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### ***Background: A New Starting Point***

The Council's previous labour market information study was conducted in 2004. At that time, its focus was the pending sector shock that would result from the removal of import quotas and globalization. It projected that the apparel manufacturing sector would lose 39% of its workforce within a few short years. The study also concluded that companies 39% of its workforce within a few short years. The study also concluded that companies would adapt to change by implementing a host of business models, including expanding offshore production and expanding into retail operations to name a few.

Since 2004, the situation has indeed played out as envisioned in the previous study. Both the Canadian and the global apparel industry have evolved significantly. As a result, this study points to a new definition for the industry, centred on domestic product development as opposed to domestic production. Based on this revised, more appropriate definition, key subsectors would include manufacturers, wholesalers / offshore producers and vertical retailers. (For purposes of this labour study, all apparel manufacturing and wholesaling occupations were considered, however retail occupations were limited to only those relating to apparel product development and production.) Understanding the realities of the industry leads to a redefinition of the industry with respect to industry statistical classification codes as well. In applying the revised definition a more accurate picture of the industry emerges. Key findings - such as the fact that the combined revenues of apparel manufacturers and wholesalers were found to be virtually unchanged from the pre-trade liberalization year of 2004 to 2008 - point to an industry that did not evaporate, but merely shifted business models to adapt to the new realities.

### ***A New Series of Challenges on the Horizon***

The study identifies a series of forces that will drive change in the industry: regulations, government and social compliance, rising production costs, the globalization of retail and the impact of the Internet to name a few. It also goes on to identify a series of issues internal to the

industry that raise concern, most notably the aging of the workforce (senior management and production personnel) and the possible resulting impact on the entire workforce.

### ***Extensive Employer Consultation Sheds Light on the Opportunities and Challenges***

A major survey of employers noted that the workforce has shifted from predominantly production-based to being slightly more service-based. The trend is expected to continue with growth in service occupations expected to outpace the change in number of production personnel. Unlike the “pending doom” projected in 2004, employers were generally optimistic about the future, projecting substantial employment growth in both service and production personnel over the next two years.

However, several highly concerning points were also noted that should dampen the optimism. Consider:

- 71% of companies continue to operate without strategic plans. This brings into question as to whether companies’ growth expectations are reasonable and achievable, especially given the fact that their projected growth rates highly outpace the general economic growth rate;
- A further and equally serious challenge is the fact that 35% of companies face a business continuity issue (those considering implementing a succession plan, selling the company, or ceasing operations) within the next two years. By far the most pressing issue is that 30% of respondents are facing a succession issue. Of further concern is the fact that 82% of these companies, representing an estimated 18% of the workforce have no plan to deal with their issue.

As a result of the growth optimism tempered by the threat of business closures largely due to looming succession issues, it is estimated that the redefined industry could employ between 60,000 to 86,000 personnel within two years. Under a third scenario – combining possible moderate growth and moderate business failures resulting from a lack of succession planning – industry employment could approximate 73,000 within two years.

While this third estimate leaves the total industry workforce virtually unchanged over the next two years, important shifts will happen including a further shift to service occupations and the need to reinvigorate an aging workforce.

Beyond aging senior managers, the study also found that the industry is on the cusp of another major challenge: aging production workers. Indeed, the study concludes that nearly 7,000 production workers could be nearing retirement. Compounding the challenge, as a result of the massive production downsizing of the past decade, the study notes that there are virtually no sources of supply to train new production workers. Furthermore, small to medium size employers were found to generally not have adequate in-house training programs. These factors point to a major pending shortage of qualified production personnel, which not only threatens potential corporate growth but could also threaten current domestic production levels.

Beyond these challenges, the study also finds other important issues that should be dealt with, namely: the need for improved transitioning of post secondary graduates into the workforce, the need for employee and management specific functional training and the need for the Council to improve its representativeness and outreach with the various subsectors of the industry.

Most importantly, the study notes that unlike the quota removal situation of 2005, this round of impacting employment factors are internal to the industry and within the sphere of influence of the Council.

## ***Pressing Ahead***

The report concludes that the Council should embark on a three-pronged approach to the challenges and focus on the following solution framework:

### **1) Production and Service Workforce Training Framework**

- Assist employers in recruiting displaced production workers to help assure that these skilled individuals remain in the workforce. Possible Council activities include:
- Reaching out to closing facilities and logging the skill sets of their personnel;
- Maintaining a database of these individuals and their capabilities on the Council's portal;
- Promoting the availability of these workers to regional employers;
- Promoting / facilitating time sharing arrangements amongst employers when only part-time employment is required.
- Champion the rebuilding of production training capabilities. Possible activities include:
- Developing a comprehensive approach to rebuilding production training capacity. Two possible methodologies are cited: an industry-based solution or an education-based system;
- Providing various forms of financial and technical on-the-job training assistance to employers.
- Improve industry ability to reach out to immigrant communities for new sources of employees. Possible activities include:
- Reaching out to the relevant communities on a regional basis;
- Providing tools to facilitate integration of these workers into the industry.
- Champion the creation of a national co-op / apprenticeship program in partnership with the Apparel Affinity Group that meets the needs of the various stakeholders.

### **2) Entrepreneurship Training Framework**

- Develop tailored succession planning training and support, including:
- Providing additional tools and focused mentoring program support;
- Building linkages with other organizations experienced in succession planning and tailoring the solutions to the industry;
- Partnering with various ministries at the Federal and Provincial levels to develop programs to provide assistance directly to employers.
- Further develop general entrepreneurship training and support. Possible activities include:
- Reinstating Council programs such as the Business Trainer and Business Accelerator initiatives which were aimed at providing strategic assistance to both new apparel entrepreneurs and experienced entrepreneurs;
- Partnering with Federal and Provincial ministries of industry, education and employment to develop programs to provide assistance directly to employers.
- Develop further specific functional training as required. Possible examples include:
- Developing training material on topics such as: entering new distribution channels and new export markets, optimizing the use of sales agents, using the Internet for sales and marketing, facilitating financing as well as recruiting;
- Developing new related tools to be hosted online;
- Developing workshops/seminars/webinars to facilitate delivering these programs.

### **3) Council Improvement Framework**

- Improve awareness of the Council and its programs;
- Improve effectiveness of underperforming Council programs;
- Improve Board and Committee representativeness to better align the Council with the redefinition of the industry;
- Leverage the Council's reach to attract sponsorship revenues to support further program / content development.

In any event, the study notes that the challenges at hand are large with widespread ramifications. It is therefore suggested that the Council construct comprehensive solutions that involve a wide array of possible partners, including the employment, education and industry ministries at the Federal and Provincial levels as well as key organizations and associations across the country that could help develop and deliver appropriate tailored solutions.



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