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**INDUSTRIAL RESTRUCTURING, INFORMALISATION
AND CASUAL LABOUR IN THE
"EAST END" CLOTHING INDUSTRY**

**Asima Shaikh
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INDUSTRIAL RESTRUCTURING, INFORMALISATION AND CASUAL LABOUR IN THE "EAST END" CLOTHING INDUSTRY

1. INTRODUCTION

It has been suggested that the current global restructuring of economies has been a significant factor in the expansion of economic "informalisation" in both the developed and developing countries. This process has been apparent through the reported increase in the use of subcontracting practices and industrial homeworkers by industries and corporations (Beneria: 1989). Whilst it would be simplistic to explain the expansion of all informal economies entirely to this process, there does seem to be a new pattern of industrial organisation and management that has implications for informal economies.

In developed countries, economic restructuring has resulted in drastic declines in manufacturing employment and output. At the same time, a number of industries are relocating some aspects of production to low cost production sites in a few developing countries. The high unemployment levels caused by manufacturing decline have led to the issue of restructuring taking on urgent proportions in developed countries. A fundamental concern has been the ability of governments to provide full employment opportunities for the majority of their populations. The globalisation of finance and production has led to the questioning of the abilities of governments, in developed and developing countries, to steer their economies along the desired routes. The political and policy implications for economic government has been the shift from a "command and control" approach to the acceptance of the free market, of which privatisation, deregulation and decentralisation are some of the main qualities. Within the new ideological framework the individual skills of the entrepreneur are elevated along with the healthy survival of small business and enterprise. The informal economy, by implication, takes on an important role in providing the desired conditions for economic growth.

The so-called informalisation of certain industrial production processes has been either heralded as the opportunity to regain economic growth via the development of "flexible" organisation and the promotion of the small firm sector, or it has been lamented as a process that has further fragmented and casualised employment with particular implications for the employment status of women and minority ethnic communities. The increasing incidence of industrial homeworking, with its attendant evils of low pay, job insecurity and bad working conditions, are cited as

example of the increasing exploitation resulting from the newly emerging processes (Bisset & Huws :1984).

This study will attempt to examine these issues in the context of the processes of economic restructuring in the clothing industry in the East End of London. Some analysts have suggested that there has been an expansion of the informal economy in this area in recent times (Mitter:1986b; Phizacklea:1990; Sassen:1991). Via primary and secondary research, the nature of changes in the production processes will be analysed. The implications that these changes have on the informal economy will also be investigated. The main intention is to determine whether the industry in this area has undergone informalisation in recent years.

It will be suggested that restructuring encourages the expansion of the informal economy through the desire to reduce costs, and particularly labour costs. This has in turn resulted in the increased casualisation of labour.

Section 2 will first look at the debates that endeavour to explain the processes of economic restructuring, and also the emerging forms of economic organisation. The search for "flexibility" appears to be a dominant trend in the restructuring process, both in terms of organisation and labour. Today's flexibility is set against yesterday's rigidity. Theories on the restructuring process emphasise a break from previous forms of industrial organisation and management. The "flexible firm" and "flexible specialisation" are, it is suggested, replacing the large, rigid and vertically integrated forms of organisation. In the "new" search for flexibility, the advantages of the informal economy lie in its inherent flexibilities. The implications restructuring has for the expansion of the informal economy will be examined.

Section 3 looks at the U.K. clothing industry. The industry has undergone restructuring, experiencing a considerable decline in employment. However, it will be suggested that official statistics do not give the whole picture. Some observers have suggested that significant levels of employment within this sector go unrecorded (Mitter 1986b; Phizacklea 1991). It is further suggested that unrecorded employment for this sector has grown over recent years.

Section 4 reveals the nature of clothing production in the "East End" of London. The production processes, patterns of employment within firms, quality levels, markets and informal practices are investigated.

The final section draws conclusions from the study in

relation to the changes in the production process and their effects on the informal economy. From the findings of the study it will be suggested that flexibility and decentralisation of production do not necessarily entail the relinquishing of control and power over the production process by large firms and corporations.

2.INDUSTRIAL RESTRUCTURING AND THE INFORMAL ECONOMY

This section will look at the trends and processes characteristic of the current economic restructuring and trace their implications for the informal economy. It will be suggested that underlying these trends is the search for flexibility, both in terms of industrial organisation and the labour market. The search for flexibility has resulted in the expansion of more forms of casualised labour. As the informal economy best provides the flexibility required, implicit in the changes in industrial and economic organisation is the increased role of the informal economy.

2.1Industrial Restructuring

The current worldwide economic restructuring of economies has been attributed to the world economic crisis of the 1970s and early 1980s. The crisis, which became apparent during the 1960s, was characterised by significant declines in both productivity and GDP growth in Europe and North America. It has been suggested that this marked the beginning of a transitional period for the world economy, distinguishable by changes in the nature of industrial accumulation (Kaplinsky:1989). The organisation and structure of industrial production was no longer thought to be competitive. "Fordism", the system of production characteristic of the dominant industrial structure, was deemed archaic in a changing world economy.

Though restructuring has taken on a number of forms, one of the main aspects of change has been the decentralisation of industrial activities. Decentralisation has been facilitated by the integration of previously protected national markets and the emergence of new technologies, particularly in communications and information technology (Roberts:1994). In some industries this has resulted in production being relocated, in part or in its entirety, to low cost sites predominantly in the newly industrialised countries of the developing world. In the developed countries, declines in manufacturing output and employment have been considerable. Outsourcing in large companies in the European Community is said to have increased by 25 per cent in the 1980s and is expected to increase by a further 30 per cent by 1995 (Harris:1992). One consequence of restructuring has been a move away from the vertical integration of firms towards more loosely structured horizontal linkages. Thus, decentralisation has also implied a greater role for

smaller units in the production process through the practice of subcontracting. This has allowed for a more "flexible" form of organisation in which the volume and type of producer service, together with labour requirements, can be readjusted rapidly to market demand (Roberts:1994). New systems of organisation have emerged, such as "Just-in-Time" and "Quick Response", that facilitate and further develop the process of decentralisation.

2.1.1. The Demise of the Dominant Paradigm

Various analytical approaches have emerged to attempt to explain the transition. Kaplinsky (1989), in his analysis of industrial restructuring, broadly outlines some of the analytical approaches used to explain the nature of the transition. These range from: the Regulationist school who view the crisis as a break down in consensus and industrial harmony between capital and labour; the neo-Schumpeterians who argue in favour of industrial cycles based on heartland technologies; the proponents of the theory of "flexible specialisation" who see the transition as marking a change in the dominant mass production paradigm; and finally to supporters of the idea of a shift from machinofacture to systemofacture, a trend towards the systemic integration of units at various levels of production and organisation (Kaplinsky:1989). There is considerable overlap between the various approaches. A fundamental point of agreement between all the approaches is that the existing form of industrial and economic organisation characterised as "Fordism" is being supplanted by another. Thus, the emerging "new" forms of industrial organisation and production are of a "post-Fordist" nature. It has, therefore, been implied that a paradigmatic shift has taken place.

A strong emphasis of the "post-Fordist" era is placed on the requirements for "flexibility". Flexible production, flexible labour, and flexible firms have all become terms to denote the new era and "flexible specialisation" has become an all encompassing concept for the era of flexibility. The flexibilities of the new era have been set against the rigidities of the old age. The demise of "Fordism" can, therefore, be attributed to its failure to offer the flexibility required for the new times.

In an analysis of the transition from "Fordism" to "post-Fordism", Murray (1990a), notes that "Fordist" production systems are based on four principles: firstly, products are standardised, which also allows each part and task to be standardised; secondly, tasks can be mechanised with the development of special-purpose machinery; thirdly, tasks are subject to scientific management or Taylorism - a task is broken down into its component parts; and fourthly, the flowline replaces nodal assembly. "Fordist" management structures are also dominated by the tendency for strong vertical integration.

Murray (1990a) further suggests that "Fordism" as a concept extends beyond a mere description of production processes. It is a dominant aspect of the economic culture, and its philosophy even permeates into government and welfare institutions. "Fordism" awards higher wages in return for industrial harmony and managerial control of production. It is argued that the system of collective bargaining and the provision of the social wage through Keynesian welfarism are just as

"Fordist" as the mass assembly production line (Amin:1991). The inherent rigidities of the "Fordist" system are apparent via its control of labour, the market and production processes.

However, the advocates of the need for "flexibility" differ over the exact definitions and applications of the concept. It has been suggested that the attraction of the concept of "flexibility" lies in that it resists precise definition (Pollert:1988). Two approaches that emphasise the requirement for flexibility are the concept of the "flexible firm" and the theory of "flexible specialisation" as articulated by Piore and Sabel (1984)ⁱⁱ.

The concept of the "flexible firm" argues that there is a new polarisation between a "core" and a "periphery" workforce, one with functional and the other with numerical flexibility to provide adaptability to changing product markets. The "core" workers are multi-skilled and offer flexibility by being able to cross occupational boundaries. The "periphery" workforce offer numerical flexibility so that numbers can be easily increased or decreased according to production requirements and market demand. The "periphery" workforce may have no direct relationship with the firm at all by being either subcontracted or self-employed. The development of the concept of the "flexible firm" is seen by some as evidence of a new management strategy (Mitter:1986a), that is, the expansion of the periphery labour force is deliberate and desirable from capital's point of view.

The theory of "flexible specialisation" denotes a new phase of capitalist production characterised by: craft labour; the dominance of small-scale industry; the use of the latest technology; and the adaptation to diversified world markets and consumer tastes. Supporters of this theory argue that a shift in the dominant paradigm has occurred. A shift from mass production to craft production. It has been suggested that restructuring is based on the concept of technological paradigms and that this is an explanation of "industrial" development based on competing systems of industrial technology (Pollert:1988:49). The current economic crisis is, therefore, one of the dominant technological paradigm - mass production. The theory is based on an "ideal" model of small firm flexible specialisation claimed to have been observed from empirical research of small engineering firms in the Emilia-Romagna district of northern Italy. A thriving industrial region was discovered that was based on specialist artisan production that successfully used microtechnology for flexible production and catered for new specialist and variable market niches. Paralleling these developments, a managerial shift in larger firms was observed towards the use of smaller units of more flexible production. These included technical changes to flexible specialisation and organisational changes to "just-in-time" inventories (Pollert:1988). The example of these technologically advanced firms successfully producing

for export markets has been used to suggest a new system of production that, if successfully replicated, offers a potential solution to both economic decline and an alienated labour force.

It can be seen that although the flexible specialisation theory does not explicitly suggest a concern with labour flexibility, choosing instead to emphasise the regaining of craft worker skills, it does seem to suggest implicitly a "core"-periphery" structure. Both the approaches, outlined above, accept the fragmentation and decentralisation of production processes. The small firm sector is also promoted as being the economic saviour of an ailing system (Gerry 1989).

Both approaches place the role of the market as the defining principle of restructuring, putting particular attention on the changes in consumer demand. Fordism achieved the highest efficiency and the greatest economies of scale with the mass production of discrete, neatly standardised goods. The success of this required a large market for the consumption of mass produced goods. It has been suggested that the crisis of the 1970s indicated a saturation of the market for low quality standardised goods. The progressive saturation of the market with its growing instability together with the increase in demand for better quality and more customised goods has meant that flexibility, instead of mass market demand, has become the main feature of the market. This requires increased product diversification and the targeting of specialised niche markets. In turn, the need to meet individual tastes necessitates smaller production runs.

It has been suggested that the new organisational principle of flexible specialisation best responds to the growth of flexible markets as economies of scale are replaced by economies of scope. As the structures of "Fordist" institutions and firms are thought inadequate to meet the changing needs of the market, flexible specialisation introduces to the stage the antithesis of the large "Fordist" organisation - the small flexible firm.

2.1.2. Questioning the "New" Paradigm

The idea of the paradigmatic shift has been challenged on a number of accounts. Firstly, on the premise that there has been a distinct break from the past in terms of production processes. It is important to note that "Fordist" systems of production have never been exclusive. "Fordist" practices were not as thoroughly diffused in the processing industries nor in a wide range of small firms that produced special purpose goods on a one-off basis or in small batches. Flexibility was a major characteristic that defined the nature of production in batch production in the first place. "Fordism" may have been dominant and one of the more widely spread forms of production but "non-Fordist" forms of organisation existed and may have become dependent on "Fordist"

firms as suppliers. Hence, the claim of a change of production methods for particular sections of some industries may not be the case. A variety of technologies and production systems have co-existed and continue to do so.

Murray (1987), in a critical analysis of the Emilia-Romagna "small firm flexible specialisation" approach, points out that the sample of firms used for the empirical research was not necessarily representative of the production processes in this sector and area. It is claimed that more "Fordist" methods were not highlighted. Murray (1987) further suggests that the types of production processes found in this district could not be termed as "post-Fordist" because either they were never "Fordist" or because they were characterised by variants of a "Fordist" labour process. It is also argued that it would be misleading to view this sample as an artisan sector or as an example of "post-Fordist" craft labour, as there were many different types of subcontracted work much of which could not be described as non-alienating craft labour. It seemed that not only were racial, gender and skill divisions essential to the operation of this economic model but the system created differentials of wages and conditions that further exacerbated these divisions. The system provided great labour flexibility so that the majority of workers in this sector who did not possess the valued skills were open to the vagaries of market forces, it thus marked " .. a shift towards a fragmented, informal and casual cottage industry.." (Murray:1987:92).

Amin (1991) also argues that the empirical evidence for the theory of small firm flexible specialisation appears to be thin. His analysis of empirical research carried out at the end of the 1980s reveals changes in certain aspects of firm behaviour. Larger firms were shown to be more technologically innovative than smaller firms. It is argued that the profit rates of the smaller firms were assisted due to the labour conditions within the firms and not due to entrepreneurial or technological innovations. There were also signs that an alternative form of restructuring on the part of large firms was becoming apparent.

Capocchi (1989) points out that the origins of the Emilian industrialisation experience are complex and include several circumstances that are not easily found elsewhere. It has also been pointed out that the assumed connection between production systems, technology and production outcomes need to be broken, as semi-skilled flow-line work need not be confined to standardised mass production but can be adapted to flexible small batches (Pollert:1991).

The flexible "new" production methods are, therefore, not particularly new. The use of general purpose machinery producing a wide range of products does not necessarily represent a new paradigm. Small batch

production factories have long been producing in this way using general purpose machines and a highly skilled workforce (Lima:1989).

Amin (1991) challenges the notion that mass production has disappeared. It is still a dominant characteristic in a number of industries for which labour costs are an important factor. It is suggested that the persistence of certain forms of "Fordism" is now due to replacement demand.

The issue of the decline of the mass market also needs critical examination. The question needs to be asked whether demand fragmentation is consumer driven or the effect of marketing strategies. Fragmentation may be a response to the market crisis, via its manipulation. Phizacklea (1990), has suggested that following the stagnation experienced in U.K. clothing consumption during the recession in the 1970s, retailers were forced to search for new strategies for revitalising the market. By targeting specific age and income brackets the main characteristics of the clothing production became that of a highly segmented market demanding shorter runs and rapid changes in production.

It has also been suggested that a flexible labour market is not a "new" concept. As Pollert (1988) points out, casual work has always contributed to the process of capital accumulation alongside a more organised workforce. However, it now seems to be more visible.

2.1.3. The Emerging Pattern of Industrial Organisation - the Reinforcement of Control

In spite of the challenges levelled against the various analytical approaches to "post-Fordism", there does seem to be some form of general consensus that agrees that a crisis of production has occurred and a change of some kind is under way. The question is whether the changes that have been occurring can be considered as a major transformation of the "Fordist" paradigm or whether, if they have actually occurred, they represent merely a change, whether radical or incremental, within the "Fordist" mode of production. It is unclear whether one single and dominant principle is emerging. It could be suggested that the paradigms of mass production and flexible specialisation present an artificial dual choice.

Some theorisations of the transition have been cautious about claiming that the Fordist crisis has ended and, therefore, are hesitant to describe the emerging production patterns as "new" in some way. The preference is to refer to the emerging processes of this period as "neo-Fordist".

Amin (1991) notes the continuities of Fordism and the power of the old economic forces to reassert their dominance. The decentralisation of industrial

organisation does not necessarily imply the weakening of the control of large corporations. For example, there is the tendency for increased concentration and control by the centre for certain aspects of the production process, and, at the same time, for decentralisation.

The Benetton clothing company provides a useful example. Although the management and organisational systems of this firm have led some analysts to associate it with the "flexible specialisation" model (Belussi:1987; Murray:1991b), its central control over the firms and the workforce further down the subcontracted network is often overlooked. Belussi (1987) suggests that the Benetton model is an example of an integrated production system which combines a strategy of "just-in-time" systems of production and distribution. It represents a change in the "techno-economic paradigm" and is characterised as "A flexible "network" of all production stages." (Belussi:1987:4-5). Benetton's clothes are made by 11,500 workers in northern Italy, only 1,500 of whom work directly for Benetton. The rest are employed by subcontractors (Murray:1991b). The company maintains strict control over the entire production process via the use of sophisticated information technology. Benetton provide the designs, control material stocks and orchestrate what is produced according to the computerised daily sales returns which flow back to their Italian headquarters from all parts of Europe. The smaller firms are essential to the Benetton production system but they have little control over the products made and have no input in design, marketing or selling the garments. The small firms have very little independence and are dependent for work on the one supplier, which demands their total loyalty. It has been suggested, however, that the labour productivity in the subcontracted firms is estimated to be 10% higher than that which could be achieved through in-house manufacturing. Belussi (1987) has pointed out that this is due essentially to management's greater control over the workforce and their ability to enforce a faster working pace.

Flexibility for the large firm, as seen in the case of Benetton, lies through the decentralisation of the production process which enables labour costs and overhead costs to be reduced, with the increased centralisation of control over the entire process by the large firm. Flexibility for the small firms comes from being able to take advantage of the opportunities offered by the informal economy.

It would seem that flexibility is in the interests of the large firm whose practices, it could be argued, have allowed them to impose their control over production and the market. This has resulted in the subordination of the very small firm sector. It is an encouragement to the use of the small firm sector and with this the acceptance and incorporation of a role for the informal economy in the production process.

The novelty in the "new" paradigm is perhaps the link between the new flexible systems and the effectiveness provided by microelectronics, automation and the new forms of organisation. There is also an implicit acceptance of the necessity for casual labour.

The relationship between the restructuring process and the process of informalisation seems apparent. As the current process of worldwide economic restructuring seems to promote a flexibility of organisation that encourages the use of the flexible opportunities offered in the informal sector, attention will now turn to the nature of the informal economy in attempting to ascertain the ways in which it offers flexibility to the emerging production processes.

2.2. The Informal Economy

The informal economy, as defined by Castells & Portes (1989:12), is characterised by income-generating activities that are unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated. The informal economy is not homogenous, it incorporates a variety of different activities that are not limited to any one particular income level. Whilst differences in wage rates, contractual status, ease of access, protective legislation and security, capitalisation and size of operation exist between the unregulated and regulated economy, these characteristics are not exclusive to one particular sectorⁱⁱⁱ (Redclift & Minigione:1985). The dualist approach fails to illuminate the underlying processes and interconnections that connect the regulated and the unregulated economies. The informal economy is connected by a myriad of strands to the formal economy proper. The industrial subcontracting network is a clear example of the linkages that exist between the two economies. The economies have shifting parameters that vary according to context (Redclift & Minigione:1985).

Roberts (1994) suggests that the interest in the informal economy does not lie with its analytical precision but because it is a useful tool in analysing the changing basis and form of economic regulation. The nature, size and activities of the informal economy are dependent and bound up with the nature of the formal. Changes in the institutional boundaries of regulation of economic activities produce a parallel realignment of the formal-informal relationship. Evidence from research reveals that processes and profiles of the informal economy are historically specific, depending upon the relationship between the state, capital, and labour in each country (Castells & Portes:1989).

It has been argued that an expansion of the rules and regulations encourages informal activities, as they impose costs that will try to be avoided. By operating

informally a firm is able to reduce overheads and wage bills, so allowing the firm to remain competitive or giving it an advantage over its competitors. A formal firm wishing to avoid additional labour costs imposed by labour legislation has the choice of using the informal economy via, for example, industrial homeworkers. The state may choose also to ignore operations that are operating outside the boundaries of regulation. For example, Fernandez-Kelly & Garcia (1989), in their study of Hispanic homeworkers in the US, point out that the state contributes to the expansion of the informal economy through the existence of ambiguous legislation, exemptions to the Labour Code, conflicting interpretations of the law by the state and federal agencies and a differential ability by the agencies to enforce labour and wage legislation.

Whilst the state regulates the formal economy, the informal sector is regulated by personal relations such as through kinship, friendship and co-ethnic ties. Employment and business opportunities are facilitated by informal networks of family and friends. The strength of community and kinship networks have often been cited as the main characteristic of the running of informal economies dominated by minority ethnic communities. The community is an important source of capital, supplies and other resources. Studies of the "ethnic economy", for instance, point to the importance of kinship and community networks in generating employment in the context of racially-segmented labour markets (Kabeer:1994).

The importance of kinship and community ties are essential in providing a support structure and offering resources that would not normally be forthcoming elsewhere. However, the household is also an important resource in the informal economy in terms of facilitating the opportunities for labour and implementing family survival strategies. Pessar (1994) in her study of immigrant women in the apparel industry in New York noted that many women would combine the claiming of benefits and working "off the books" in order to earn a wage sufficient to maintain the survival of the family.

The household unit is not homogenous, the household's facilitating role is based upon trade offs between members of the household. Kabeer (1994) in her study of Bangladeshi women homeworkers in the East End clothing industry, points out that the rules and resources are not neutral between members of the community but markedly gendered in their content and consequences. Women's participation in the informal economy is constrained by a number of factors that are similar to those that also prevent them from entering the regulated labour market, such as prescribed gender roles and domestic responsibilities. The informal economy does, though, provide opportunities for women in the face of low education, lack of skills and in some cases the lack of language skills, as in the case of some minority ethnic

women.

This last point raises the issue of the characteristics of the workers who tend to work in the informal economy. Working practices and conditions in the informal economy are characterised by their casualised nature^{iv}. Generally there are certain sections of the labour force which enter the labour market in a weaker position than others. Gender, class, age and ethnicity of workers to a great extent define their conditions of entry to the labour market and the type of work they are likely to undertake (Hadjimichalis & Vaiou:1990). It is suggested that the dominance of minority ethnic communities and also women in the informal economy is due to their weak position in the labour market. Thus, employment in the informal economy is particularly important for groups who may be excluded from regularised wage labour. For the casual worker it permits considerable flexibility, though this flexibility is usually at the cost of security.

Research in the US has shown that informal economies are most evident in "immigrant" communities, which has led some observers to attribute the growth of the informal economy to minority ethnic communities replicating the survival strategies typical of their countries of origin. Sassen-Koob (1989) argues that a deeper analysis is required, as in the main informal activities are not the result of immigrant survival strategies but rather an outcome of the structural patterns of economic transformation. Perhaps it is the case that minority ethnic communities are able to seize the opportunities represented by informalisation and so further facilitate informal activities, but the opportunities are not necessarily created by these communities.

Minority ethnic communities, due to the constraints placed on them in the formal economy, can be seen to facilitate informal production or distribution of certain activities. They offer the resources of cheap and flexible labour, entrepreneurial initiative in the form of individuals willing to engage in long hours and often for low returns, and informal credit arrangements that make possible small-scale capital formation (Sassen-Koob:1989). The use of minority ethnic communities to lower the costs of production in the formal sector apparel industry in New York is an example of the utilisation of these resources.

2.2.1 Informalisation

Research in the informal economy in New York suggests that the demand for informal production and distribution activities is increasing (Sassen-Koob:1989). The growth of informal activities in the clothing industry has been attributed to the restructuring of the industry which has resulted in the increase of subcontracting practices (Pessar:1994). In the case of the clothing industry, this was encouraged by the pressure to reduce

labour costs in the face of considerable competition from low-wage countries (Sassen-Koob:1989). In the U.K there have been similar suggestions of the increased informalisation of the clothing industry (Mitter:1986; Phizacklea:1990).

As already noted, trends in industrial restructuring have seen a shift in economic organisation away from vertical integration towards the creation of horizontal linkages and networks of smaller units. The organisational decentralisation of production has been paralleled by the search for more flexible and casual forms of labour. The decentralisation of industrial organisation, in terms of production and labour, has implied a larger role for the informal economy. Castells & Portes (1989) point out that there are two processes at work here: the decentralisation of large corporations into semiautonomous units and in turn the informalisation of these units, so that the benefits of flexibility are added the advantages of unregulated activities in a regulated environment.

Many of these horizontal linkages come in the form of subcontracting practices, outsourcing or "putting out" in some industries. Beneria (1989) notes from the findings of her research on industrial homeworking in Mexico City, that subcontracting permits the shifting of employment towards the more informal, or underground, segments of the economic system and so allows the industries involved to escape state regulation.

The informal economy has significance for the nature of the current restructuring process on two fronts. Firstly, the process of decentralisation awards a significant role to small firms. Small firms, due to their low visibility and ease of displacement, are an appropriate setting for the casual hiring of labour, unreporting of income and other informal practices. Also small firms are easier to convert to totally underground activities (Castells & Portes:1989). Secondly, and related to the first, is the issue of the search for flexible labour. Employers may seek to utilise casual workers through short-term wage employment, subcontracting to smaller firms and the harnessing of formerly self-employed workers into their supply and distribution system as disguised wage-workers or dependent workers (Bromely & Gerry:1979).

2.3. Summary

The informal enterprise appears to lie at the core of the flexible production and decentralised networks that form the emerging model of industrial management.

The new market requirements for flexibility are thought to be best provided by the characteristics of the informal economy, as economic enterprises can rapidly adapt their labour and services to take advantage of new openings in the markets. The informal economy provides the flexibility of labour required in the absence

of protective legislation.

It has been suggested that the existing bureaucratic structures can no longer adequately meet the economic needs of the mass of the population. The informal economy is an area where enterprise can flourish in the face of bureaucratic regulation by the state.

Labour flexibility is provided through the nature of the working conditions in the informal economy - casualisation. Casual work is particularly important for groups who may be excluded from regularised wage labour. For the casual worker it permits considerable flexibility, though this flexibility is usually at the cost of security.

The flexibility offered by the informal economy is based in part on the role of social relationships in regulating the informal economy. Trust and contractual agreements are based upon kingship, friendship and co-ethnicity. Within the informal economy the household unit facilitates the need for flexibility. The household is able to pull together resources from a variety of sources and different work relations (Hadjimichalis & Vaiou:1990). However, the household should not be seen as a unified unit. The nature of authority and control by the head of the household, in the majority of cases a male, defines and dictates how other members of the household participate in the economy.

3.THE CLOTHING INDUSTRY IN THE U.K.

3.1. Output and Employment

According to Rush & Soete (1984) the growth in output in the clothing industry was relatively "healthy" over the post-war period up to 1979. During the 1973-79 recession the average output growth in clothing was above the manufacturing average. However, the deepening of the recession in the 1980s devastated the industry (Keynote:1993). Output decreased dramatically, at more than nine per cent a year (Rush & Soete:1984). Between 1978 and 1982, the number of clothing manufacturers fell from 8,009 to 5,784. Employment fell around 50 per cent to 220,000. Since the early 1980s the number of enterprises has risen but employment has never recovered.

Table A1(a) (see Appendix 1) shows figures for output and employment for the Standard Industrial Classification (SIC) 453 "Clothing, hats and gloves" for the period 1983-1991. The table shows the slightly fluctuating but overall steady decline in employment. During periods of recession the employment declines are accentuated, as can be seen for the most recent recession. The output levels for the industry have on the other hand steadily increased over this period and again slightly fallen during the recent recession.

Employment and output trends in the clothing industry as a whole are in part a reflection of specific clothing demand factors, including the vagaries of demography and fashion. Whereas, demography determines the industry by virtue of the shifting population profile, fashion effects the individual economic performances of subsectors which are reliant upon specific clothing tastes (Rush & Soete:1984). It has been suggested that the high levels of unemployment among young people, particularly during the recent recession has meant the traditionally high spending groups have not given the market the required level of impetus (Keynote:1993).

In addition, declines in employment and output have been attributed to the rise of the level of imports from low cost countries. Many retailers have been increasing their proportion of overseas sourcing. The value of U.K. clothing production in 1990, at factory prices was put at £4.16 billion, of which exports accounted for 18 per cent of the production. However, the value of imports into the sector was put at 2-3 times greater than the value of exports (Hackney Business Venture :1993).

Within the clothing three digit classification "Clothing, hats and gloves", there are significant subsectors that are characterised by their own output, employment and market profiles. There are eleven subsectors at the 4 digit level of the SIC. Any analysis of specific products within subsectors, such as women's dresses, included in SIC 4536 - "Women's and girls' light outer wear, lingerie and infants' wear", would require further disaggregation. In many ways, the classifications are limited and misleading as many manufacturing firms will make products in a number of categories and sometimes switching from one to another at short notice. For example, a mens's clothing manufacturer may produce trousers and shirts. Trousers are classified in SIC 4532 "Men's and boys' tailored outer wear", whereas shirts are included in SIC 4535 "Men's and boys' shirts, underwear and nightwear". Analysis of official statistics relating to these classifications should, therefore, be treated with caution as clothing manufacture is not neatly divided into separate and distinct categories.

Table A1(b) (see Appendix 1) indicates the diversity in terms of rates of employment and output within two clothing subsectors for the years 1987, 1989 and 1991. In terms of output and employment, the "Women's light outer wear" sector is significant compared to "Men's tailored outer wear". These figures particularly reflect the importance of the women's fashion sector to U.K. clothing production. Total U.K. expenditure on clothing in 1990 at retail prices was £16 billion, of which "Women's wear" made up 50 per cent of the total and men's wear made up 29 per cent (Hackney Business Venture:1993).

3.2. Structure of the Industry

Table A1(c) (see Appendix 1) shows the number of enterprises, level of employment and output for the industry in 1990. The table clearly shows that there are a large number of small firms. In 1990 there were 8,045 firms employing less than 100 people which accounted for 34.9 per cent of gross output as well as 35.9 per cent of employment. The twelve largest enterprises employing 1,500 workers and over accounted for 16.4 per cent of gross output and 16.4 of employment. However, only 1.7 per cent of enterprises employing 200 workers accounted for 55.6 per cent of gross output and 53.4 per cent of employment. Clothing manufacture in the U.K. can be said to be characterised by a division between, on the one hand a large number of very small firms many of whom, it has been suggested, exist on the peripheries of formal practices and, on the other, by a small number of large companies.

The concentration is thought to be the result of the strong control exerted by the U.K. clothing market by a handful of retailers, particularly the multiple chains. Marks and Spencer, one of the largest, account for nearly a fifth of all garments produced in the U.K., with nearly 600 suppliers catering for their clothing demands (Mitter:1986b). Since the post-war period the highly centralised buying power of retailers has exerted a controlling influence over the development of clothing manufacture.

During the 1950s and 1960s a relationship of close cooperation developed between the manufacturers and the multiple chain retailers with production aimed at large runs. In the 1960s and 1970s increased competition from low wage countries, especially in those sectors of the industry with little fashion content, resulted in domestic manufacturers being forced out of many sectors. A number of manufacturers entered into the production of fashionable garments. At the same time retailers were looking to manufacturers to provide short runs at short notice. These requirements demanded that manufacturers adapt to "Quick Response" systems of clothing production (Keynote:1993). That is, being able to respond quickly to both changing factors and market conditions. In areas where price is not the crucial determinant, design and fashion were vital factors (Mitter:1986b).

It has been argued that the larger firms, while they have access to capital intensive technology and are able to produce large volume runs for the multiple chain retailers, are having to adapt their production methods in order to respond to the changing nature of demand. This has led to extensive and elaborate networks of clothing production linking together a number of production sites. Thus, it could be suggested that there has been a reversal of the economies of scale in the clothing industry.

The structure of the industry is, therefore, diverse, fragmented and complicated. A complex subcontracting network links together the separate but interconnected activities of clothing manufacture. Garments can be made via a number of routes, either being entirely or partly made up "in house", in subcontracted workshops, in even smaller outworking units or in the houses of homeworkers. Alternatively, manufacturers can source production entirely or partly overseas, depending on costs and speed of make up. In spite of the concentrated nature of the industry and the control large manufacturers have over the sector, it would seem that the "bottom heavy" nature of the industry is likely to persist due to the relative ease of entry into an industry that has low capital start up requirements.

3.3. Technology and Innovation

The ease of entry into the industry has already been noted. This is partly due to the slow technological rate of change within the industry. In 1981 £4.7 million was spent on industrial research and development in the industry and by 1989 this had increased to £5.3 million. This is compared to the textile industry which in 1981 spent £9.7 million which increased to £13.5 million in 1989, or the food and drink industries which invested £73 million in 1981 and nearly doubling research and development expenditure to £144.2 million in 1989 (Business Monitor:1989).

The technical difficulties in "automating" the sewing process has meant that the industry is still largely labour intensive (Hoffman:1984). The labour intensive nature of the industry points to the high labour costs involved and so to the comparative advantage of low wage countries. Rush & Soete (1984) suggest that there is little doubt the large numbers of jobs lost in the industry in the U.K. is in part the direct result of the geographical relocation of the industry to low wage countries.

The low rate of technological change is not to suggest that the industry has not experienced any technological change. The main innovations have been through the introduction of Computer Aided Design (CAD) and Computer Aided Manufacture (CAM) technologies, which have emerged following developments in micro-electronic technology. This labour saving technology, that has resulted in increased productivity levels, has been introduced in the pre-assembly stage of clothing production. Computer aided interactive graphics and numerically controlled machine tools have to some extent revolutionised the activities of grading, marking and cutting (Rush & Soete:1984). Tasks that were once reliant upon the skills of three separate workers can now be achieved in a fraction of the time by one worker.

Technological innovation at the assembly stage, where 90 per cent of clothing value added is acquired, has been of a more incremental nature. Technical change has

focused on increasing sewing speed with the introduction of special purpose machines for sub-assembly operations. New automated machines are aimed at eliminating the need for skilled operators and enhancing quality and increasing production capacity over constant runs. For example, the manufacturer of a flat hem machine has claimed the advantages of this machine as "achieving quality, deskilling labour and improving productivity with 4000 sleeve hems over and 8 hour day." (World Clothing Manufacturer:1994:36). While registering high productivity gains for specific activities these have only a minor impact on sewing costs due to the high proportion of the operators time devoted to material handling (Hoffman 1985; Rush & Soete 1984).

A major constraint on the diffusion of CAD and CAM technologies has been the high capital costs and the required reorganisation of working practices needed in order for the technologies to operate efficiently (Rush & Soete:1984).

However, the introduction of computer information technology in manufacturing management and production control has had far reaching consequences for the clothing industry. Computers have been applied for a range of management functions, such as: inventory control; monitoring of orders from their inception to their delivery; and production planning based on regular data inputs from machine operators and supervisors.

Similarly, increased management control over retailing through the use of information technology has also had implications for manufacturing production especially those developing "Quick Response" or "Just-in-Time" systems. Electronic Data Interchange (EDI) and Electronic Point of Sale (EPOS) allow retailers to analyse purchasing trends rapidly and precisely and convey orders quickly back to manufacturers. This results in the speed up of production time and closes the gap between sourcing, production and eventual consumption.

These new management systems are able to cater to quick market changes, as demand patterns change to short term fashion with changing trends within a season. This allows the replenishing of stock in the fastest selling lines and colours and the production of small runs of the fastest selling lines. Retailers are, therefore, ordering shorter runs of goods in the fear of being left with obsolete fashion garments.

Mitter (1986b) argues that in this volatile market, the high street retailers prefer to source close at hand, and in some sectors within the clothing industry production is relocating closer to the market. It is difficult for the large-scale garment manufacturers in the Far East to be responsive either in design or colour terms, or in speed of delivery to the fashion requirements of the remote

market (Mitter 1986b). It is also suggested that the relocation of production closer to the markets is also still reliant upon retailers obtaining reduced costs.

The volatile market also means that the high street retailers are in effect transferring almost all the risk of a changeable market to the domestic manufacturers. The specific nature of the garment industry has, therefore, given rise to a very special relationship between retailers and the manufacturers in the U.K. whereby, the retailer can dictate not only the number of stitches and the width of hem, but also the profit margin of those from whom they buy (Mitter:1986b).

The application of sophisticated stock and price controls has led to constant pressure on supply prices, extension of credit periods, the reduction of order sizes and frequency in the changes of requirements (Leesdale 1987). In addition retailers penalise manufacturers for late deliveries (Keynote:1993).

3.4.The informalisation of the clothing industry

The increased output with declining employment in the clothing industry suggest increased labour productivity. In the previous section it was noted that the rate of technical change in the industry was considerably low compared to that in other industries.

Rush and Soete (1984) suggest that the main factors behind productivity growth may be the shedding of labour and the increased scrapping of older plants. In fact, the assumed scrapping of official capital stock may be significantly underestimated. They also suggest that investment in the industry has been primarily of a labour saving nature.

In a critical analysis of Rush & Soete's (1984) suggestions, Mitter (1986a) argues that investment levels for research and development into the industry do not support this view. Investment in clothing steadily increased up to 1974, after which it fell dramatically and by 1982 was at an all time low. Even Rush & Soete (1984) point out "It is worth noting that the slow down in investment after the peak of 1974 did not lead to a significant decline in productivity growth in clothing, particularly up to 1979,.." (Rush & Soete:1984:204).

Mitter (1986a) suggests that increased productivity in the clothing industry despite a marked fall in investment may be explained by a number of factors. Firstly, the intensification of the work process, for example by speeding up time on the assembly line operations. Secondly, the rationalisation of the industry during time of recession with the close down of inefficient firms and the concentration of production in a smaller number of firms with higher marginal productivity. Mitter (1986a) argues that the rationalisation that might have arisen from closures during the 1979-1982 period of recession

has been counteracted by the large numbers of minifirms that have sprung up in the fringes of the official economy in areas of high unemployment.

It is suggested that the industry has undergone informalisation as employment has moved from the regulated economy to the unregulated. The limitations of the definition of productivity, which is based on calculations using officially registered employees, will show an upward trend in productivity even in the absence of any technical changes (Mitter:1986a:41-44). It is not clear whether the increase in unrecorded employment in the clothing industry is a fundamental trend due to the nature of the industrial restructuring, or whether it reflects pressure resulting from recession.

However, Leesdale (1987) argues that the nature of the market with its requirements for production of small batches at short notice are less profitable for the manufacturers to produce and, therefore, require increased flexibility. This development may cause a number of firms to operate in the unregulated economy in order to reduce labour and other overhead costs in order to offer competitive prices to the retailers.

Sassen-Koob (1989) also states that in developed countries, consumer goods industries, clothing included, can not compete with cheaper imports from developing countries and must either close down their plants or move underground.

4.THE CLOTHING INDUSTRY IN THE EAST END OF LONDON

4.1Methodology and Setting

The East End, the area chosen as the focus of this study, is a limited area within the London Borough of Tower Hamlets specialising in clothing production and retail. It should be noted that clothing production in East London is not solely concentrated in the London Borough of Tower Hamlets.

Significant volumes of clothing production extend east into Newham and north into Hackney. It was recognised that the characteristics of the clothing industry in the East End are somewhat unique in terms of the involvement of the informal economy. For this reason, the industry in this area can not be taken as being representative of the clothing industry generally. The clothing industry in Tower Hamlets is mainly situated towards the western side of the borough specifically around the areas of Brick Lane, Commercial Road and Whitechapel Road. Local trade has been characterised as a bazaar. Sellers of similar or related products are grouped together geographically. The area is characterised by small clothing shops, workshops and factory units scattered along main roads, side streets and lanes such as Fashion Street, Princelet Street, Hanbury Street and Greatorex Street.

It is difficult to gauge the exact size of the clothing sector in this area. A significant proportion of local clothing employment is thought not to be captured in official statistics. For this reason statistics should be treated with caution, as should the official unemployment rate for the area which stands at 25.6 per cent (Eurosynergy 1992).

Table 1 shows the official employment figures for London and the South East for the period 1981-1991. The figures for the South East are from a different source to those collected for London and the "East End". Thus strict comparisons can not be made. These statistics do, however, highlight certain regional employment trends.

It is clear that London is an important clothing producer within the South East region and that within London the "East End" contributes roughly a third to London's clothing production. Looking at the figures for London and the "East End", the decline in employment levels have been considerable over the ten year period. Both London and the "East End" have suffered a fifty per cent drop in officially recorded clothing employment, suggesting the significant decline of the industry in this area. However, as noted earlier, these figures should be treated with caution as a significant volume of employment is thought to be unrecorded.

Table 1, Regional Employment for SIC 453 "Clothing, Hats and Gloves"

REGION	1981	1987	1991
South East (a)	-	19,800	16,600
London (b)	31,600	-	15,000
"East End" (b)	9,200	-	4,100

Source: (a) Compiled from the Business Monitor PA453 1987 & 1991
 (b) Obtained from the Department of Employment - Census of Employment

It is estimated that of the 1,100 businesses in the Bethnal Green area of Tower Hamlets, 600 are in the clothing, textile, leather and other related industries. Estimates and allowances for undeclared turnover estimate that the Bethnal Green area, containing the focus of business activity, contributes 0.5 per cent of total U.K. clothing production and perhaps 0.35 per cent of total U.K. sales. Figures for the leather sector are thought to be higher (Eurosynergy: 1993).

The Bethnal Green area reflects the long history of changing immigrant populations entering and leaving the area. The Bangladeshi community make up the largest minority community in the area, comprising fifty per cent of the local population total of 13,581 in 1991 (Eurosynergy 1992). A characteristic of the local industry is the general division of clothing production and retail activities along community lines. The Bangladeshi community, are dominant in subcontracting activities, particularly in the of running the numerous Cut, Make and Trim (CMT) units specialising in leather. The Indian, Jewish and Pakistani communities in the area are predominantly involved as manufacturers, retailers and wholesalers. This pattern is a generalisation and there are no doubt exceptions to this pattern, but on the whole production is divided along community lines. It is noticeable that in terms of financial rewards and status within clothing production, the Bangladeshi community are in the weakest position being located relatively lower down the production hierarchy.

The industry is dominated by small firms, the larger more organised manufacturers having moved out of the area. The nature of the industry is that of a network of small firms serving a wide variety of markets. Within the clothing sector, particularly around the Brick Lane area, leather goods have overtaken other types of clothing manufacture in terms of the number of CMT units and local employment in recent years. The leather sector grew consistently up to 1989 but has been affected badly by the recent recession.

The establishments visited were located around the Brick Lane, Commercial Road and Whitechapel Road area. This area was chosen because of the large visible presence and clustering of clothing activity. The area was also known to have a subeconomy dominated by the local minority ethnic community, parts of which were also thought to operate in the unregulated economy.

The thirteen firms interviewed did not form a representative sample of clothing manufacturers and producers in the area. The task of locating all clothing producers in the area and choosing a sample was not thought appropriate in the time available. Such a task would, nevertheless, have been difficult due to the number of unregistered establishments thought to be active in the area. Many firms were also thought to frequently undertake a change of business name and

premises during the year.

The selection of manufacturers and contractors for interview was mainly based upon being able to secure introductions via the representatives of local voluntary, business and government organisation. A few manufacturers were approached in their shops and show rooms without prior introduction. Even though the clothing producers interviewed were not a representative sample of firms, the findings from this sample group can be suggestive of the experiences shared by similar firms.

In order to understand the complexities of the production processes, it was thought important to interview firms involved in the different sections of the clothing chain. Seven manufacturers were interviewed, six of whom were involved in clothing production and one in leather. Five contractors performing Cut, Make and Trim (CMT) were also interviewed, three of whom were engaged in leather and two in clothing. Attempts were made to locate and interview homeworkers, but unfortunately this was not possible in the time available. The increase in homeworking activities in the area has been indicated in a number of studies, particularly those relating to the involvement of Bangladeshi women (Kabeer 1994; Mitter 1986; Phizacklea 1990; Sassen:1991). Estimates suggest that 30% to 50% of all East End and northeast London garment production is through homework and that at least half of these homeworkers are Bangladeshi and Pakistani women (Sassen:1991). The difficulty encountered in trying to locate homeworkers emphasised and reinforced the claim that homeworking, an important part of the clothing production process, is largely "invisible" (Allen & Wolkowitz:1987)

The majority of the interviews took place in workshops or shops and were of a informal semi-structured nature. This was thought to be the most appropriate method of interviewing as, firstly, it was apparent that the respondents were constrained by time. Secondly, a number of the manufacturers, particularly the contractors, were suspicious of the purposes of the research. This last point also emphasises the fact that some of the respondents were weary of answering certain questions related to the possible "informal" nature of the industry.

The main aim of the research was to investigate the types of production processes used by the manufacturers and subcontractors in the production of clothing with a view to ascertaining whether "informalisation" of the production process had taken place. This required that firms be asked about their production and employment patterns. The emphasis in questioning was different between manufacturers and the CMT units, as both were situated at different positions within the clothing industry structure and had different levels of control and power over the production process. The manufacturer

was in a position of relative power as regards the CMT unit.

Interviews were also undertaken with representatives of local organisations involved in the clothing industry. (See Appendix 2).

4.2. Clothing Manufacturers

The manufacturers interviewed had a diversity of experience but also shared a number of similarities (see Table A3 Appendix 3 for a profile of the firms).

4.2.1. Employment patterns

a) Three firms employed between 2-3 people directly. These employees performed management and pre-assembly tasks. One larger manufacturer employed eight people all of whom were also involved in management, administrative and design functions. This firm also employed one machinist for the make up sample garments. Three firms employed their own machinists, cutters and finishers in their own factory units, in addition to the design and administrative staff. One manufacturer employed 25 factory workers. The number of machinists employed directly by the manufacturers depended on the volume of orders and the season. The one leather manufacturer interviewed had employed 15 workers in his factory during the previous year but, due to the down turn in demand and a reduction in orders, he was currently employing 5-6 workers.

One manufacturer paid his factory workers by the piece and there was a "flexible arrangement" with the workers in the production of the garments.

b) All the manufacturing firms were responsible for the design of their garments. Two manufacturers designed garments themselves, whilst five enrolled the services of freelance designers. Cost was cited as the main reason for using freelance rather than employing a designer directly. Two manufacturers, who mainly produced women's dresses, would buy dress material and then match the fabric to designs. Awareness of trends and tastes in fashion together with knowing what would sell were essential skills for all the manufacturers, especially for those supplying specialist and high fashion shops.

Manufacturers would often make up samples and approach retailers and wholesalers to secure orders. The production of a garment would begin if approved by retailers or if the manufacturer believed that it would sell. Sometimes manufacturers would be approached by retailers with specific design requirements for particular garments.

4.2.2. The Production Process

a) All of the manufacturers contracted work out to Cut, Make and Trim (CMT) units, outworkers or homeworkers. Manufacturers operating their own factory units used Cut, Make and Trim (CMT) and other outworking units to supplement their own workforce during times of rush demand and during their busiest season. The number of CMT units used would depend upon the volume of work.

b) One manufacturer, of middle to high quality garments, had been using the labour of homeworkers along side factory labour for the last 26 years, particularly during times of rush demand. Business was not strong enough all year round to employ more staff directly. Factory staff received first priority for work. This manufacturer had reduced the number of workers employed in his factory due to the introduction of automatic machines for cutting and some sewing functions.

c) Four manufacturers only used CMT units for their garment production. Two clothing manufacturers established in the industry for the last 25-30 years had always used CMT units and had never employed their own machinists and cutters directly. The main advantages of contracting work out was that it was seen to be a far simpler and easier way of organising production. Fabric rolls and patterns were sent out to the units and garments were returned made up, packaged and ready for selling. In this way the manufacturers did not get involved in the supervision of machinists and the paying of wages. Contracting out was a "less of a headache". Once the fabric and patterns had been given to the units the manufacturer did not get involved. It was up to the units to deal with issues of taxes and employers' contributions. One manufacturer was sure that whilst the CMT units he used were registered, because the factory premises used by the units were well known to the authorities, perhaps not all production or employment would be declared.

d) Whilst savings were made by not incurring additional costs in employing workers directly and also by not paying factory rents, rates or other overheads, in some other ways contracting work out was thought to more costly for the manufacturers. One manufacturer raised the issue of losses made through CMT "cabbage" production. "Cabbage" was the excess material a CMT or outworker unit could save from the fabric given by the manufacturer after the required number of garments had been cut. CMT units in this way could make extra garments and sell them to retailers or wholesalers themselves for profit.

e) Problems with quality were also associated with

contracting work out. The issue of quality was resolved by the manufacturer returning unsatisfactory garments to the CMT unit. CMT units would be paid on a piece rate basis upon delivering the finished garments. The prices would alter depending on the detail required or the time of the season.

f) One manufacturer of coats, jackets and children's wear employed indoor machinists and also homeworkers. Indoor machinists were male whilst homeworkers were female. This manufacturer claimed to pay indoor machinists the same piece rate as homeworkers due to the potential risk of arguments occurring between workers. During times of rush demand for women's jackets, this manufacturer would send cut and graded material to units in Lancashire. The units in Lancashire were cheaper and supplied the necessary skills for this type of garment production. The manufacturer was aware of the losses incurred through "cabbage" and endeavoured when possible to cut and grade fabric first before sending it out to the CMT units.

g) A manufacturer of large quantities of low quality women's separates and jackets subcontracted all of its production to "independent" factories mainly in Hackney. Garments were made in on-line factories. The manufacturer regularly checked that the contractor did not take work from other manufacturers to ensure loyalty and priority for quick deliveries. An "independent" would not be used if it was known that it produced for other manufacturers. However, contractors were usually loyal as work was guaranteed. Payment was made by the piece and upon delivery. This manufacturer was not concerned as to how the garments were produced other than that they be ready when required. Factories used by this manufacturer had been raided by the authorities in the past, but the units continued with the same practices. It was not unheard of for factories not to be paying VAT. This manufacturer dealt with a contracting firm that had changed its name several times over the past two to three years.

The benefits of using contractors was seen to be the greater flexibility offered which was crucial to this manufacturer because of its need to produce very quickly and at short notice, sometimes under a week from design to final run. It was essential to react quickly to changing demand. The garments were not aimed at the multiple chain retailers because of the low quality of the garments.

h) This manufacturer had factories in Turkey which it used for very large runs. Although jackets could be made for £1 cheaper in Turkey, there was sometimes frustration at garments getting held up in

customs. Other manufacturers also had garments produced overseas particularly if it was a basic item requiring large runs. One manufacturer had sweaters and cardigans made in the Far East.

i) The leather manufacturer believed that within the leather sector there had been a growth in the number of CMT units over the last 15 years. More manufacturers used to make garments in their own factories, but now due to the necessity to compete it was easier to put work out to the CMT units.

4.2.3. Relationship with Retailers

a) The leather manufacturer had experienced a bad year and felt strongly that the retailers were putting pressure on the manufacturers to reduce prices. During the previous year this firm had supplied leather garments to the retailers "Next" and "Debenhams", but was no longer able to do so when the retailers wanted to drop the prices. At the same time the price for the raw material went up due to shortages. The pressure on prices had been such that prices for the same garments were higher 7 years ago than they were being sold for this year. This had meant that everyone in the production chain has had to take a cut. This firm had reacted by concentrating on quality goods aimed at the specialised market and now intended to supply more to the designers and boutiques.

The prolonged effects of the recession and cheap leather imports were also perceived to be hitting the business quite hard.

b) The manufacturer stated that he could not deal with very large runs unless the retailer supplied the skins because of the capital required to buy the skins. Therefore, he could only deal in relatively short runs that were characterised by greater rush. The orders were made at short notice, which meant that forward planning was made difficult. The larger manufacturers on the other hand succeed in securing large and more stable orders that could also be imported more cheaply.

c) The manufacturer suggested that the set up in the industry in this area had changed over the last 20 years. In the past it was not usual for retailers to deal directly with manufacturers, as both went through wholesalers. However, due to the pressure on prices the pattern had changed and now retailers were dealing directly with manufacturers and stipulating their requirements.

4.3. Sub-contractors - cut, make and trim units

4.3.1. Leather CMT Units

- a) Two of the CMT units had been in business since the mid-late 1980s. One CMT unit had been involved for 30 years. In spite of the differences in length of set up, all three firms shared a number of similar experiences.
- b) The Cut, Make and Trim units received orders from the manufacturers. Patterns were supplied with the skins and CMT units provided made up garments in the time required. At times of high demand extra work was put out to outworkers. They were paid by the piece. Business was down due to the recession and competition from cheap leather imports. Prices had not changed for a few years. The units employed under 10 people on their premises. The current period was seen as being very difficult as there was little work available. The orders that they were receiving were very small and hardly worth their while.
- c) Women homeworkers were used for the sewing of linings for leather jackets. However, it was felt that it would be very unlikely that women would be engaged in the sewing of leather because the material was thought to be too heavy for them to handle.^{vi}
- d) The CMT units expressed the desire to design their own garments and to deal directly with the retailer. Capital was perceived as posing a significant problem as most retailers would require 90 days credit, and the CMT units would not be able to support such outlay. At the moment the CMT units were paid by the piece on a weekly basis. This did not allow the unit to plan forward.

These CMT units were aware of firms avoiding tax and other contributions, but were reluctant to talk in detail about this issue.

4.3.2. Clothing CMT Units

- a) This CMT unit sometimes also engaged in manufacturing activities. In the high season between 30-35 workers could be employed on the premises. These were very often supplemented by the labour of homeworkers. Out of season 15 workers may be employed on the premises.
- b) This CMT unit felt that fewer large orders were being received. It was understood that the larger orders were going abroad. It was generally perceived that things had been getting worse over the last 5-10 years and the competition and recession had made some units go out of business. At one time the unit completed orders in the volume of thousands, but now the size of orders asked of them had been reduced considerably. At the same time prices had decreased. It was felt that the batches that were

required were too small to be worth while making up. This was especially the case for low quality garments. The returns were better for higher quality garments but it was thought that there was a limit on the demand for these products and that not everyone could go into this sector. It was thought that the short notice given for runs by retailers and manufacturers made it difficult to forward plan and to prepare for production in terms of employing workers.

- c) The problem of finding workers was raised. People wanted to sign on for unemployment benefits and work at the same time, as the wages were thought to be too low by themselves. On the other hand, it was claimed that some people did not see the point in working for such low wages and had decided not to bother at all. Employment in the industry was thought to have a bad image.
- d) This CMT owner stated that in some cases it could not be helped if a CMT unit broke the law as sometimes it was the only way to survive in the business. His premises had been investigated by the authorities in the past. He felt that the social security officers with knowledge of the area and industry were aware of the problems and issues faced by businesses struggling to survive in the area. They also knew that sometimes it was the only form of employment open to some people. If workers were not prepared to work without signing on, there was nothing the owner could do. On the other hand, the use of outworkers meant that these kinds of problems were not his concern.
- e) This CMT owner stated that the seasonality of the demand made surviving even more difficult, especially now that the seasons were getting shorter and less frequent. This meant that it would not be worth his while renting a building out for the whole year. At very slow times he would vacate his factory space and work temporarily from another premise. As soon as the season started up again he would find new premises and employ workers. If orders came to him in the low season, he would use outworkers and homeworkers.

5. CONCLUSION

5.1 Systems of Production and the Informal Economy

The system of production in the "East End" has not dramatically changed over the last 20-30 years. Subcontracting units have long been an important feature of clothing production in this area. It would seem, therefore, that decentralised forms of production existed before "Fordist" production and have worked

along side them. The larger manufacturers with their "in-house" base of permanent trained semi-skilled workers rely upon a pool of labour hired during peak seasons. It can be seen that the formal and informal economies are strongly interrelated, sometimes providing important links for the survival of firms in both economies.

The production systems that have evolved in this area can be attributed to a number of factors. The seasonal nature of clothing production explains the need for a flexible labour force, prior to its recent "discovery" in the transition debates. The industry has been able to survive in this area of London because of the readily available pool of cheap labour. In part, this is also explained by the presence and the long history of minority ethnic communities in the area and their involvement in the local economy. Discrimination and fear of tax and the immigration authorities have helped to provide a labour force that was, and is still, willing to accept low wages and insecure employment. Thus, the nature of the interaction between industrial production, regulation and the informal economy in this area can not be separated from the locally specific conditions.

The clothing industry in the East End has for some time tended to operate in a decentralised and informal manner. Some of the long established manufacturers interviewed have always relied upon subcontracting units for the entire production of their garments. There are two advantages in subcontracting: the availability of managerial resources; and a reduction in labour costs. The economies of scale, therefore, do not necessarily apply. A decentralised and subcontracting network is justifiable because of the accessibility to a cheap and casual labour supply.

5.2. Industrial Restructuring and the Informal Economy

As the industry has to some extent operated informally for some time, the issue is whether the process of industrial restructuring has resulted in the expansion of the informal economy.

The research highlighted the nature of the production hierarchy. Whilst clothing manufacturers were feeling the effects of recession, changes in market demand and the pressure on prices from the retailers, they were able to deflect the greater part of these risks onto the subcontracting unit. The subcontracting unit was entirely reliant upon receiving orders from the manufacturers, as the majority of them were not involved in design, marketing or retail.

It is difficult to separate the effects of recession from those of a wider fundamental economic trend. Many of the manufacturers^{vii} interviewed cited the recession as a main point of concern. Recession and heightened

competition have encouraged enterprises to operate in the unregulated economy in order to be able to compete.

The increased tendency of retailers and large manufacturers to outsource to cheaper production sites together with the increase of cheap imports aimed at the low quality market have been detrimental to the survival of clothing production in this area. Producers wishing to stay in business have no alternative but to compete on the basis of price. The search for lower costs forces producers to increasingly rely on flexible and casual labour and to operate in the informal economy.

The changing nature of demand in the clothing market has also encouraged the informalisation of the industry. The preferences of the retailers has shifted to a system of production where garments are ordered for production only when needed for immediate sale through the "Just-in-Time" and "Quick Response" systems. This has entailed short runs and short notice orders. As a result, demand is unstable and requires of producers the ability to quickly adjust and deal with constant variation on quality and product specification. At the same time the retailers are able to apply pressure on prices due to the intense level of competition.

Short runs mean low returns for the producers and short notice orders do not allow the producer to forward plan. This requires a flexible semi-attached workforce whose size and work schedule can be rapidly expanded and contracted in accordance with market demand. The organisation of production is, therefore, built around the principle of flexibility. The increased insecurity may also mean that some producers would prefer to operate informally. Firms operate for only a few months a year and there is a high rate of attrition.

It can be seen that retailers are able to deflect the risk of an unsure market onto the producers lower down the production hierarchy. Ultimately, the level of risk ends with the casual worker by imposing on them an insecure employment existence. The casual workforce would not be able to accept the low level of the wages if it was not for being able to work "off the books", and claiming benefits at the same time.

Firms feeling the effects of cheap imports have the option to move into the higher quality market where the profit margins are accepted as being higher. However, a major constraint imposed upon producers wishing to enter this segment of the market is the lack of capital to invest in technology in order to produce the quality garments. The dominant characteristics of clothing production in this area is that of low prices and low profit margins which subsequently results in low capital investment. The difficulty in obtaining financial investment in the form of credit and bank loans has already been noted. The practice of not declaring total income adds to the vicious circle of not being able to

obtain the necessary finance.

However, in an environment of intense competition, shorter runs and orders in short time, the small firm is not in a position to invest in technology. Income is insecure, with finished orders often paid on a weekly basis, which does not allow for forward planning. For many the only way to survive is via the use of a very cheap and flexible workforce.

5.3 Summary

The clothing industry in the East End has always operated in an informal manner to some extent. However, the changing nature of clothing demand and production resulting from restructuring in recent years has resulted in the intensification of informal activities. The pressures being applied to the clothing producers in terms of increased competition, lower prices, and short orders at short notice has encouraged firms to minimise all possible costs. The informal economy provides the appropriate environment for this to take place. As labour costs are a significant part of total outlay, wages are reduced and the workforce increasingly casualised.

The "small firm flexible specialisation" model appears to be far away from the realities of small firm existence in the East End. However, it was apparent that a few manufacturers with in-house production units, located higher up the production hierarchy, were moving into the higher quality market. Because of their size and access to capital their levels of technological investment were higher. In spite of this the production in these firms relied upon cheap and flexible labour. One manufacturer of high quality "Men's and Boy's outer wear" garments, that attended shows in Paris and Italy, was reliant upon an extensive supply of homeworkers for its garment production.

It can be seen that firms such as these have the potential to survive some of the worse effects of recession and changes in clothing demand and production. This is possible only through the use of smaller firms and workers who can survive only by existing in the informal sector.

5.4 Further Implications

The nature of industrial restructuring, the informalisation of production and the casualisation of labour have a number of important implications. First, there are changes in the context of regulation and government intervention. In the U.K. the government approach seems to be that the solution for recession and unemployment lies in wages and labour market flexibility. This has led to the implementation of measures to deregulate the labour

market by weakening labour organisation and employment rights. On the other hand it has entailed the ideological support for private enterprise and the small business sector. These measures can be seen to change the boundaries between the formal and the informal economy in a way that has resulted in the expansion of informal activity. Secondly, the labour movement has to respond to a dwindling membership whilst at the same time the number of non-organised workplaces has increased. Whilst the labour movement at present seems to be increasingly representing the privileged "core" workforce, forms of organisation need to be developed that prevent the exploitation of the "periphery" workforce. Thirdly, there is an apparent correlation between increased casualisation and the growth in women's employment.

APPENDIX 1

Table A1(a), U.K. Clothing - Enterprises, Output and Employment 1983-1991

	1983	1985	1987	1989	1991
No. of Establishments	5,761	9,252	8,965	8,719	7,718
No. of Businesses	6,124	9,625	9,233	8,927	7,841
Total sales & Work done (m)	3,142	4,128	4,426	4,956	4,773
Gross Output (m)	3,170	4,188	4,481	4,962	4,767
Net Output (m)	1,560	2,035	2,224	2,520	2,423
Total Employment (000)	214	237	231	219	181
Net Output per head (m)	7,296	8,593	9,647	11,513	13,403

Source: Compiled from the Business Monitor PA 453, years 1983-1991

Table A1(b), Employment and Output for SIC 4532 & 4536

Clothing Classification	Employment (000)			Output (million)		
	1987	1989	1991	1987	1989	1991
4532 (Men's Tailored Light Outer Wear)	36	38.7	29.4	623.7	752.5	658.0
4536 (Women's Light Outer Wear)	82.2	77.6	60.3	1609.0	1756.8	1529.7

Source: Business Monitor PA453, various issues

Table A1(c), U.K. Clothing - Size of Establishment by Enterprise, Employment & Output 1990

No. of Employees	No. of Enterprises	Employment (000)	Gross Output (m)	% of Total Sector Output
1-99	8,045	70.9	1,766.1	34.9
100-199	144	21.1	476.7	9.4
200-499	95	33.8	929.6	18.4
500-999	30	28.1	762.7	15.1
1,000-1,499	7	11	289.7	5.7
1,500 +	12	32.4	827.2	14.4
Total	8,231	197.3	5,052	100

Source: Reproduced from "Clothing Manufacture" Keynote 1993

Notes: % figures may not sum due to rounding

The sum of enterprises exceeds the total because some enterprises own establishments in more than one size category

APPENDIX 2

List of Organisations Consulted during course of Research

- Bethnal Green City Challenge
- East London Small Business Association
- London Borough of Tower Hamlets - Environmental Services
- London Borough of Tower Hamlets - Stepney Economic Development Unit
- Spitalfields Small Business Association
- Tower Hamlets Cooperative Development Agency
- National Homeworking Group
- Migrants Support Unit (NHG)
- Low Pay Unit

APPENDIX 3

Table A3, Profile of Small Manufacturing Firms Interviewed in the East End of London

Firm	No. of years established	Size (No. of employees)	Product	Target Market	Method of Production	
					In-house	Subcontracts
A	30	3	Women's Light Outer Wear - mainly dresses	Medium quality. Local & exports to Russia/M.East	NO - never	YES - only
B	27	2	Women's Light Outer Wear-skirts + Knitted Wear	Medium quality. Local & exports to Africa/M.East	NO - never	YES - only
C	26	30	Men's + boys' Wear, shirts, trousers & casual	Middle-Upper Local fashion shops export-EC	YES	YES - also
D	29	15	Leather, jackets, trousers & skirts	Middle-Upper Local high fashion shops	YES	YES - also
E	15	2	Women's Light Outer Wear - mainly dresses	Medium quality Mainly exports to EC & Africa	NO - never	YES - only
F	10	15	Men's & Women's jackets & coats & Children's Wear	Low quality. Local market & wholesalers	YES	YES - also
G	8	8	Women's jackets & separates	Low quality. Local wholesalers & exports to EC	NO - never	YES - only

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NOTES

- i. Although it has been suggested that the trends are worldwide, the development of informal economies are regionally specific. Castells & Portes (1989) argue that far from being sectorally homogenous the dynamics of informal economies are strongly associated with locally specific conditions.
- ii. The following descriptions of the two "flexibility" models draw mainly from the Pollert article (1988).
- iii. Whilst wage levels in the informal economy have been found to be generally lower than those in the formal economy, profits and returns for enterprises in the informal economy can be higher than those in the formal.
- iv. This is not to say that involvement in the informal economy is restricted only to the "weaker" participants in the labour market. Sassen-Koob (1989) has noted the growing number of professional workers who are working from home and also in the informal economy in New York.
- v. For convenience the term "clothing" is used also to refer to leather garment production.
- vi. This belief in women's lesser skills and abilities in the handling of leather reflects the ability of male workers to define their work as skilled and so also to hang on to their socially constructed skills (see Phizacklea 1990).
- vii. In the course of interviewing it became apparent that the term "manufacturer" was flexible in definition. Also there existed ambiguous divisions between wholesaler, manufacturer and CMT unit, as there was a certain amount of overlap. The term "producer" will be used in reference to the subcontracting units.