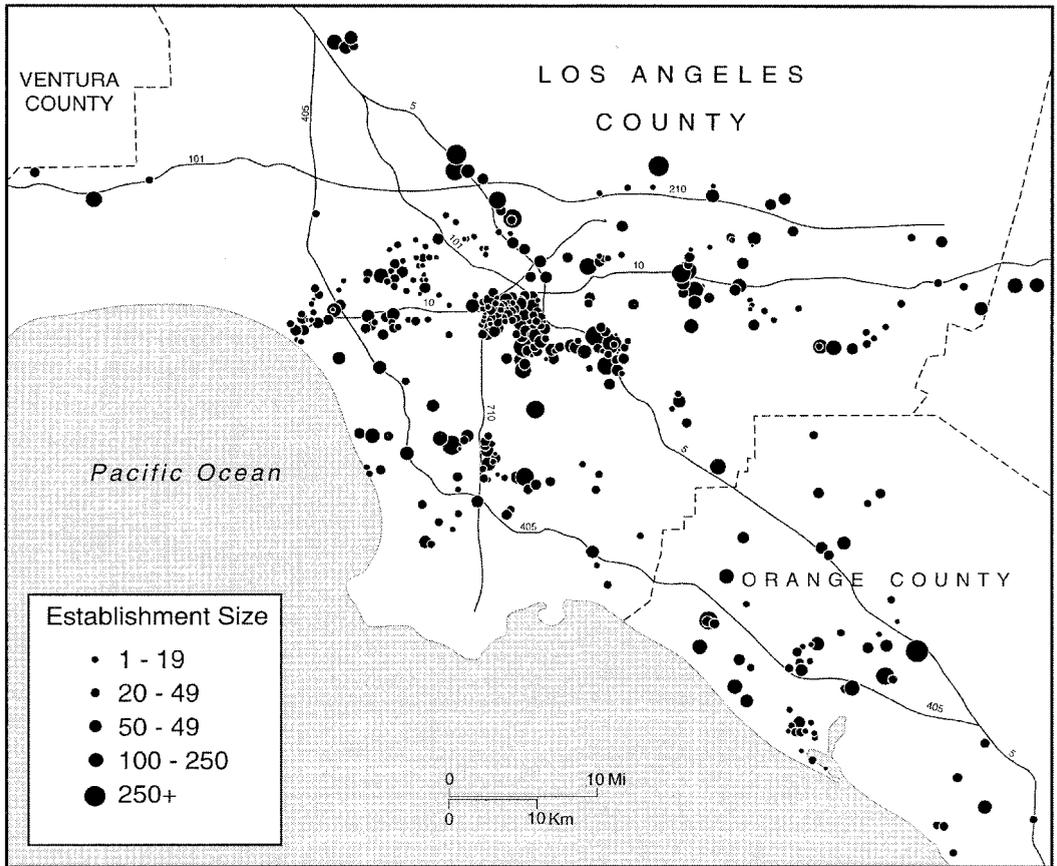


Figure 2. The location of clothing manufacturing establishments in Southern California. *Note:* establishment size is defined in terms of employment. *Source of address data:* *National Register of Apparel Manufacturers* (California edn, 2000).

1995—an event that will eliminate quotas on clothing imports into the US—this competition will predictably grow more intense (Winterton and Taplin, 1997).

The pressures of foreign competition are felt at every level of production in the US clothing industry, but they are felt most sharply among producers of lower-priced garments, for much of the imported merchandise consists of cheap clothing from low-wage countries. In California, the effects of this competition weigh all the more heavily because of recent legislation increasing minimum wage levels, combined with the effects of various labour laws as enforced by both federal and state agencies, such as the US Department of Labor, the California Division of Labor Standards Enforcement, the Califor-

nia Division of Occupational Safety and Health and the California Employment Development Department (Kessler, 2002). The competitive climate is made yet more tense as a result of the organisational and technological changes that have swept across the industry in the 1980s and 1990s, most notably the development of quick-response systems that have greatly accelerated the circulation of products through supply chains (Bonacich and Waller, 1994; Scott and Rigby, 1996; Essletzbichler and Rigby, 2001; Taplin, 1994). It is pushed to a point of even greater concentration by the expanding market power of large retailers who are able to extract very favourable conditions from the manufacturers with whom they do business (Bonacich and Appelbaum, 2000).

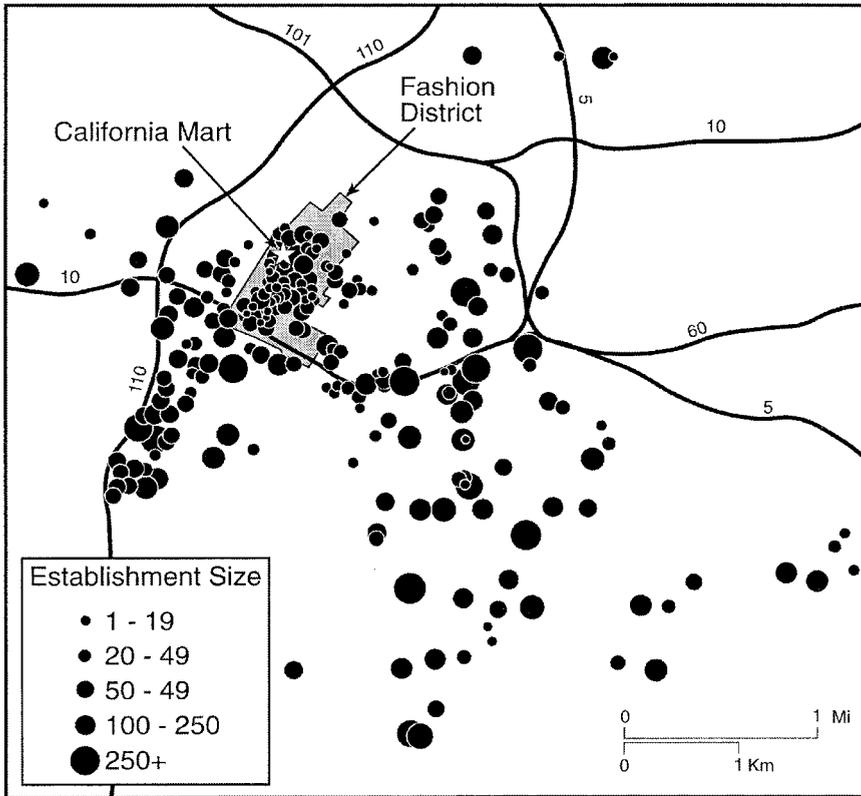


Figure 3. The location of clothing manufacturing establishments in central Los Angeles. *Note:* establishment size is defined in terms of employment. The Fashion District and the California Mart are shown. *Source of address data:* *National Register of Apparel Manufacturers* (California edn, 2000).

These diverse stresses and strains have led to complex restructuring responses within the clothing industry, represented particularly by the increasing shift of low-wage production activities to cheap off-shore locations. This shift is actually subsumable within a growing world-wide trend that was already observable in several countries in the late 1970s and that was analysed at that time in terms of a so-called new international division of labour (Fröbel *et al.* (1980); Scheffer, 1992). Notwithstanding its early appearance in other places and in other industries, this trend only started to have a really palpable impact on the clothing industry of Southern California after the late 1980s. At the present time, an increasingly large proportion of the total imports of clothing into Southern California, and into the US in general, consists of items

produced under various kinds of sub-contracting arrangements with cheap off-shore producers in Asia and Latin America. These arrangements cover work ranging from sewing to full-package operations.

Sewing work sub-contracted out to foreign firms by Southern Californian manufacturers is typically executed on cloth cut in the US, with the semi-finished or finished garments then being reimported under preferential trading arrangements. This work is carried out under the provisions of HTSUS (harmonised tariff schedule of the US) 9802.00.80 or the Caribbean Basin Initiative (Gereffi, 2000), which allow US producers to reimport the worked-up materials at very favourable tariff rates. Taplin (1994, 1997) has indicated that, in 1989, 10 per cent of all US clothing imports came in under tariff

regulations 807/807A (the forerunner of HTSUS 9802.00.80) and, by 1993, the rate had grown to 15 per cent under HTSUS 9802.00.80.³ By 1998 according to USITC (1999a, 1999b), HTSUS 9802.00.80 imports of clothing had increased further to 24.2 per cent.

With the entry into force of NAFTA on 1 January 1994, a new and dramatic chapter in the off-shore production-sharing arrangements of Southern Californian clothing manufacturers opened up. Mexico has long been one of the major destinations for sub-contract work originating in the US as a whole, but with the passage of NAFTA, Mexico's competitive position in relation to US manufacturers became still more privileged. The implementation of the NAFTA accords entails gradual removal of all tariff regulations (including TSUS 9802.00.80) on clothing imports from Mexico and, by the year 2004, import restrictions on goods of Mexican origin will be eased entirely. Accordingly, Mexico is now the main destination for work sub-contracted out in general by US clothing manufacturers. *A fortiori*, given the proximity of Mexico to Southern California, the country plays a major role as a destination for sub-contract work originating in the latter area. One rough measure of the significance of Mexico to Southern California in this regard is provided by the observation that, in 1999, 42.5 per cent of all apparel exports from the state of California went to Mexico, (with central Mexico apparently being the main destination).⁴ The lion's share of these exports is almost certainly attributable to Southern California manufacturers.

Just as manufacturers display a rising propensity to send sewing work abroad, so also are they boosting the amount of full-package sub-contracting that they do with off-shore producers. However, the practice is widely considered to be problematical at the present time and many manufacturers asserted in interviews that the risks are considerable. It is a commonly held opinion that full-package sub-contracting to Asia (especially to China) is a quite viable proposition, but that Mexican sub-contractors

have in general failed to achieve the technical and organisational standards necessary for effective execution of this type of work. Even so, full-package sub-contracting is now unquestionably diffusing more widely into Mexico. As this occurs, some of the problems on the Mexican side are being mitigated by joint ventures, sister plants and binational partnerships with US manufacturers, thus allowing the latter a closer oversight of foreign operations (Kessler, 1999).

Further Empirical Evidence

Questionnaire respondents, as noted, sub-contract out large portions of their manual labour requirements to external production partners. Additional data from the questionnaire survey reveal that these requirements are to an increasing degree being met not by local but also by off-shore sub-contractors. Little off-shore sub-contracting of cutting work was detected as this research was being carried out, but sewing and full-package sub-contracting to foreign firms was widely reported. More precisely, 28.7 per cent of all the sewing work that respondents sub-contracted out in the year 2000, and 44.0 per cent of all full-package work, was performed off-shore. An attempt was made to ascertain if size of firm, again, has any effect on these practices. No statistically significant relationship was found between size of firm and respondents' decision to sub-contract sewing work to off-shore rather than to domestic firms; by contrast, the ratio of foreign to domestic sub-contracting of full-package work among questionnaire respondents is clearly and positively related (at the 0.05 significance level) to size of firm. Product quality variations once more had no impact on these outcomes.

The destinations to which questionnaire respondents send their sewing and full-package sub-contracting orders reveal much about the nature of these tasks and the widening geographical frame of reference within which they are inscribed. Table 4 sets out the relevant information, categorised by country. The numbers in the table correspond

Table 4. Off-shore destinations for sewing and full-package work: frequency of mentions by questionnaire respondents

Destination	Mentions (percentage)	
	Sewing (<i>n</i> = 50)	Full-package (<i>n</i> = 92)
Mexico	36.0	14.1
Other Latin American countries	4.0	6.5
China	18.0	21.7
Hong Kong	4.0	7.6
India	4.0	6.5
South Korea	8.0	9.8
Taiwan	2.0	3.3
Other Asian countries	14.0	19.6
Italy	6.0	4.3
Other European countries	2.0	4.3
Rest of the world	2.0	2.2

to the frequency with which respondents mentioned any given foreign country as a destination for one or other of these two types of work. Manufacturers obviously have a clear preference for Mexico as a destination for sewing work. The preferred destination for full-package work, however, is Asia, with China being well in the lead. Additionally, full-package work that respondents claimed to send to Hong Kong is almost certainly passed on by agents to factories in China. The work that is routed through Hong Kong probably goes for the most part to the adjacent province of Guangdong, which is China's largest centre of contract clothing production (Christeron and Lever-Tracy, 1997). As already suggested, China has a high reputation for being able to do full-package work cheaply, promptly and with reliable quality standards. If Mexico's reputation for full-package work remains ambiguous, it is nonetheless now picking up important experience in this domain, as Table 4 indicates. We may note that the destinations chosen for sub-contract work by Southern Californian manufacturers are not always evaluated on a strict cost basis and that entrepreneurs of Asian or Hispanic origin appear to have a strong bias toward sub-contract partners in their home territories (see Appelbaum and

Christeron, 1997). Also, we might infer from the lower absolute frequency of mentions of sewing work put out off-shore in comparison with full-package work (50 versus 92), that the latter is now starting to supplant the former as the preferred modality of off-shore sub-contracting.

In contrast to this proliferation of international sub-contracting activity, Southern Californian garment producers have a rather limited presence on final markets in the international arena. Questionnaire respondents indicated that, in 1995, only 15.8 per cent of their sales on average were made in other countries; they also indicated that 5 years later, in 2000, their degree of involvement with foreign markets was still fixed at just 16.3 per cent of total sales. This foreign sales performance is somewhat better than the US national average quoted earlier (particularly when we take account of the fact that the latter figure includes HTSUS 9802.00.80 exports whereas the former does not), but it is a yardstick of how much more opportunity there is for Southern Californian manufacturers to build export markets.

A small group of respondents, representing about 10 per cent of the sample, indicated that besides any export activities they may have, they are caught up in other kinds of

international operations, especially in the guise of licensing agreements. These are contractual arrangements between firms permitting one party to manufacture under the other party's label; and Southern Californian firms act as either licensees or licensors (or both) in this regard. In addition, 4 of the larger and more fashion-oriented firms that responded to the survey indicated that they own retail outlets in foreign countries. By way of comparison, 21 respondents claimed to own retail outlets in the US.

Two Scenarios

In sum, the clothing industry in Southern California can be said to exhibit a fairly robust state of health at the present time, although a number of questions remain about its overall ability to capitalise on the generally rising trajectory that has characterised certain segments of the industry in the recent past. It is caught, in particular, in a process of restructuring whose eventual outcome remains very uncertain.

In order to dramatise the point, two contrasting—and admittedly extreme—scenarios of the future development of the industry may be adduced in relation to what has gone before. One is that the industry may well be on the verge of all-round decline as outside competitive forces bite more deeply and as it loses further employment to foreign producers. Moreover, such a loss of employment carries with it the threat not only of an erosion of the region's established agglomeration economies, but also of enhanced competitive advantages for production complexes in other countries, thus giving them the developmental boost that they need to contest US markets even more successfully. The other and more optimistic scenario is that the clothing industry in Southern California may continue to build upward economic momentum in terms of market expansion, even if this means lower overall levels of employment compared with the mid 1990s. This second scenario, however, is fraught with many difficulties, for it is contingent on the industry's ability to push more decisively

into all-round high-skill, high-quality pre- and post-production tasks and to become very much more visible as a focus of fashion leadership.

We now need to investigate more closely the line of reasoning opened up by these remarks, first by means of a telling comparison between the developmental pathways followed by the industry in Southern California and New York and, secondly, by means of a detailed inquiry into the opportunities and threats that lie ahead.

Southern California versus New York?

New York has long been the centre *par excellence* of US fashion and its manufacturers have sought in much more forceful ways than those of Southern California to position themselves at the top end of the market and to work out effective strategies of global competition. True enough, employment in the Southern Californian industry surged far ahead of that of New York over the 1990s, but on other criteria the stakes seem to be much less positively tipped in Southern California's favour. An explicit comparison of recent changes in Southern California's clothing industry with those in New York's reveals not only the limits of Southern California's current restructuring but suggests that the region's clothing industry might also in significant ways be standing in the long competitive shadow cast by New York.

A preliminary expression of these claims lies in the observation that while in both centres the ratio of white-collar to blue-collar workers in the clothing industry at large has been rising of late, the ratio for New York has been consistently higher than that for Los Angeles over most of the post-War period and data from the *Economic Census* show that it was almost twice as large in 1997 (see Table 5). Doubtless, much of New York's superior position in this matter can be ascribed to its greater loss of production jobs over a much longer period, but it is at one and the same time a clear index of just how design-intensive the New York industry has

Table 5. Non-production workers in SIC 23 (Apparel and other textile products), Los Angeles and New York, 1967–97

Year	Los Angeles PMSA			New York PMSA		
	Non-production workers	Production workers	Ratio	Non-production workers	Production workers	Ratio
1967	9 000	58 000	15.5	40 800	219 600	18.6
1972	8 900	52 500	17.0	38 000	182 000	20.9
1977	12 900	65 300	19.8	34 500	157 600	21.9
1982	13 900	64 800	21.5	31 700	121 800	26.0
1987	17 600	77 500	22.7	23 600	84 600	27.9
1992	16 700	78 100	21.8	18 900	72 700	26.0
1997	15 200 ^a	81 300 ^a	18.7 ^a	20 900 ^a	60 000 ^a	34.8 ^a

^aData for 1997 are given in terms of NAICS 315 (Apparel manufacturing). Note that NAICS 315 is not strictly comparable with SIC 23.

Source: US Department of Commerce, Bureau of the Census, *Census of Manufactures and Economic Census*.

become. The point is driven home by selected statistics, computed from unpublished PUMS 5 per cent sample data for 1990, which reveal that 2.1 per cent of the apparel workforce of Los Angeles consisted of professional designers, whereas the equivalent figure for New York was 3.9 per cent—a difference of 85.7 per cent.⁵ This trend is bolstered by the circumstance that all the major fashion magazines in the US, such as *Harper's Bazaar*, *Glamour*, *Vogue*, are published in New York (Rantisi, 2001), (although *Glamour* began its life in Los Angeles in the 1930s). Southern California's sole clothing industry publication, the trade-oriented broadsheet *California Apparel News*, offers very meagre fare by comparison. New York, too, is the host city for the most important fashion shows in the US and, above all, it is the main focus of attention for both national and international buyers. The California Mart in Los Angeles has what it calls fashion weeks five times a year, but this effort pales by comparison with New York's semi-annual Fashion Week or the annual awards organised by the New York-based Council of Fashion Designers.

Another expression of the same claims can be found in the supremacy of New York as a marketing and sales centre for the clothing industry relative to southern California. Questionnaire respondents in southern California were asked what percentage of their

total sales occurred through showrooms, buyers and sales representatives in New York. A surprisingly large 38.0 per cent of all sales on average are made in this manner and as many as 43 out of 112 respondents indicated that more than 50.0 per cent of their sales are channelled through New York. From *County Business Patterns* we also glean that, in 1999, New York had 37 910 jobs in NAICS 4223 (Apparel, notions, and piece goods wholesalers), as compared with Los Angeles' much more modest 24 775.

It is not surprising, then, to find that New York's reputation as a centre of fashion has consistently and over the long-run outstripped that of Los Angeles. We may refer to Figure 4 for further support of this claim. Figure 4 traces out, for the period 1984–2000, numbers of citations of the phrases 'Los Angeles fashion(s)' and 'New York fashion(s)' in major world newspapers (including the *Los Angeles Times* and the *New York Times*). Whereas citations for Los Angeles grew from an almost invisible 2 to a niggardly 9 over the designated period, citations for New York increased substantially from 29 to 165. Part of this growth in both cases is certainly more apparent than real, being in part ascribable to continual improvements in the Lexis–Nexis database from which the data are drawn. However, if we abstract away from this effect by expressing Los Angeles' citations as a ratio of

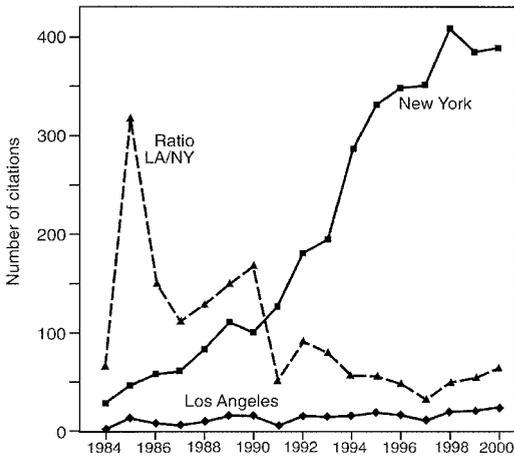


Figure 4. Citations in major newspapers of the phrases 'Los Angeles fashion(s)' and 'New York fashion(s)', 1984–2000. *Source:* Lexis–Nexis database (<http://web.lexis-nexis.com>).

New York's, we find a rather steady, indeed, remarkable, relative improvement in New York's position over time (Figure 4).

Some of this discrepancy in the matter of newspaper citations between Southern California and New York can probably be explained in terms of the latter's role as a centre of *couture* clothing, which is perhaps more newsworthy than the more demotic fashions of Los Angeles. But New York is clearly in the lead in regard to the variety and quality of the designers it can command, just as it maintains a stranglehold on fashion publishing and evinces vastly superior capabilities in the domain of commercialisation by comparison with Southern California.⁶ These remarks provide a measure of southern California's still relatively marginal position in the US fashion world and a sense of how much further it must evolve before it can be counted definitively as a major creative and commercial centre of the clothing industry in its own right.

Opportunities and Threats: High Road or Decline?

The Current Competitive Position of Clothing Manufacturers in Southern California.

Producers of clothing in Southern California

face competitive stress on two general fronts. On the one hand, cheap products from low-wage countries are flooding into the US, undercutting domestic producers at all quality levels, but especially those at the bottom end of the market. On the other hand, Southern Californian garments are significantly outflanked in reputational terms at the top end of the market by high-quality products made in the world's great fashion centres, including New York. The strains of this situation are all the more redoubtable because attempts to compete at the bottom of the market are in the end apt to be self-defeating given the endemically superior advantages of Asian and Latin American countries as far as labour costs are concerned; and competitive muscle at the top cannot be improved without augmented and appreciable private/public commitment to building just the right sort of local skill-base, marketing capacity and reputation effects.

Any significant attempt to aim in the latter direction is likely to be compromised by the constant—and in the short run, almost irresistible—temptation to pursue the low road of wage-gouging, disregard of workers' welfare and the cutthroat routines of interfirm dealing that typically go along with these conditions (see Bonacich and Appelbaum, 2000; Scott and Rigby, 1996; Wolin, 1981). Notwithstanding the extent of runaway production, this situation almost certainly continues to shackle the industry's ability to move into more fashion-oriented manufacturing. Over and against this negative assessment, we may set the observation that Los Angeles has always had a small cadre of highly reputed fashion/costume designers, some of whom have displayed considerable agility in migrating back and forth between the clothing industry and the motion-picture industry (Pitman, 1995; Reilly, 2000). The industry in Southern California has long been noted for the very specific niche that it commands in final clothing markets and it enjoys a unique competitive advantage in its reputation as a source of colourful, relaxed, informal wear (swimsuits being a traditional item) and nowadays, too, as a focus of production for all forms of sports apparel and related fashions.

Equally, a growing number of manufacturers in southern California have of late displayed a remarkable aptitude for fashion-intensive forms of production. Firms like BCBG, Bisou Bisou, Bugle Boy, Guess?, Karen Kane and XOXO have achieved some eminence in the wider fashion world in recent years and these producers, by their very success, provide important local externalities for others.

Regional Assets

Over the past two decades, then, and despite a number of countervailing forces, certain segments of Southern California's clothing industry have moved well beyond the predominantly low-price, low-quality configuration into which it seemed for the most part to be locked in the mid 1980s. This trend is in part an outcome of the efforts of individual manufacturers and in part a response to an expanding web of collective resources helping to boost the industry's competitive prowess.

As already suggested, many of the agglomeration economies from which the industry draws its strength can be identified in terms of the transactional, local labour market and atmospheric effects that often accrue to functionally disintegrated clusters of producers. One specific element of this complex of externalities merits further commentary here—namely, the status of the clothing industry as a cultural-products sector embedded in the wider cultural economy of Los Angeles (Scott, 2000). Among the many different component sectors making up this cultural economy are the entertainment and media industries of Hollywood, with their continual powerful emission to a global audience of images of Los Angeles, both real and mythical. This creates in turn world-wide perceptions of Los Angeles as a distinctive place with a distinctive aesthetic order and social aura whose peculiar substantive character appeals above all to popular tastes and sensibilities. The same qualities can be and are directly translated into fashion statements. More generally, each of the sectors

making up this cultural economy draws positive benefits from the others, in terms of shared icons and mutually reinforcing linkages, as represented by cross-over products and astute merchandising emphasising associations, however tenuous, with the celebrities and fads created by this system. To take just one example, the widely publicised Academy Awards, held every year in Los Angeles, have evolved into a gathering that is almost as much a fashion event as it is a celebration of the motion-picture industry. Even although New York and Paris fashions are usually an integral part of the Academy Awards scene, the creations of Los Angeles designers have been increasingly in evidence in recent years. Los Angeles designers have a significant competitive advantage in their sheer proximity to the individuals who gather at the Academy Awards and they will doubtless continue in coming years to push their interests forward in this regard.

In addition, in 1995, a major institution-building initiative in support of these and other benefits to the clothing industry of the region was launched in the shape of the California Fashion Association (CFA). This initiative represents a joint effort by several different bodies, including the City of Los Angeles, various trade associations and individual manufacturers, to provide critical services to and to lobby on behalf of the industry in Southern California. One of its major goals is to improve levels of creativity and innovation within the industry. The Association merged with the Los Angeles Economic Development Corporation (LAEDC) in the year 2000 and it now functions as a council of the latter organisation. The LAEDC and the CFA are jointly engaged in efforts to promote Los Angeles as a hub of cultural-products industries and, to this end, they have established a subsidiary unit, called *LA By Design*, one of whose objectives is to promote synergies between all of Southern California's cultural-products sectors—including clothing—by means of a specifically regional approach to marketing and business retention. A number of other organisations connected with the clothing

industry provide important local fora of collective decision-making and service provision. These range from the Textile Association of Los Angeles, through the Association of Textile Dyers, Printers and Finishers of Southern California, to the Los Angeles Korean-American Garment Industries Association.

Over the past couple of decades, too, there has been an efflorescence of educational institutions in the region serving the needs of the clothing industry and other cultural-products industries. Notable among these are Brooks College, California Design College, the Fashion Institute of Design and Merchandising, Los Angeles Trade Technological College, the Otis School of Art and Design and Woodbury University. Between them, these institutions offer a full array of vocational programmes relevant to the clothing industry, from cutting and pattern-making on the one hand, to design, production management and merchandising on the other. This network of educational institutions is complemented by the Apparel Technology and Research Center set up in 1992 at the California State Polytechnic University at Pomona. The Center offers training programmes for workers in the clothing industry and provides evaluations of and information on new apparel manufacturing technologies and systems operating procedures.

Finally, recall that the heart of Southern California's clothing industry coincides with the central industrial district that surrounds the California Mart (see Figures 2 and 3) and it is here above all that its main identity and functional core can be said to reside. The district operates not only as a tangible expression of the industry's changing fortunes, but also as a collective commercial asset or public good at large. The central garment-manufacturing district of Los Angeles has always been a hive of economic activity but, until recently, it presented a mostly dispiriting façade of run-down multistorey factory buildings, warehouses and manufacturers' outlets. In the mid 1990s, the Downtown Property Owners Association launched a business improvement initiative that has suc-

ceeded in transforming the core of the area into a specially zoned enclave, now officially designated the Fashion District (Figure 3). Today, the district has become a dense assemblage of showrooms for professional buyers as well as an attractive place to shop and work, with many renovated buildings and colourful street scenes. In particular, Santee Alley just to the south-east of the California Mart has been transformed from the shabby venue for swap meets and cut-price jobbers' operations that it once was, into a carnivalesque environment that has become a unique tourist attraction.

Policy Issues

These regional assets represent a form of socialised wealth replete with externalities and increasing returns effects. This wealth is produced by the actions of many different individuals and organisations, but it is neither owned nor controlled as a whole by any single decision-maker. By the same token, these and many other aspects of the clothing industry of Southern California are intrinsically susceptible to further enhancement by means of collective decision-making and action.

At the outset, there remain considerable opportunities to deepen and widen the competitive advantages described in the previous section. The literature on local economic development is replete with useful hints about ways to go about reinforcing interfirm linkages and collaboration, improving worker training, upgrading technological capacities, enhancing innovative potentials, planning for relevant infrastructure and land-use needs, and so on. These are indeed among the most basic issues that policy-makers must confront in any public effort to upgrade Southern California's clothing industry and some of them are already clearly being addressed. I want to add here a few brief notes on three critical lines of action that seem to have special relevance in the present instance.

First, probably the greatest challenge that the industry in Southern California faces

today is to induce further advances along the developmental high road by means of product quality improvement. This challenge is in significant degree dependent on continued upgrading of technological capabilities, worker skills and interfirm transactional reliability. But it is directly dependent as well on the ability of the region to assert more forcefully its autonomy and creativity as a centre of fashion. Among the evident tasks that need to be accomplished in this regard—and that call for broadly based action, at least in the initial stages—are concerted overall regional marketing and public relations efforts, including such initiatives as the establishment of influential West Coast fashion publications to compete with those from the east, and the organisation of ambitious fashion events capable of attracting significant international attention. The California Fashion Association has actually started to attack this latter issue by putting on a series of fashion shows in alliance with other business associations.

Secondly, and concomitantly, it is of critical importance to press forward in cultivating strong region-wide synergies among all of the creative industries of Southern California. Above all, more effort needs to be invested in building bridges between the region's entertainment/media complex and the clothing industry in the interests of boosting the latter's levels of creativity and visibility.

Thirdly, the region's ability to reach wider markets calls for much further development, particularly as far as the export promotion of local clothing products is concerned. Most of the region's clothing manufacturers are far too small to be able to take on the tasks of large-scale scanning and information retrieval required for this purpose and, as exemplified by other industrial regions, export promotion and allied services can often be provided efficiently and effectively on collective basis (see Bianchi, 1992). Matteaccioli (2000) has shown how systematic attention to the setting-up of commercial networks helped significantly to boost the emergence of *haute couture* in Milan after the mid 1960s. The problem is especially

critical in Southern California in view of the fact that only a small percentage of the region's clothing output currently reaches foreign markets.

These suggestions derive directly from the basic analytical framework underlying this paper—i.e. they address specific and important *lacunae* in the structure of Southern California's agglomeration economies—and they are meant to be functionally complementary to purely private action on the part of individual manufacturers. They therefore all point towards particular ways of reinforcing the competitive advantages of the region's clothing industry and of extending its influence across national and international markets. By the same token, accomplishment of the goals suggested is only likely to be attained in the context of yet more decisive mobilisation of relevant institutional capacities, no matter whether these be represented by local government agencies, civil associations or different sorts of private-public partnerships.

Conclusion

The clothing industry of Southern California is today at a critical turning-point in its historical evolution and much uncertainty hangs over its future. Depending on manufacturers' and policy-makers' actions over the next few years, this future may witness either significant dissipation or decisive consolidation of recent positive achievements.

On the one hand, the industry retains a large underbelly of sweatshop operations marked by low-grade working conditions and low-trust business practices. This state of affairs is at once a symptom of inferior product quality in parts of the industry and a restraint on efforts to move more convincingly into design- and knowledge-intensive production. It is of course the case that there is a rapid and widening flight of low-wage manual jobs to off-shore locations in Asia and Latin America, but this is in a sense only a geographical displacement of the basic problem and not a fundamental resolution of it. A distinct possibility, as well, is that the

flight of low-wage jobs to off-shore locations may eventually stimulate the emergence of internationally competitive industries in these places, further undercutting Southern California's position, and possibly magnifying existing downward pressures on local wages (see Leamer, 1995). On the other hand, there has been a clear turn to more innovative and higher-quality production among a small but influential group of clothing manufacturers and designers, although this trend is far from having crystallised out on a really significant scale, and additional private and public efforts to enhance product quality and to generate a widening circle of reputation effects are certainly going to be essential for it to continue.

The future prospects of Southern California's clothing industry are hence shrouded in a haze of negative and positive potentialities. With good management and clear-sighted formulation of policies by representatives of both the industry and local government, it is possible that the region may succeed in propelling itself upward to the next stage of development and it is entirely conceivable that it could one day emerge as a major world fashion centre. Should this prospect come to realisation, we may expect to see Los Angeles functioning as a credible and distinctive competitor, not only of New York, but also of other notable international centres of the fashion industry such as Paris, London and Milan. In this process, it is possible that the industry's reliance on off-shore sub-contractors would become even more entrenched than it is now, although a residue of skill-intensive sub-contract shops capable of turning out high-quality work on short turnaround times would no doubt need to remain in operation in the region. Any broadly positive outcome of this sort would have to be sustained, at a minimum, by a dense groundwork of training and research institutes, a diversity of local publicity and promotional vehicles (glossy magazines, fashion shows and all the rest), an evolving fashion and design tradition with strong place-specific elements, and many formal and informal interconnections between the

clothing sector and the other cultural-products industries of the region.

As globalisation continues to run its course, this latter scenario becomes not only a possibility for Southern California, but also a policy imperative of the first order. In this paper, I have tried to identify the basic issues and to suggest some courses of action that may help to bring currently encouraging trends in the industry to fuller fruition.

Notes

1. The California Employment Development Department report from which the data underlying Figure 1 are taken continues to express all information about industrial employment in terms of the SIC or Standard Industrial Classification. In 1997, federal statistical reporting on matters of economic production shifted to the NAICS or North American Industrial Classification System. In the present paper, data will be reported in terms of either of these systems depending on the sources at hand. Note that in the case of the clothing industry, SIC statistics are not generally comparable with NAICS statistics.
2. Data taken from the US International Trade Administration website at <http://www.ita.doc.gov>.
3. HTSUS 9802.00.8 replaced the 807/807A regulations in 1989.
4. See note 2.
5. PUMS is a public use micro-sample database released by the US Bureau of the Census as a supplement to published census information.
6. Among the familiar designer names conjured up in this context are Geoffrey Beane, Bill Blass, Tommy Hilfiger, Donna Karan, Calvin Klein, Michael Kors, Ralph Lauren, Oscar de la Renta and Anna Sui.

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Appendix: The Questionnaire Survey

The questionnaire survey that in part underpins the present study was carried out over the spring and early summer of 2001. A total of 1098 questionnaires were sent out over this period to clothing manufacturers (i.e. excluding contractors) in southern California. The addresses of the target-group were culled from *The National Register of Apparel Manufacturers* (California edn) for the year 2000. In total, 107 useable responses were received (after eliminating respondents in trades such as leather clothing, dyeing, screen printing, etc.).

A frequency distribution of sample respondents by establishment size was constructed and was compared (by means of a Kolmogorov–Smirnov test) with an equivalent population of establishments as recorded by *County Business Patterns* for 1999 (the latest date currently available). This equivalent population consists of establishments in NAICS 31522 (Men's and boys' cut and sew apparel manufacturing) plus NAICS 31523 (Women's and girls' cut and sew apparel manufacturing) plus NAICS 31529 (Other cut and sew apparel manufacturing). The test indicates that the sample distribution is not significantly different from that of the population at the 0.05 level of confidence.