

Cut & Sew Apparel Contractor Industry
Sectoral Analysis

Fall 2021

UP 237A Final Report



In collaboration with the Garment Workers' Center
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Meet the Team

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Executive Summary

Introduction

Every one of us interacts with the garment sector daily, through conscious and subconscious choices about the clothes we choose to buy and wear. However, most of us are unaware of where our clothes come from, who makes them, and the labor conditions under which they are produced. This is partly by industry design, as the garment manufacturing industry operates with complex networks of manufacturers, contractors, and subcontractors distancing brands from responsibility over factory conditions. At the bottom of this tier is cut and sew contractors: firms contracted by manufacturers to cut and sew clothing using materials owned by others (brands and manufacturers control the entire process). This industry is classified by NAICS code 315210, part of the larger NAICS code 315 for apparel manufacturing.

Domestic manufacturing in the US is a shrinking industry, as brands and manufacturers are faced with extreme downward pressure on costs. As a result, many brands choose to manufacture clothing in countries outside of the US with fewer restrictions on wages and labor. However, a strong cluster of firms remains in Los Angeles despite the rise in outsourcing and globalization. This strong cluster is due to several factors, but the most important are the labor force with high turnover due to the immigrant population in Los Angeles, proximity to the Ports of Los Angeles and Long Beach, adequate transportation infrastructure, proximity to related industries like entertainment, and access to abundant consumer retail markets.

This report investigates the local cut and sew contracting sector, placing it in the context of the global apparel industry to understand how the past has led us to where we are today, and where the industry might go from here.

Purpose

The purpose of this report is to provide our client, the Garment Workers' Center (GWC), with a comprehensive illustration of Los Angeles' cut and sew apparel contracting sector. This report provides a quantitative and qualitative analysis of the domestic cut and sew apparel contracting sector, while also framing it within the larger national and global apparel manufacturing industries. The following sections highlight our in-depth sectoral analysis and key findings related to industry performance, supply chain dynamics, working conditions, governance, policy, and sustainability.

Methods

Research for this report was gathered using both qualitative and quantitative methods, including but not limited to interviews, site visits, photos, academic articles, newspapers, magazine articles, and data from government organizations. Importantly, while government agencies such as the Census Bureau and the Bureau of Labor Statistics compile a wealth of information on industries including cut and sew apparel contractors, we know that the garment industry relies heavily on informal, unrecorded labor and workplaces that are not represented in official data sources. As such, we have worked to supplement quantitative analysis of government data with qualitative

interviews and observations, relying on this mixed methods approach to paint a more complete picture of the industry.

Where charts or graphs compare financial information across years, numbers have been adjusted to incorporate inflation and current dollar values.

Looking Back

Employment and revenue among cut and sew contracting firms have been steadily decreasing for several decades. As of 2019, there are 2,897 registered cut and sew contracting firms operating in the United States under NAICS code 315210. Of these firms, 58% are located in the Los Angeles Metro Area. Employment numbers for the domestic apparel industry at large have dramatically decreased since the 1970s, with the industry losing more than one million jobs since 1973.¹ In 2019, cut and sew firms reported employing 21,357 individuals in the US.² Our research shows that these numbers are likely a gross underestimate of actual employment in the sector, due to fly-by-night business practices and “runaway shops” — or shops that relocate operations from one facility to another.

Similar to employment, revenues in the cut and sew apparel contractor industry have steadily been decreasing at all domestic geographic levels. According to nominal figures, the national revenues for contractors decreased by 22% between 2012 and 2021.³ In California, revenue data shows that revenues for the wider cut and sew apparel manufacturing sector dropped by 31% between 2012 and 2019.^{4,5,6} Finally, from 2012 to 2017 revenues for firms in the cut and sew apparel manufacturing industry decreased by roughly 3.8%.⁷

While a look at the industry by numbers shows a declining American cut and sew contracting industry, the strength of the local LA industry is poorly represented in government data sources. Our evidence shows that numbers can be misleading in an industry that operates largely outside the purview of government regulatory processes. Much of the Los Angeles cut and sew sector remains unaccounted for by government agencies, but contributes greatly to the country's apparel market.

Where Are We Now?

Los Angeles is and will continue to be the epicenter for US apparel manufacturing. Los Angeles is a powerhouse when it comes to apparel manufacturing. Although historically

¹ Mark Mittelhauser, “Employment Trends in Textiles and Apparel, 1973-2005,” 1997, 13.

² US Census Bureau, “Annual Survey of Manufactures: Summary Statistics for Industry Groups and Industries in the U.S.: 2019 and 2018; California; NAICS 3152,” accessed October 9, 2021, <https://data.census.gov/cedsci/table?q=&g=0400000US06&n=3152&tid=ASMAREA2017.AM1831BASIC01>.

³ Jared Ristoff, “Cut and Sew Manufacturers in the US”, IBISWorld, 2021.

⁴ US Census Bureau, “Annual Survey of Manufactures: Summary Statistics for Industry Groups and Industries in the U.S.: 2019 and 2018; California.

⁵ *ibid.*

⁶ *ibid.*

⁷ *ibid.*

second to New York City's Garment District, Los Angeles' Fashion District gained its leading title as the country's highest concentration of apparel manufacturing activity in the 1990s. Today, LA's Fashion District is made up of wholesalers and retailers lined along busy streets; iconic multistory buildings home to hundreds of contractors and manufacturers; and studios that serve as design centers and showrooms. Given the close proximity of so many actors within the apparel manufacturing production chain, it is no surprise to see LA as the country's leading apparel manufacturing center. There are many driving factors for why this is, including abundant labor in the metropolitan area, proximity to the two largest ports in the nation, adequate transportation infrastructure, presence of complementary industries like entertainment, and access to large consumer retail markets. The collective concentration of various and niche firms across the supply chain, plus the convenience of proximity and transportation offer appealing advantages from all parties in the supply chain as this leads to greater flexibility, quicker interventions and turn around times, lower transportation costs, and greater control. Given the cost savings and convenience associated with agglomeration economies, the Los Angeles market offers irreplaceable advantages for domestic brands and designers.

Despite the intense concentration of industry activities in LA, the fragmentation of contracting work has made it difficult to regulate and resulted in a largely informal sector. Fragmentation in the cut and sew apparel contracting sector refers to the presence of many small firms, typically employing fewer than 10 workers, that makes it difficult for any one firm to capture a large share of the market. While saturation of the market is typically synonymous with intense competition, this is not the case for cut and sew contractors. Instead, business is contracted through informal networks that are built on trust and the reputation of a contractor's work. Informality also extends into firm operations and employer-worker relations. Many cut and sew contracting firms operate without the proper licenses, certifications, and registrations. As a result, many also fail to pay taxes. If caught by regulatory agencies, these firms risk financial penalties and closure. However, the lack of regulatory oversight by local, state, and national governments makes it easy for such firms to reopen under a new name in a new, yet nearby, facility. In addition, cut and sew contracting workers are oftentimes hired under dubious terms, making them vulnerable to exploitation by their employers.

Wage theft remains rampant despite legislative intervention. Decades of legislative intervention and government oversight have attempted to crack down on wage theft in the industry, which has one of the highest violation rates among low wage industries. The demographics of the workforce (primarily women, recent immigrants, and non-native english speakers) exacerbate the problem. State and federal investigations regularly find millions of dollars a year in back wages owed, and studies of the local industry find an average wage that is a fraction of the state mandated minimum wage. California's first attempt to eliminate wage theft was in 1999 with AB 633, which created proportional liability and enacted basic workplace standards. More than 20 years later, the problem remains rampant, leading to SB 62 (passed in 2021), which expanded brand liability and eliminated piece rate pay. The potential impacts of SB 62 are discussed below.

The COVID-19 pandemic unevenly harmed workers at the bottom of the supply chain. Garment workers around the globe faced increased hardship as a result of COVID-19

due to the sudden, increased demand of face masks and other protective gear and the lack of support for workers in this industry. The fallout exacerbated existing inequalities within global supply chains and the burden was pushed onto the backs of those at the bottom of the industry — garment factory workers. Around the globe, garment workers lost an annual income of 11% and faced extreme economic strain.⁸ Some of the violations Los Angeles garment workers experienced in their workplace during peak COVID-19 transmission included work stations being less than six feet apart, cardboard barriers (rather than glass or plastic), and in fatal circumstances, death.⁹

The negative impacts of the pandemic on the cut and sew garment industry were more evident by garment workers that are part of marginalized communities, such as undocumented individuals who are not eligible for government support or stimulus checks offered. With this consideration for documentation status comes the fear of employer retaliation, increasing the difficulty faced by workers asserting their rights.¹⁰ This led workers to continue to work in uncertain conditions in order to survive the pandemic, exemplifying the complexity of how the lines between free and unfree labor become blurred and intensified in times of extreme hardship.

Brands promoting ethical production and transparency are a step in the right direction, but don't immediately lead to results. Brands hold significant power, and their participation will be necessary in the creation of a more just and equitable industry. Brands of all sizes (from small local makers to multinational corporations) have begun promoting ethical production and transparency as a selling point. Some have even begun publishing lists of factories, a major step in an industry that is historically opaque. However, brands far too often promote ethical practices for their own brand reputation, and a deeper dive into corporate social responsibility commonly reveals shallow efforts to improve labor conditions, sustainability practices, and transparency.

Looking Forward

SB 62 is a landmark victory for garment workers, but its impact won't be fully understood for some time. SB 62, otherwise known as the Garment Workers Protection Act, passed in September 2021, following a massive two-year organizing campaign led by the Garment Worker Center. The bill mandates that employers pay garment workers an hourly wage, eliminating piece rate pay except as an additional incentive on top of an hourly wage at or above the minimum wage.¹¹ It also makes fashion brands liable for

⁸ Genevieve LeBaron et al., "The Unequal Impacts of Covid-19 on Global Garment Supply Chains," 2021, <http://speri.dept.shef.ac.uk/wp-content/uploads/2021/06/The-Unequal-Impacts-of-Covid-19-on-Global-Garment-Supply-Chains.pdf>.

⁹ Alison Morse. "The Dirty Truth Behind Los Angeles' Garment Sector," July 24, 2020. <https://remake.world/stories/news/the-dirty-truth-behind-los-angeles-garment-sector/>.

¹⁰ Ibid.

¹¹ "Governor Newsom Signs Legislation Creating Nation-Leading Worker Protections for Garment Industry, Additional Measures to Combat Unfair Pay Practices and Improve Workplace Conditions," California Governor, September 27, 2021, <https://www.gov.ca.gov/2021/09/27/governor-newsom-signs-legislation-creating-nation-leading-worker-protections-for-garment-industry-additional-measures-to-combat-unfair-pay-practices-and-improve-workplace-conditions/>.

wage theft that takes place under manufacturers or contractors they work with, above and beyond the “proportional liability” created by AB 633, introducing unprecedented accountability in the sector.¹² This is a landmark victory for garment workers, not only in California, but around the world.

SB 62 stands as a huge moment for the industry at large and lays the legal groundwork for a bigger push for labor rights in the garment manufacturing industry, representing the best chance of eliminating wage theft and exploitation in the industry. As the bill goes into effect in January 2022, it is too early to speak to SB 62's actual impact. Ultimately, its success will rely on watchdogs, organizers, and robust enforcement to ensure a redistribution of power into the hands of garment makers. While industry experts and stakeholders are enthusiastic about the increased liability for brands, there is a concern that contractors and manufacturers will find creative new ways to perpetuate wage theft.

Organizing efforts will continue to be central for ensuring equity in the garment sector.

Educating garment workers on their rights has proven to be an effective strategy for organizing in the industry so far. Since their formation in 2001, the Garment Workers Center has trained garment workers to recognize and advocate against exploitative and illegal practices, for themselves and others in their workplaces equipping them with the knowledge and resources to combat wage theft and other harms. During COVID-19, GWC became a central source of information in regards to sick pay and other entitlements which employers were not always honest about. Because of their non-union and non-hierarchical structure, the GWC was able to offer nimble, on-the-ground support that proved essential during the pandemic. These sort of agile and worker-centered support systems will continue to be important in Los Angeles, and would benefit from additional funding and support to educate workers on their new rights as codified by SB 62.

Expanded migration rights can help support garment workers. As a considerable portion of garment workers in Los Angeles do not hold legal residency status, they are vulnerable to exploitation from their employers. The El Monte sweatshop case in which 72 Thai workers were found in a high security sweatshop in El Monte, California reflects the complex and devastating links between capitalism, colonization, unequal development, and migration. Improved labor and migration policies which support freedom of movement and elevated livelihood and labor conditions around the world are policy platforms which would substantially benefit garment workers in Los Angeles and abroad.

Domestic apparel manufacturing may continue to decline, but the Los Angeles cut and sew industry is unlikely to disappear completely. While pundits have long forecasted that increasing domestic regulations combined with liberalized trade policies will result in the elimination of domestic apparel manufacturing, our research suggests it is not so clear cut. Despite steadily decreasing employment in the sector, the rate of decline appears to have slowed in recent years (with the exception of 2020 due to the

¹² Suhauna Hussain and Brittany Mejia, “Wage Theft Is a Problem for L.A. Garment Workers. A California Bill Aims to Fix It. Again,” Los Angeles Times, September 3, 2021, <https://www.latimes.com/business/story/2021-09-03/sb-62-wage-theft-garment-industry-heads-to-vote>.

COVID-19 pandemic). Additionally, we find strong evidence that the benefits of agglomeration in Los Angeles are helping to protect the local sector. Interviews with contractors highlighted that despite the increasing costs of operating in Los Angeles, the location's proximity to manufacturers, brands, and retailers is too strong of a benefit to turn down. Many place hope in the consumers' increasing preference for sustainably produced apparel. This market includes "made in the US" apparel, a movement that could slowly help the domestic industry regain some of its confidence. However, the industry has repeatedly shown that cost-cutting priorities for firms have taken precedence over the ethical demands of a small number of consumers. Therefore, we are not confident that the domestic industry is on its way to a full resurgence - rather that the industry will likely reach a floor beneath which employment will not fall.

History of the Cut and Sew Garment Industry

The cut and sew garment sector has a deep-rooted history in Los Angeles. One prominent figure in the development of the local sector was Morris Cohn (1869-1941), who arrived in Los Angeles at 21 years old and began working at Jacoby Brothers, a local clothing retail store.¹³ With two years of experience, Cohn founded his own company named Morris Cohn & Company in 1890 within the establishment at 112 Commercial Street, Los Angeles, California.¹⁴ This is the first documented garment manufacturer in Los Angeles, specializing in men's overalls, wholesale boots, and shoes.¹⁵ Cohn was noted as being the first to introduce a powered sewing machine, allowing for an increased production method that would support heightened sales.¹⁶

Figure 1: Garment workers using a powered sewing machine in a Los Angeles manufacturer, circa 1940s.¹⁷



Cohn's company continued to grow, and led to a partnership with Lemuel Goldwater for financial support. The Cohn-Goldwater and Company was founded in 1899. In 1909, the company continued to increase production and size, and moved to the first modern steel-reinforced concrete factory building in Los Angeles at 525 East 12th Street.¹⁸ The company continued to grow in employment as well as production until its liquidation in 1962.

¹³ Los Angeles Almanac. "The Beginning of L.A.'s Fashion Industry." Accessed September 30, 2021. <http://www.laalmanac.com/economy/ec703.php>.

¹⁴ *ibid.*

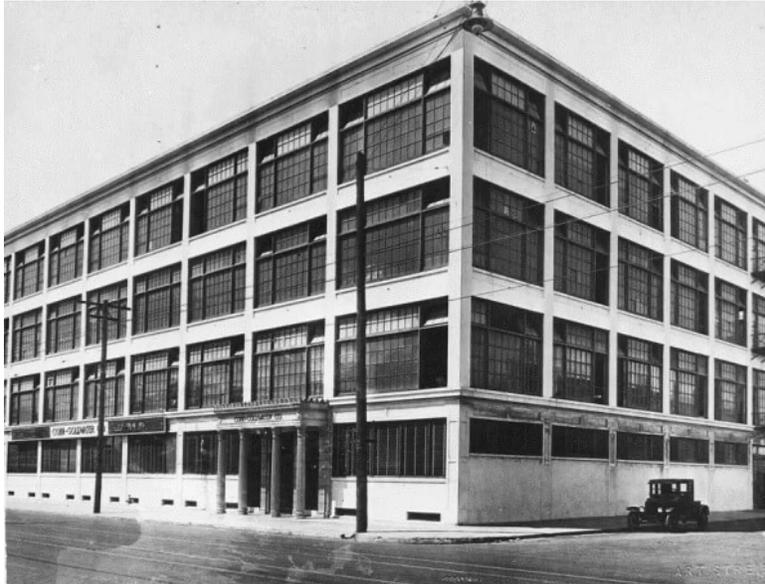
¹⁵ *ibid.*

¹⁶ *ibid.*

¹⁷ *ibid.*

¹⁸ *ibid.*

Figure 2: Cohn-Goldwater and Company Building, circa 1909.¹⁹



Morris Cohn is a pioneer of the textile and garment industry who introduced the powered sewing machine and a prominent business model that allowed for such production for over 70 years. This story is just one of several examples of textile and garment manufacturers that contributed to the sector in Los Angeles. Throughout the 20th century, several garment manufacturers moved from the East Coast in search for cheaper production facilities and labor.²⁰ With this search for cheaper means, Los Angeles became a booming industry with its own specialties, along with other major cities throughout the United States. Although all had diverse expertise, most relied on modern factories and sweatshops, where garment workers are underpaid, exploited, and work in poor conditions, in order to produce the demand for clothing.²¹

Activism and Reform

The use of sweatshops as a main source of production within the cut and sew garment industry led to a push for change, with women at the forefront of such reform movements and activism. In the late 19th and early 20th century, the National Consumers' League and the National Women's Trade Union League were established with increased support to promote an alliance between working women and the women who consumed such products.²² In 1911, a horrific fire in a garment factory became a pivotal moment not just for the garment industry, but for the entire labor movement. When a fire broke out on the upper floors of a 10 story building known as the Triangle Shirtwaist Factory, workers (mostly younger women) discovered they could not escape because the factory owners had locked the doors to the stairs to prevent the workers

¹⁹ Los Angeles Almanac. "The Beginning of L.A.'s Fashion Industry."

²⁰ National Museum of American History. "History of Sweatshops: 1880-1940." Accessed September 30, 2021. <https://americanhistory.si.edu/sweatshops/history-1880-1940>.

²¹ *ibid.*

²² *ibid.*

from taking breaks.²³ 146 workers died trying to escape, and the incident prompted outrage about worker safety and labor conditions.²⁴ In the aftermath of the fire, the International Ladies' Garment Workers' Union rose to prominence as a voice for garment workers.

Such activism led to strikes, community organizing, and pressure for reform; and local and state regulation all heightened in order to improve labor standards in the garment industry. Following the election of Franklin Delano Roosevelt in 1932, this pressure helped push forward the New Deal reforms at the federal level, meant to eliminate sweatshops and increase union ties.²⁵ In fact, the woman who would become President Roosevelt's Secretary of Labor, Frances Perkins, rose to prominence as workers' rights advocate after witnessing the Triangle Shirtwaist Fire.²⁶

President Roosevelt also signed the Fair Labor Standards Act of 1938, allowing for a national minimum wage of 25 cents an hour and a maximum work week of 44 hours (which gradually decreased to 40 hours a week). These improvements in the garment industry allowed for the labor to stay within the United States and decrease contract shops.²⁷ Unfortunately, the victory of the Fair Labor Standards Act did not hold long-term, and sweatshop production resurfaced in the late 1960s. Some of the causes of this included changes in the retail industry of the garment sector, a growing global economy, and a large labor pool of immigrant workers in the United States.²⁸

Geographic Shifts

Prior to 1970, most of the US apparel industry was located domestically, with a large majority in major cities.²⁹ However, between 1980 and 2010, US apparel manufacturing jobs have declined by 81.5%.³⁰ Similarly, New York (once the hub of domestic manufacturing), also experienced a decrease in apparel manufacturing jobs.³¹ Production moved offshore to Mexico, Latin America, and the Caribbean, where factories was still able to deliver final apparel products just-in-time, but at a much cheaper labor cost.³² This supports the notion that since the 20th century, the US fashion has transitioned from being an apparel manufacturing sector to a global design industry.³³ By 2007, New York held 17% of manufacturing, while Los Angeles held 32.4% of manufacturing, clearly dominating the domestic industry. In the Local Dynamics section of this report, we

²³ "Triangle Shirtwaist Fire | AFL-CIO," accessed December 8, 2021, <https://aflcio.org/about/history/labor-history-events/triangle-shirtwaist-fire>.

²⁴ *ibid.*

²⁵ *ibid.*

²⁶ "Triangle Shirtwaist Fire | AFL-CIO."

²⁷ *ibid.*

²⁸ *ibid.*

²⁹ Williams, Sarah, and Elizabeth Currid-Halkett. "The Emergence of Los Angeles as a Fashion Hub: A Comparative Spatial Analysis of the New York and Los Angeles Fashion Industries." *Urban Studies* 48, no. 14 (2011): 3043–66. <http://www.jstor.org/stable/43082023>.

³⁰ Williams and Currid-Halkett. "The Emergence of Los Angeles as a Fashion Hub: A Comparative Spatial Analysis of the New York and Los Angeles Fashion Industries."

³¹ *ibid.*

³² *ibid.*

³³ *ibid.*

discuss the multitude of factors that created (and now maintain) a strong local cluster in Los Angeles.

Industry At A Glance

NAICS

The North American Industry Classification System, or NAICS, is a standardized classification system for business establishments, grouped by economic activity. NAICS has been used as the dominant system of classification across Canada, the United States, and Mexico since 1997. Prior to this time, the United States relied on the Standard Industrial Classification (SIC) codes to classify US businesses and compare economic activities with Canada. While the NAICS is now the dominant system of classification, SIC codes offer an additional lens by which we can look at and understand the cut and sew apparel industry.

The NAICS relies on a hierarchical coding methodology made of 5-6 digits, each of which adds a layer of specificity. The first two digits refer to the umbrella industry of a specific business (for example, 31 is for manufacturing). The third digit shows the subsector (for example, subsector 313 refers to textile mills while subsector 315 refers to apparel manufacturing). The fourth number speaks to the industry group (3152 refers to cut and sew manufacturing). The fifth number refers to the industry type (31521 for cut and sew apparel contractors), while the last digit refers to the country code, which is 0 for US businesses (315210 refers to cut and sew apparel contractors in the United States).

While the cut and sew apparel industry has its own NAICS code (315210), there are many other related industries that fall outside of this NAICS code. A full list of the NAICS codes, code descriptions, and detailed descriptions for the cut and sew apparel industry and related industries can be found in Figure A of the Appendix, and the most relevant codes are seen below in Figure 3.

One major difference between the NAICS and SIC systems in the cut and sew apparel industry is the level of specificity. In the NAICS system, cut and sew apparel contractors reflect the most narrow classification of this industry. However, the SIC system breaks this down into greater detail through detailed classification by output product. For example, SIC Group 231 reflects Men's And Boys' Suits, Coats, And Overcoats, while SIC Group 236 reflects Girls', Children's, And Infants' Outerwear (a full list of SIC codes can be found in Figure B of the Appendix).³⁴

³⁴ United States Department of Labor, "Standard Industrial Classification (SIC) Manual."

Figure 3: NAICS Codes and Descriptions related to the Cut and Sew Manufacturing Sector³⁵

NAICS Code	Code Description	Detailed Description
315	Apparel Manufacturing	Industries in the Apparel Manufacturing subsector group establishments with two distinct manufacturing processes: (1) cut and sew (i.e., purchasing fabric and cutting and sewing to make a garment) and (2) the manufacture of garments in establishments that first knit fabric and then cut and sew the fabric into a garment. The Apparel Manufacturing subsector includes a diverse range of establishments manufacturing full lines of ready-to-wear apparel and custom apparel: apparel contractors, performing cutting or sewing operations on materials owned by others; jobbers, performing entrepreneurial functions involved in apparel manufacturing; and tailors, manufacturing custom garments for individual clients. Knitting fabric, when done alone, is classified in the Textile Mills subsector, but when knitting is combined with the production of complete garments, the activity is classified in the Apparel Manufacturing subsector.
3151	Apparel Knitting Mills	This industry group comprises establishments primarily engaged in knitting apparel or knitting fabric and then manufacturing apparel. This industry group includes jobbers performing entrepreneurial functions involved in knitting apparel and accessories. Knitting fabric, without manufacturing apparel, is classified in Subsector 313, Textile Mills.
3152	Cut and Sew Apparel Manufacturing	This industry group comprises establishments primarily engaged in manufacturing cut and sew apparel from woven fabric or purchased knit fabric. Included in this industry group is a diverse range of establishments manufacturing full lines of ready-to-wear apparel and custom apparel: apparel contractors, performing cutting or sewing operations on materials

³⁵ Executive Office of the President, "North American Industry Classification System Manual."

		owned by others; jobbers, performing entrepreneurial functions involved in apparel manufacturing; and tailors, manufacturing custom garments for individual clients. Establishments weaving or knitting fabric, without manufacturing apparel, are classified in Subsector 313, Textile Mills.
315210	Cut and Sew Apparel Contractors	This industry comprises establishments commonly referred to as contractors primarily engaged in (1) cutting materials owned by others for apparel and accessories and/or (2) sewing materials owned by others for apparel and accessories.
315220	Men's and Boys' Cut and Sew Apparel Manufacturing	<p>This industry comprises establishments primarily engaged in manufacturing men's and boys' cut and sew apparel from purchased fabric. Men's and boys' clothing jobbers, who perform entrepreneurial functions involved in apparel manufacture, including buying raw materials, designing and preparing samples, arranging for apparel to be made from their materials, and marketing finished apparel, are included.</p> <p>Cutting and/or sewing materials owned by others for men's and boys' apparel are cross-classified in Industry 315210, Cut and Sew Apparel Contractors.</p>
315240	Women's, Girls', and Infants' Cut and Sew Apparel Manufacturing	<p>This industry comprises establishments primarily engaged in manufacturing women's, girls', and infants' apparel from purchased fabric. Women's, girls', and infants' clothing jobbers, who perform entrepreneurial functions involved in apparel manufacture, including buying raw materials, designing and preparing samples, arranging for apparel to be made from their materials, and marketing finished apparel, are included.</p> <p>Cutting and/or sewing materials owned by others for women's, girls', and infants' apparel are cross-classified in Industry</p>

		315210, Cut and Sew Apparel Contractors.
315280	Other Cut and Sew Apparel Manufacturing	<p>This industry comprises establishments primarily engaged in manufacturing cut and sew apparel from purchased fabric (except men's, boys', women's, girls', and infants' apparel). Clothing jobbers for these products, who perform entrepreneurial functions involved in apparel manufacture, including buying raw materials, designing and preparing samples, arranging for apparel to be made from their materials, and marketing finished apparel, are included. Examples of products made by these establishments are fur or leather apparel, sheep-lined clothing, team athletic uniforms, band uniforms, academic caps and gowns, clerical vestments, and costumes.</p> <p>Cutting and/or sewing materials owned by others for apparel--are cross-classified in Industry 315210, Cut and Sew Apparel Contractors.</p>

Industry Overview

In 2019, there were 2,897 cut and sew apparel contractor firms operating in the US.³⁶ The industry at large is highly fragmented, with no one firm assuming a particularly large share of the market. This low market share concentration is due to the fact that the industry is dominated by small-scale firms that employ fewer than 20 workers. Despite their small operations, cut and sew contractors fulfill orders for both small and large brands.

California houses more than 58% of cut and sew apparel contractor firms in the US, with the Los Angeles Metro area representing the most concentrated region.³⁷ With two of the three busiest shipping ports in America located in Los Angeles and Oakland, California's stronghold over the industry allows for firms within the state to benefit indirectly from advantages like low shipping costs and other supply chain efficiencies, since the suppliers of contractors often rely on imported raw materials and textiles. In 2019, LA County had 1,446 establishments that employed 11,272.

The number of establishments in LA County has steadily dropped over the last two decades, largely due to the "runaway shop" phenomenon (in which a factory closes and

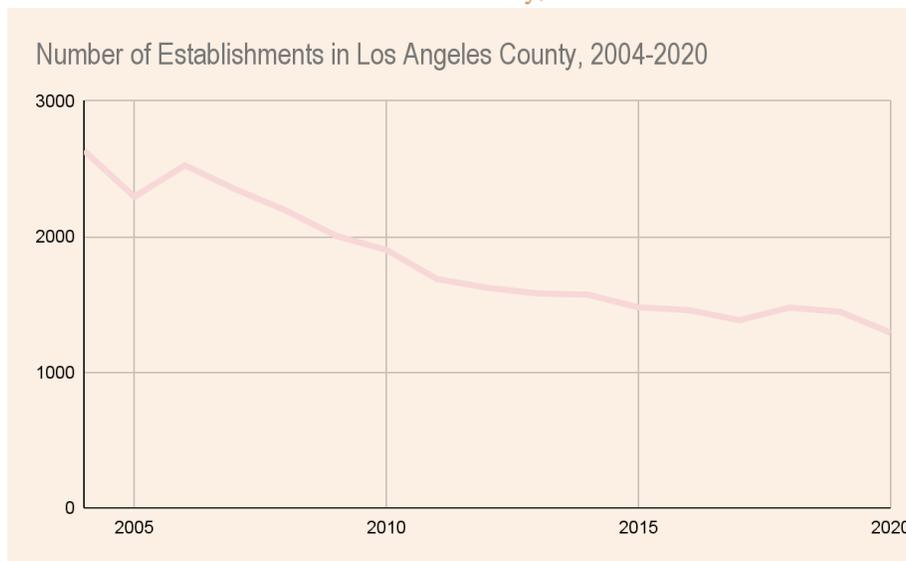
³⁶ United States Census Bureau, "All Sectors: County Business Patterns, Including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2019."

³⁷ Jared Ristoff, "Cut and Sew Manufacturers in the US," IBISWorld, 2021.

reopens in order to avoid unionization or other accountability), with additional enabling factors including the offshoring of manufacturing activity and automation (Figure 4). In order for US-based firms to remain competitive in the face of import penetration, many have had to cut back on costs, including labor. These reactionary trends result in depressing employment rates and wages (Figure 5). Between 2004 and 2019, average employment in the sector dropped by 68%, while annual wages paid dropped by 48%.³⁸ Significant drops in employment and wages reaffirm that advances in technology continue to threaten the industry. However, the generally low barriers to entry in the sector have allowed for new players to balance out the rate of exit from the sector.

Recent fluctuations in industry trends can largely be attributed to the COVID-19 pandemic, whereby demand across many industries was greatly stifled. In a sector where profit margins are already slim, COVID-19 choked cut and sew apparel contractors of any consistent demand. An irregularly lackluster and slow market forced many firms to pursue layoffs. For many of these smaller firms, reducing labor meant operating at an unprofitable scale, eventually forcing many to shut down. For these reasons, the number of firms in LA County dropped by 11%, while the number of workers employed by the sector dropped by 31%.³⁹

Figure 4. Number of Establishments in LA County, 2004 - 2020⁴⁰

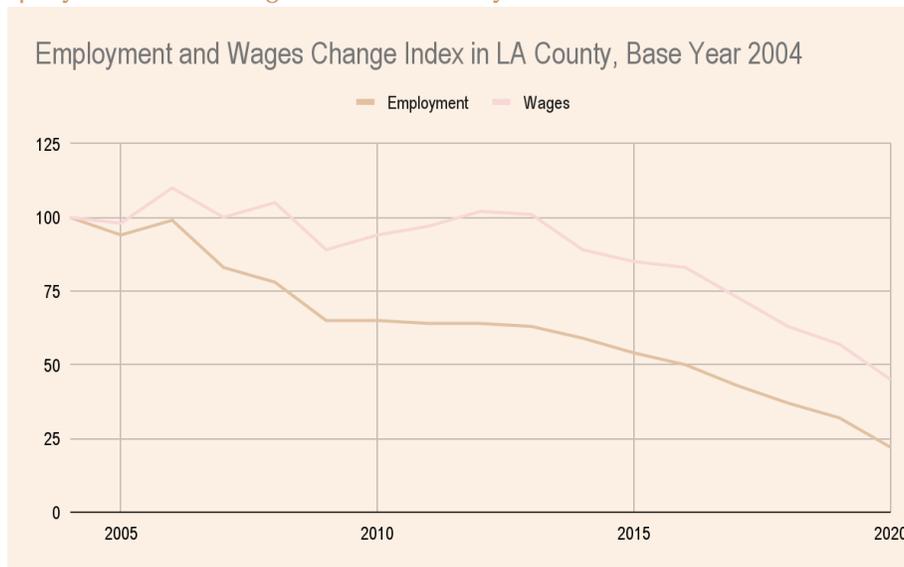


³⁸ State of California, "Quarterly Census of Employment and Wages (QCEW)."

³⁹ *ibid.*

⁴⁰ US Census Bureau, Quarterly Census of Employment and Wages (QCEW), 2020.

Figure 5. Employment and Wages in LA County, 2004 - 2020⁴¹



While highly fragmented, the national cut and sew apparel contractors industry generated over \$1.9 billion in sales in 2019.⁴² Los Angeles leads the industry in sales volumes, accounting for roughly 82.5% and 83.0% of California's and the nation's cut and sew apparel sales, respectively.⁴³ Figure 6 shows the LA Metro Area's sales volume between 2018 and 2021. California's dominance in the industry can be attributed to a number of reasons including its proximity to international ports, a large population of migrant workers, and its status as a national hub for fashion and apparel. Sales in the cut and sew apparel contractor industry are largely driven by three demand factors: (1) price; (2) fashion trends, and (3) brand strength (Table 1).⁴⁴ Foreign imports of low-cost apparel present major competition to cut and sew apparel contractors in the US, forcing them to slash prices to remain competitive and retain demand. On the other hand, domestic firms benefit from their proximity to local markets, making it quicker for them to respond to shifts in fashion trends and sudden increases in demand. Finally, large multinational firms in the market threaten to acquire smaller-scale retail firms that serve as the main clientele to cut and sew apparel contractors. Therefore, as competition intensifies and large multinationals continue to tighten their grip on the market, small-scale contractors could experience diminishing demand.⁴⁵

⁴¹ *ibid.*

⁴² Ristoff. "Cut and Sew Manufacturers in the US."

⁴³ BizMiner, "Industry Market Report: NAICS [3152]," 2021.

⁴⁴ Ristoff. "Cut and Sew Manufacturers in the US."

⁴⁵ *ibid.*

Figure 6. LA Metro Area Sales Volume, 2018-2021⁴⁶

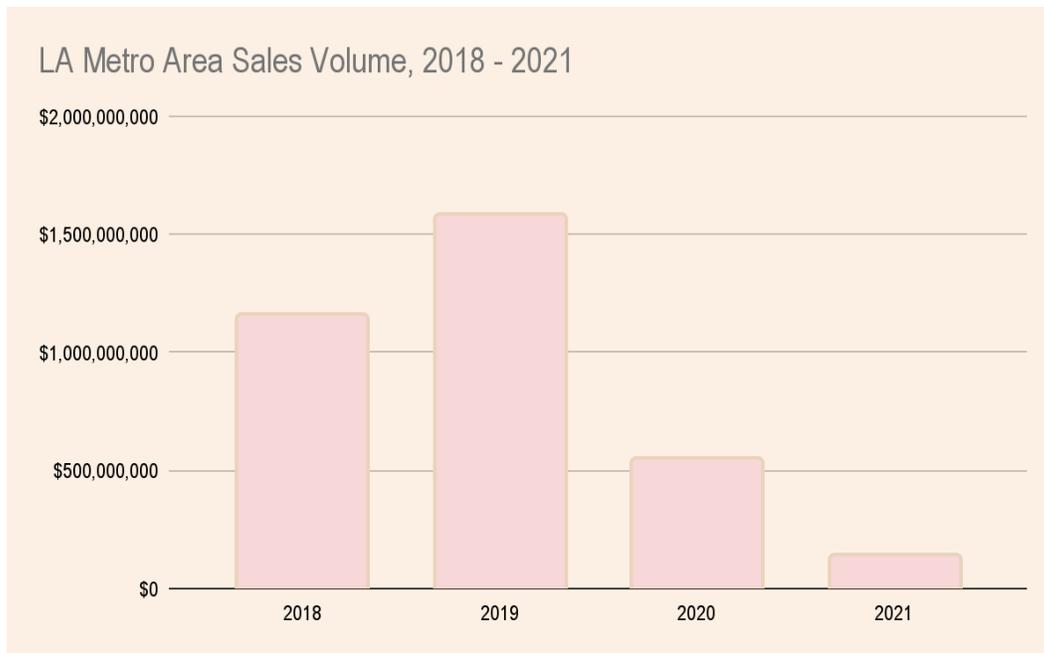


Table 1. Demand Determinants⁴⁷

Determinant	Impact on Demand
Price	US-based firms must compete with low-cost imported clothes that continue to represent an increasing share of the market. Lower prices are one way that domestic firms can maintain existing buyers.
Fashion Trends	With quick and seasonal shifts in fashion trends, domestic firms benefit from the proximity to markets and their ability to respond to new trends. A growing market for "Made in the US" apparel also inflates demand for domestic firms.
Brand Strength	Many cut and sew apparel contractor firms work for apparel companies with smaller operations, while larger-scale companies with greater brand recognition tend to offshore their contracting operations due to production cost-savings. These larger retail companies also operate in a monopolistic

⁴⁶ BizMiner. "Industry Market Report."

⁴⁷ Ristoff. "Cut and Sew Manufacturers in the US."

	environment and acquire many smaller firms. As smaller companies grow within the industry, and become acquired by companies with larger and more robust supply chains, the demand for smaller-scale contractors is at risk of diminishing.
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Market

Cut and sew apparel contractors serve several markets, with the most notable being clothing companies. Clothing companies account for 58% of the sector's revenue.⁴⁸ Clothing companies include women's and girls' apparel companies; men's and boys' apparel companies; clothing retailers; direct orders; and costume, uniform and infant apparel companies. While women's and girls' apparel continues to represent the largest market, the share of direct orders, or made-to-order garments for private consumers, is increasing.

As demand for domestically made products, or "Made in the US" products, increases due to popular consumer trends, the market for cut and sew apparel contractors continues to expand nationally. However, stiff competition from internationally-based contractors and large multinational retail companies requiring larger-scale contractors makes the global market largely inaccessible for these domestic small-scale firms. The only effective strategy in keeping these firms competitive in a cut-throat market is reducing prices by cutting back on costs. However, low-cost production is oftentimes associated with poor working conditions and meager pay.

Sales

Unsurprisingly, sales trends follow a similar pattern to employment and payroll. Examining industry-wide revenue trends is a balancing act between NAICS Code specificity and geographic specificity, and in order to paint a clear picture we have relied on a combination of national, statewide, and county-wide data. Data for smaller geographic areas is often available only for broader NAICS Codes, such as 3152 (cut and sew apparel manufacturers). However, given that cut and sew apparel contractors are wholly dependent on manufacturers for their revenue, we feel that this is still a useful data point in illustrating industry trends.

US Data

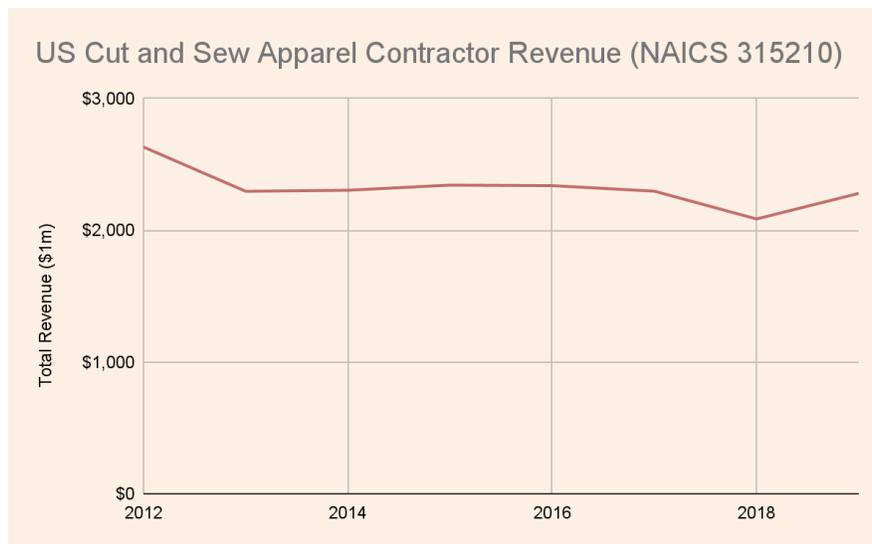
Revenue data specifically for cut and sew apparel contractors was only available at the national level (except for 2012 and 2017, when the full Economic Census was completed, discussed below). The US Census Bureau conducts the Annual Survey of Manufacturers (ASM), which provides data on a range of manufacturing sectors including apparel manufacturing and contracting. In years when the full Economic Census is conducted, the ASM is not conducted, as the full Economic Census reports the same variables in greater detail.⁴⁹ Therefore, in displaying Census data on revenue, we have combined

⁴⁸ *ibid.*

⁴⁹ US Census Bureau, "About the Annual Survey of Manufactures," The United States Census Bureau, accessed October 10, 2021, <https://www.census.gov/programs-surveys/asm/about.html>.

ASM data for the years 2013, 2014, 2015, 2016, 2018, and 2019 with Economic Census data from 2012 and 2017. The same approach is used later in this report when discussing capital expenditures and annual payroll. As seen in Figure 7, nationwide revenue for cut and sew apparel contractors appears largely flat between 2012 and 2019, with small fluctuations year to year - there is a drop in revenue from 2012 to 2013, but then an uptick in revenue from 2018 to 2019.

Figure 7. US Cut and Sew Apparel Contractor Revenue (NAICS 315210, 2021 dollars)^{50,51,52,53,54}



California Data

In order to gain more localized insights, we must turn to broader NAICS Codes - statewide data is available for code 3152, cut and sew apparel manufacturers. As seen in Figure 8, cut and sew apparel manufacturers have seen steadily declining revenue since 2012. 2019 represented a slight increase over 2018, but did not recover to 2017 levels. 2020 information is not yet available, though we expect a significant drop in revenue due to the COVID-19 pandemic, which temporarily closed many manufacturing facilities as they were not deemed essential businesses.

⁵⁰ US Census Bureau, "Annual Survey of Manufactures: Summary Statistics for Industry Groups and Industries in the U.S., 2018 and 2019; US; NAICS 315210."

⁵¹ *ibid.*

⁵² US Census Bureau, "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; US; NAICS 315210."

⁵³ Ristoff. "Cut and Sew Manufacturers in the US."

⁵⁴ Adjusted to 2021 dollars using the Minneapolis Federal Reserve Inflation Calculator

Figure 8. CA Cut and Sew Apparel Manufacturing Revenue (NAICS 3152, 2021 dollars)^{55,56,57,58}



LA County Data

More local data is available only through the full Economic Census, conducted every 5 years (most recently in 2012 and 2017). Even then, information for the most detailed NAICS Code was only available statewide. When both figures are adjusted to 2021 dollars,⁵⁹ we see a significant decline in revenue - between 2012 and 2017, revenue declined almost 10% (see Table 2).⁶⁰

⁵⁵ US Census Bureau, "Annual Survey of Manufactures: Summary Statistics for Industry Groups and Industries in the U.S.: 2019 and 2018; California; NAICS 3152," accessed October 9, 2021, <https://data.census.gov/cedsci/table?q=&g=0400000US06&n=3152&tid=ASMAREA2017.AM1831BASIC01>.

⁵⁶ US Census Bureau, "Annual Survey of Manufactures: Geographic Area Statistics: Statistics for All Manufacturing by State: 2016, 2015, 2014 and 2013; California; NAICS 3152," accessed October 9, 2021, <https://data.census.gov/cedsci/table?q=&g=0400000US06&n=3152&tid=ASMAREA2012.AM1631AS101>.

⁵⁷ US Census Bureau, "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; California; NAICS 3152," accessed October 9, 2021, <https://data.census.gov/cedsci/table?q=&g=0400000US06&n=3152&tid=ECNCOMP2017.EC1700COMP>.

⁵⁸ Adjusted to 2021 dollars using the Minneapolis Federal Reserve Inflation Calculator.

⁵⁹ *ibid.*

⁶⁰ US Census Bureau, "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; California; NAICS 315210."

Table 2. CA Revenue (\$1,000), Cut and Sew Apparel Contractors (2021 dollars)⁶¹

	2012	2017	Percent Change
California (315210)	\$1,528,075	\$1,376,843	-9.90%

To get data for Los Angeles County, we have to zoom out further to NAICS Code 315, which accounts for all apparel manufacturing (see Table 3), and incorporates a significantly broader set of companies. This view shows a significant decline between 2012 and 2017, where 2017 revenue was almost 35% lower than in 2012.

Table 3. Los Angeles County Revenue (\$1,000), Apparel Manufacturing (2021 dollars)^{62,63}

	2012	2017	Percent Change
LA County (315)	\$5,817,537	\$3,823,554	-34.28%

Number of Firms/Establishments

The number of cut and sew contractor establishments in Los Angeles County has decreased steadily since 2014, though the breakdown of establishment size by employees has remained largely unchanged. As seen in Figure 9, the overwhelming majority of establishments document fewer than 10 employees, with most establishments documenting fewer than five. This is consistent with IBISWorld's estimate that 74.9% of contractors employ fewer than 10 people.⁶⁴ However, given the cut and sew contracting industry's reliance on immigrant labor, there is a high possibility that establishments have employees who are being paid under the table, and as such are not reflected in official figures.

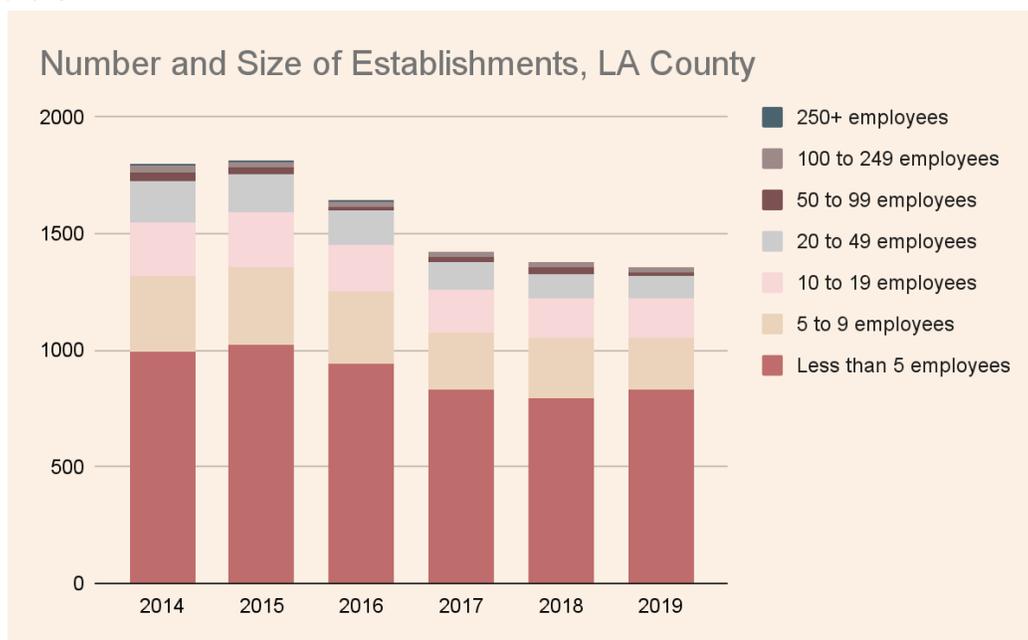
⁶¹ *ibid.*

⁶² US Census Bureau, "All Sectors: Summary Statistics for the U.S., States, and Selected Geographies: 2017; LA County; NAICS 315," accessed October 9, 2021, <https://data.census.gov/cedsci/table?q=&g=0500000US06037&y=2017&n=315&tid=ECNBASIC2017.EC1700BASIC>.

⁶³ US Census Bureau, "All Sectors: Geographic Area Series: Economy-Wide Key Statistics: 2012; Economic Census; LA County, NAICS 315," accessed October 9, 2021, <https://data.census.gov/cedsci/table?q=&t=Value%20of%20Sales,%20Receipts,%20Revenue,%20or%20Shipments&g=0500000US06037&n=315&tid=ECNBASIC2012.EC1200A1>.

⁶⁴Ristoff. "Cut and Sew Manufacturers in the US."

Figure 9. Number and Size of Establishments in LA County, Cut and Sew Apparel Contractors⁶⁵



Concentration Ratio

Cut and sew apparel contractors are highly fragmented, with no one firm making up a large percentage of market share. This is demonstrated by the concentration ratio, which measures the market share of the 50 largest firms in the sector. Concentration ratios range from 0 to 1 (sometimes written as a scale from 0 to 10,000, depending on whether whole number percentages or decimals are used), where higher numbers represent more monopolistic sectors.⁶⁶

The US Department of Justice considers concentration ratios under 0.15 to be competitive marketplaces, signifying that no one firm (or small group of firms) has a monopoly on the industry.⁶⁷ The most recent data available for cut and sew apparel contractors is from 2012, at which point the concentration ratio in the United States was 0.0035 - a highly competitive marketplace.⁶⁸ This is consistent with business intelligence reports such as IBISWorld, which rates cut and sew apparel contractors as

⁶⁵ US Census Bureau, "All Sectors: County Business Patterns, Including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2012-2019."

⁶⁶ "What Is Concentration Ratio?," Investopedia, accessed October 9, 2021, <https://www.investopedia.com/terms/c/concentrationratio.asp>.

⁶⁷ US Department of Justice, "Herfindahl-Hirschman Index," June 25, 2015, <https://www.justice.gov/atr/herfindahl-hirschman-index>.

⁶⁸ US Census Bureau, "Manufacturing: Subject Series: Concentration Ratios: Share of Value of Shipments Accounted for by the 4, 8, 20, and 50 Largest Companies for Industries: 2012," accessed October 9, 2021, <https://data.census.gov/cedsci/table?text=concentration%20ratio&t=Business%20and%20Economy&n=315210&tid=ECNSIZE2012.EC1231SR2&hidePreview=true>.

having low concentration and high competition.⁶⁹ IBISWorld lists no “major players” in the industry.⁷⁰

Subcontracting and Outsourcing

The apparel manufacturing industry encompasses a variety of contractors and subcontractors who are responsible for overseeing product production. Most of the work that is produced in these environments is piecework, meaning that payment is based on the number of pieces produced rather than the amount of time it took to complete a particular item. Due to the rapidly changing nature of the garment industry, contracts and subcontracts operate on short term agreements, meaning that ongoing business relationships are contingent on producing high quality products at a low rate and high speed. Because of the sheer volume of contractors in Los Angeles, firms do not have much bargaining power and are forced to take whatever rate is being offered to them from above. Due to the interrelated and informal nature of the Los Angeles garment manufacturing industry, there is very little formal information available on subcontracting and outsourcing, though it is known to be standard practice in the industry.

Industry Leaders

There are many organizations that can be named leaders in the cut and sew manufacturing sector, but we will highlight three major organizations leading the sector. Remake and the American Apparel and Footwear Association (AAFA) provide support at the national and international level.^{71,72} The Garment Worker Center uplifts Los Angeles garment workers to ensure they work in a safe environment and get paid fair wages, and is a global thought leader in advocating for just working conditions and an ethical industry.⁷³

American Apparel and Footwear Association (AAFA)

The American Apparel and Footwear Association (AAFA) supports over 1,000 brands, retailers, and manufacturers in the industry.⁷⁴ It provides public policy and political support for the industry across the entire United States as well as some international sectors.⁷⁵ The AAFA was formed in August 2000 through a merger of the American Apparel and Manufacturers Association and the Footwear Industries of America.⁷⁶ Now as a merged organization, the AAFA focuses on supply chain and manufacturing, brand protection, and trade.⁷⁷

⁶⁹ Ristoff. “Cut and Sew Manufacturers in the US.”

⁷⁰ *ibid.*

⁷¹ Remake. “Remake - About Us.” Accessed November 21, 2021. <https://remake.world/about-us/>.

⁷² American Apparel and Footwear Association. “American Apparel and Footwear Association - Who We Are.” Accessed November 21, 2021. https://www.aafaglobal.org/AAFA/About/Who_We_Are.aspx.

⁷³ Garment Worker Center. “Garment Worker Center - Vision and Mission.” Accessed November 21, 2021. <https://garmentworkercenter.org/vision-and-mission/>.

⁷⁴ American Apparel and Footwear Association. “American Apparel and Footwear Association - Who We Are.”

⁷⁵ *ibid.*

⁷⁶ *ibid.*

⁷⁷ *ibid.*

Remake

Remake is an international organization that has a commitment to improving the manufacturing aspect of the apparel and fashion industry by centering their movement around ending exploitation.⁷⁸ Founded by labor rights advocate Ayesha Barenblat in 2015, Remake considers itself a 'community of fashion lovers, women rights advocates, and environmentalists' dedicating themselves to challenge the fashion industry's harmful practices on its workers and the environment.⁷⁹ Remake approaches this mission in three important ways: education, advocacy, and transparency. Its unofficial slogan, seen on clothing worn by community members as seen in Figure 10, is 'Wear Your Values', which is uplifting in itself to want consumers to challenge their own consumption and improve its ethics and sustainability.

Figure 10. Wear Your Values shirt



Garment Worker Center (GWC)

The Garment Worker Center (GWC) is an organization that supports workers' rights in Los Angeles and beyond, and is committed to an anti-sweatshop work environment.⁸⁰ There is no other domestic cluster of garment work as large as the cluster in Los Angeles, making this a critical market for organizing. The GWC has led the movement on improvement of labor laws and accountability through activism and organizing.⁸¹ Additionally, the workforce demographic in this sector is predominantly middle-aged women of color. The GWC understands this demographic and centers women of color and immigrant women in their activism, as well as giving interested individuals in the workforce the tools to lead the efforts, like the activists shown in Figure 11. This bottom-up organizing process is what makes this organization a strong leadership and

⁷⁸ Remake. "Remake - About Us."

⁷⁹ *ibid.*

⁸⁰ Garment Worker Center. "Garment Worker Center - Vision and Mission."

⁸¹ *ibid.*

is what has allowed for the GWC to accomplish so much since their establishment in 2001.⁸²

The GWC was established following a horrific, high profile garment slave labor case in El Monte, California. At this time, there were no local leaders that could provide support and organize against this from happening again. Since the victims of the El Monte case were immigrants from Thailand, several immigrant campaigns stepped in to advocate in whatever capacity they could. The Thai Community Development Center, Asian Pacific American Legal Center, Coalition for Humane Immigrant Rights Los Angeles, Korean Immigrant Worker Advocates and UNITE collaborated to lead efforts that would result in the El Monte garment workers winning their campaign.⁸³ This led to the development of the Garment Worker Center and provided context on where their passion stems as well as why they center the individuals that they do. The GWC is the only organization in Los Angeles as well as in California that entirely focuses on garment workers, though their influence extends far beyond state borders.⁸⁴

Figure 11. Garment Worker Center Organizers Demanding LA Go Sweatshop Free⁸⁵



Markets, Customers, and the Commodity Chain

Nature of the Product: Consumers and Intermediaries

Intermediaries

The apparel manufacturing industry is “buyer-driven,” which Judi Kessler describes as having “a governance structure in which control is retained at the retail end of the chain rather than the production end.”⁸⁶ Commenting on the same categorization, Applebaum

⁸² *ibid.*

⁸³ *ibid.*

⁸⁴ *ibid.*

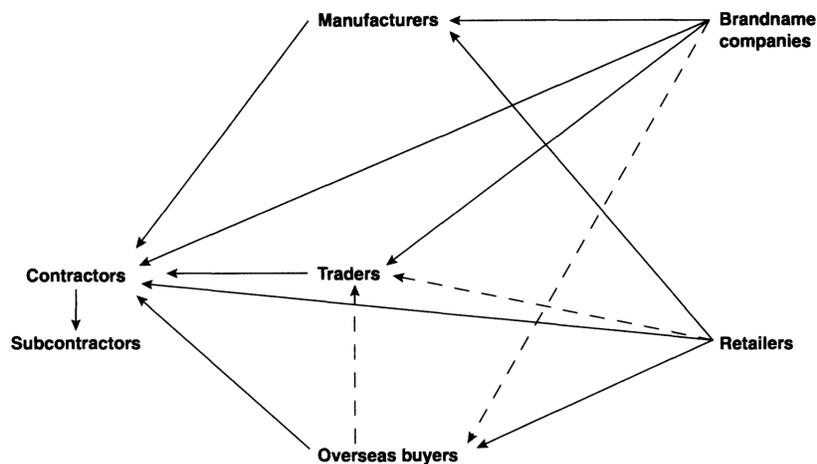
⁸⁵ *ibid.*

⁸⁶ Judi A. Kessler, “The North American Free Trade Agreement, Emerging Apparel Production Networks and Industrial Upgrading: The Southern California/Mexico Connection,” *Review of International Political Economy* 6, no. 4 (1999): 565–608.

articulates “firms that fit the buyer-driven model [...] generally do not own any factories. They are ‘marketeers’ (not ‘manufacturers’) that design and market, but do not make, the products that they sell. Such firms rely on complex networks of contractors that perform almost all their specialized tasks.”⁸⁷

Cut and sew apparel contractors are the lowest rung on this complex supply chain that begins and ends with brands.⁸⁸ Figure 12 illustrates the complex networks within the industry, demonstrating the subcontracted relationships between brand-name companies, manufacturers, and contractors. The immediate “consumer” of the goods produced by contractors is the manufacturer, who acts in a role similar to that of a general contractor managing a construction project - they contract directly with the brand, and subcontract out the various component pieces of the manufacturing process (such as dye work, textiles, knitting, and cut and sew work). However, the ultimate consumer of the product in this industry is the customers of the brands themselves, and it is the brands that hold the power.

Figure 12. Buyer driven commodity chain⁸⁹



Historically, intermediate actors would have consisted of manufacturers, distributors, brands, and retailers. While the presence of online retail has dramatically shifted how brands sell their clothing (from exclusively in physical stores to an increasing prevalence of online sales), it has not fundamentally changed the nature of the supply chain from the perspective of the contractors: brands still control every aspect of the process.

⁸⁷ Richard P. Appelbaum and Gary Gereffi, “Power and Profits in the Apparel Commodity Chain,” *Global Production: The Apparel Industry in the Pacific Rim*, 1994, 42–62.

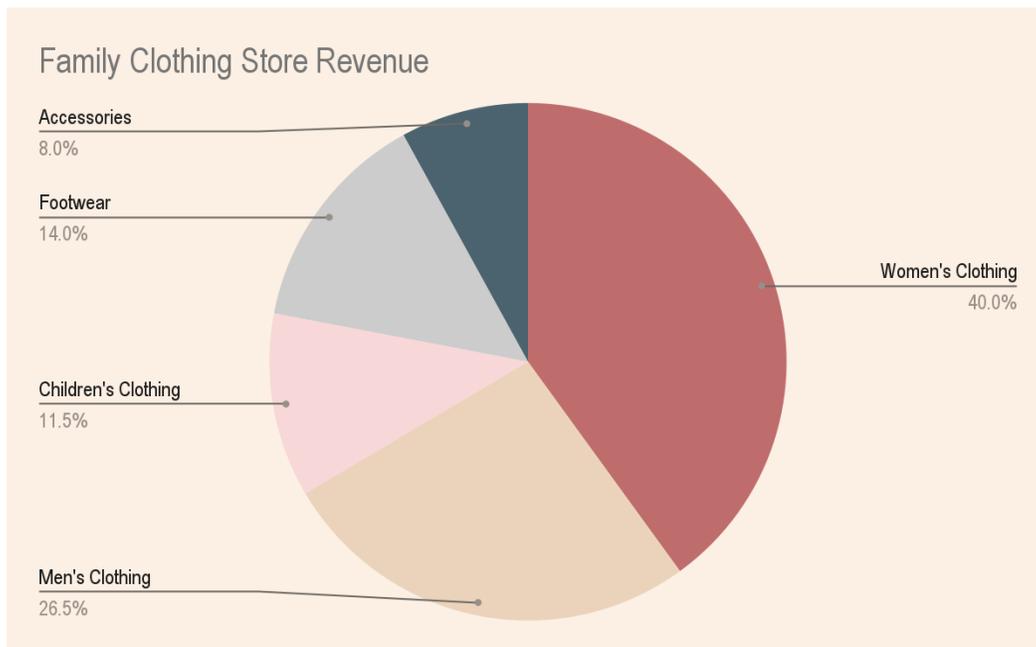
⁸⁸ Stefan Gold et al., “Diffusion of Labor Standards through Supplier–Subcontractor Networks: An Agent-Based Model,” *Journal of Industrial Ecology* 24, no. 6 (2020): 1274–86, <https://doi.org/10.1111/jiec.13041>.

⁸⁹ Kessler, “The North American Free Trade Agreement, Emerging Apparel Production Networks and Industrial Upgrading.”

Final Consumers

Clothing stores are an imperfect metric for measuring consumer spending on apparel, given the increase in e-retailers and online shopping. However, an examination of the breakdown of revenue in clothing stores by audience reveals very stark patterns in demographics: in 2021, the women's clothing store industry had annual revenue of \$30.7 billion, versus \$7.1 billion for men's clothing stores.^{90,91} Family clothing stores, which include clothes for a range of demographics, had annual revenue of \$91.8 billion (see Figure 13 for a breakdown of categories within family clothing stores).⁹²

Figure 13. Family Clothing Store Revenue by Category⁹³



A 2012 Bureau of Labor Statistics report spotlighting the fashion industry shows consumer expenditures by category, and reflects similar trends to the clothing store industry - the majority of spending on apparel and footwear was for women ages 16 and older, with a significantly smaller category for men ages 16 and older (see Figure 14).⁹⁴ Unfortunately, we were unable to find more recent expenditure data broken down by demographics - however, given the clothing store data above, the general trends have almost certainly stayed consistent.

⁹⁰ Claire O'Connor, "Women's Clothing Stores in the US," *IBISWorld*, 2021, 40.

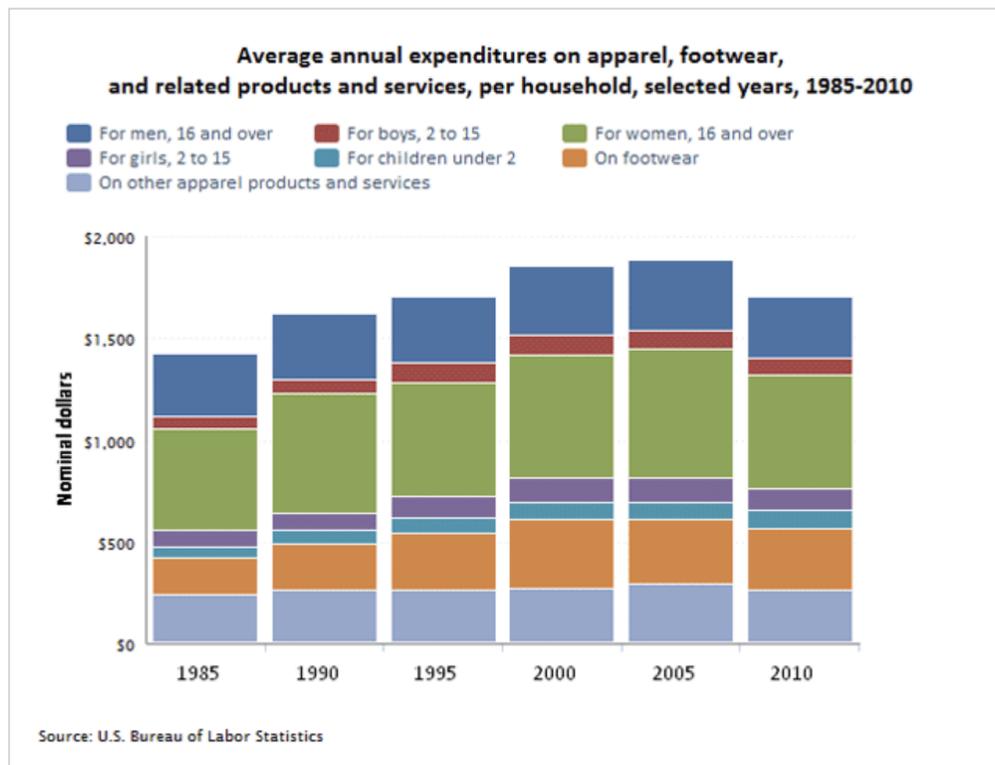
⁹¹ *ibid.*

⁹² Jack Daly, "Family Clothing Stores in the US," *IBISWorld*, 2021, 38.

⁹³ *ibid.*

⁹⁴ Bureau of Labor Statistics (BLS), "Spotlight on Statistics: Fashion," 2012, <https://www.bls.gov/spotlight/2012/fashion/pdf/fashion.pdf>.

Figure 14. Annual Expenditures on Apparel, by Age and Gender⁹⁵



The global apparel industry is sensitive to broader economic trends, with clothing being a purchase that can fluctuate depending on availability of disposable income.⁹⁶ In a World Bank report on the effects of recession on global apparel production, Gereffi and Frederick argue that "the [2008] recession hit the apparel industry especially hard, leading to factory shutdowns, sharp increases in unemployment, and growing concerns over social unrest as displaced workers sought new jobs."⁹⁷ In 2008, before the recession had taken full effect, United States consumers spent \$200 billion on apparel. By Q1 of 2009, spending was down 10% from the same period the previous year.⁹⁸ Examining US imports of clothing shows a similar story: total US imports declined by 3.3% in 2008, and 12% in 2009 - representing the worst decline in 20 years.⁹⁹ With the United States as one of the biggest importers of apparel, these declines had a deleterious effect on global production.¹⁰⁰

⁹⁵ *ibid.*

⁹⁶ Ristoff, "Cut and Sew Manufacturers in the US."

⁹⁷ Gary Gereffi and Stacey Frederick, "The Global Apparel Value Chain, Trade and the Crisis: Challenges and Opportunities for Developing Countries" (Washington, DC: World Bank, April 1, 2010), <https://doi.org/10.1596/1813-9450-5281>.

⁹⁸ *ibid.*

⁹⁹ Cornelia Staritz, "Making the Cut? Low-Income Countries and the Global Clothing Value Chain in a Post-Quota and Post-Crisis World" (Washington, DC: World Bank, 2011), <https://doi.org/10.1596/978-0-8213-8636-1>.

¹⁰⁰ Gereffi and Frederick, "The Global Apparel Value Chain, Trade and the Crisis."

Public Sector Purchasing

The federal government purchases large amounts of apparel in the form of uniforms, for everyone from postal workers to members of the military. There are several laws in place requiring agencies to purchase these uniforms from American manufacturers when possible, but investigations show that this does not always happen.

The three relevant laws governing apparel purchasing are the Buy American Act, the Kissell Amendment, and the Berry Amendment.¹⁰¹ The 1933 Buy American Act generally prohibits federal agencies from buying "foreign" goods, unless purchasing domestic products would be "inconsistent with the public interest" or if the cost is unreasonable.¹⁰² This assessment of unreasonable cost is implemented through a "price preference" mechanism - if the domestic product is not the lowest price offered, a percentage of the cost is added to the lowest price offered before comparing that product to the domestic product. In other words, foreign-made products are given a price penalty over domestic products. The price penalty ranges from 20-50% depending on a variety of factors.¹⁰³

The Berry Amendment, enacted in 1941, requires that certain items (including apparel) purchased by DOD be 100% domestic in origin. This is a higher standard than the Buy American Act, which only regulates the end product.¹⁰⁴ The Kissell Amendment was modeled on the Berry Amendment, and was passed as part of the 2009 American Recovery and Reinvestment Act. It requires the Department of Homeland Security to purchase textiles, clothing, and footwear from domestic sources, but excludes other goods such as food. However, in practice, the Kissell Amendment applies only to the Transportation Security Administration (TSA) - other agencies within DHS are governed by previous agreements with the World Trade Organization's Agreement on Government Procurement, and are therefore only subject to the less stringent Buy American Act.¹⁰⁵

Both the Berry and Kissell Amendments also have a number of exceptions, including for products that are unavailable from US manufacturers, items used in support of combat operations, or items where the quality or price of domestic products is insufficient.¹⁰⁶ The result of this patchwork of laws is that a significant amount of government-purchased apparel is not manufactured domestically, despite the intentions of the laws.^{107,108} A 2017 report from the Government Accountability Office (GAO)

¹⁰¹ Congressional Research Service, "Defense Primer: The Berry and Kissell Amendments," January 2021, <https://sgp.fas.org/crs/natsec/IF10609.pdf>.

¹⁰² Congressional Research Service, "The Buy American Act and Other Federal Procurement Domestic Content Restrictions," March 2021, <https://crsreports.congress.gov/product/pdf/R/R46748>.

¹⁰³ *ibid.*

¹⁰⁴ Congressional Research Service, "Defense Primer: The Berry and Kissell Amendments."

¹⁰⁵ *ibid.*

¹⁰⁶ *ibid.*

¹⁰⁷ Ana Swanson, "Why 'Made in America' Is Stitched Into the Law, but Not the Uniforms," *The New York Times*, November 24, 2017, <https://www.nytimes.com/2017/11/24/us/politics/secret-service-uniforms-mexico-trump-trade.html>.

¹⁰⁸ Ian Urbina, "U.S. Flouts Its Own Advice in Procuring Overseas Clothing," *The New York Times*, December 23, 2013,

showed that the Kissell Amendment has been hampered by other restrictions and obligations, resulting in a large volume of purchases from other countries. The report showed that Secret Service uniforms were primarily made in Mexico, as were TSA uniforms. Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE) uniforms were also primarily made outside the US, in countries such as Mexico, El Salvador, and Honduras. Homeland security officials said that purchasing all products domestically would add between 50-150% to the purchase price.¹⁰⁹

The Berry Amendment is similarly ineffective, with a 2013 New York Times investigation highlighting the amount of government-purchased apparel manufactured abroad.¹¹⁰ The report highlights several loopholes: one particularly large loophole is that on-base stores run by the Department of Defense are exempt from the amendment. These stores sell over \$1 billion in apparel a year, and up to 90% of that apparel is made outside the US. The report points to increasing congressional pressure on Defense officials to cut costs, and the resulting shift in manufacturing patterns - including resorting to prison labor, where inmates made more than \$100 million of military uniforms for under \$2 an hour.

There is a large garment manufacturing industry in Puerto Rico, which specializes in uniforms and other products that must be made in the United States. In fact, Puerto Rico has a higher location quotient than California, at 22.91 versus 3.99, both of which are off the charts on the location quotient scale (see Local Dynamics section for a full discussion of location quotients).¹¹¹ The industry in Puerto Rico is dramatically different than in California, consisting of only 26 establishments but approximately 4,000 employees (an average of 150 employees per establishment), versus California's 1,750 establishments and almost 15,000 employees (an average of 8.5 employees per establishment).¹¹²

One such establishment in Puerto Rico is PRAMA Corp, a manufacturer that advertises itself as being "dedicated to the manufacturing of military uniforms for the US Department of Defense."¹¹³ PRAMA states that they have 250 production employees across three buildings totaling almost 60,000 square feet, a scale not seen in the Los Angeles industry.¹¹⁴ Another uniform manufacturer is Propper, which is based in St Louis, Missouri but has factories in Haiti, the Dominican Republic, and Puerto Rico. Interestingly, Propper specifically advertises its Puerto Rico facility as "Berry-Compliant." Propper does not publish employee counts, but a 2009 report from an organization called SweatFree Communities estimates it had 3,250 employees at the

<https://www.nytimes.com/2013/12/23/world/americas/buying-overseas-clothing-us-flouts-its-own-advice.html>.

¹⁰⁹ Swanson, "Why 'Made in America' Is Stitched Into the Law, but Not the Uniforms."

¹¹⁰ Urbina, "U.S. Flouts Its Own Advice in Procuring Overseas Clothing."

¹¹¹ "NAICS 315210 Cut and Sew Apparel Contractors, All States and U.S. 2019 First Quarter, All Establishment Sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics," accessed October 24, 2021, https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=0&year=2019&qtr=1&own=5&ind=315210&supp=0.

¹¹² *ibid.*

¹¹³ "PRAMA, Corp. - Military Uniform Manufacturer," accessed November 21, 2021, <http://www.militaryapparel-prama.com/>.

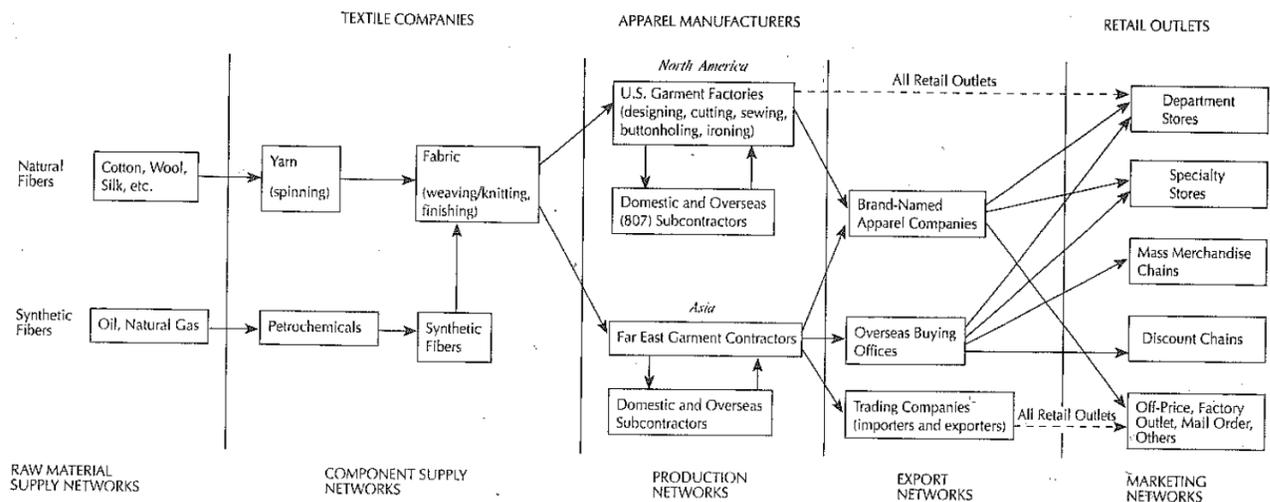
¹¹⁴ *ibid.*

time. The report also detailed serious labor violations and poor working conditions at Proper, including wage theft and unsafe working conditions.¹¹⁵ While one might expect or hope that the jobs created to manufacture goods purchased by the US Government would be good jobs, it is clear that this is not always the case.

Commodity Chain

In the global apparel manufacturing industry, the commodity chain is often international, with imports of raw materials and textiles coming from all over the world and then being re-exported as finished goods (see Figure 15 for a depiction of a global apparel commodity chain).¹¹⁶ Domestically however, very little of the finished apparel manufactured in the United States is exported, though the raw materials and textiles are still imported from around the world. This is in part due to the financial logic of domestic manufacturing: the competitive advantage of manufacturing domestically relies in large part on proximity to outweigh the increased cost of labor (this is discussed in greater detail in the Local Market Dynamics section of this report). However, it is also due in part to the size of the US apparel market. Consumption of apparel is heavily concentrated in three regions: the United States, the European Union, and Japan. In 2008, the EU made up 47.3% of apparel consumption globally, followed by the US at 22%, Japan at 6.9%, and Russia, the next highest, at 5.7%.¹¹⁷

Figure 15. Global Apparel Commodity Chain



¹¹⁵ *ibid.*

¹¹⁶ Appelbaum and Gereffi, "Power and Profits in the Apparel Commodity Chain."

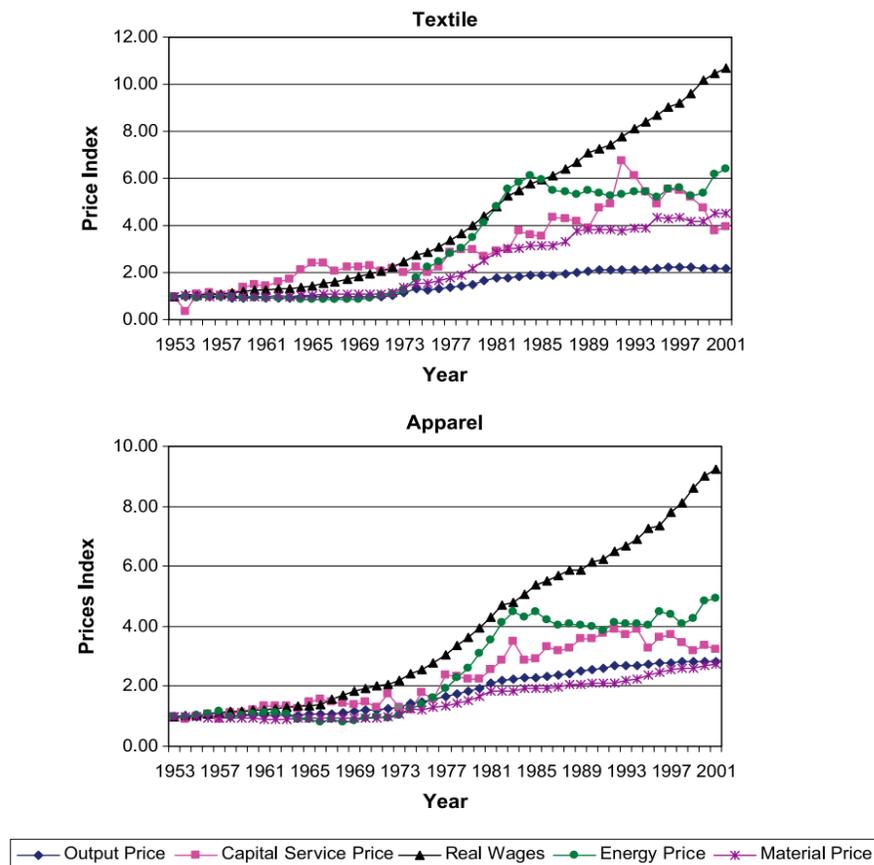
¹¹⁷ Gereffi and Frederick, "The Global Apparel Value Chain, Trade and the Crisis."

Inputs

Inputs in this sector consist primarily of materials, equipment, and labor, as well as the capital that is invested into this sector.¹¹⁸ Ansuu Datta and Susan Christofferson show the steady increase in input costs (see Figure 16), most notably the growing cost of real wages.¹¹⁹ While this is an older statistic, it is telling that the major input for the sector is wages paid to the labor force - this is indicative of just how labor-intensive the industry is.

Figure 16. Trends of Inputs in the Textile & Apparel Industries¹²⁰

PRODUCTION COSTS, SCALE ECONOMIES, AND TECHNICAL CHANGE



Product Design & Key Production Processes

There is significant pressure from retailers and manufacturers for garment workers to complete high production volumes very quickly in order to meet the demands of the fast fashion sector. The most prevalent manufacturing jobs in Los Angeles County are

¹¹⁸ Anusua Datta & Susan Christofferson, "Production Costs, Scale Economies, and Technical Change in U.S. Textile and Apparel Industries." *Atlantic Economic Journal*. 33, no. 201–213 (2005).

¹¹⁹ *ibid.*

¹²⁰ Datta and Christofferson, "Production Costs, Scale Economies, and Technical Change in U.S. Textile and Apparel Industries."

“low-end manufacture” (LEM) jobs.¹²¹ This form of manufacturing is often used in the cut and sew sector as a key production process, as it does not require high-end production, tailoring, or other levels of skillwork.¹²² Additionally, this production process demands an emphasis on production at a high volume and a quick turnaround of goods being produced from the garment floor to the retail market.¹²³ The main equipment used for this sector is a sewing machine, and this is usually the extent of automation used.

The industry also relies on the production style known as Quick Response (QR).¹²⁴ This phrase was coined by professor Alan Hunter of North Carolina State University in 1985. Since that time, it has taken on a new meaning of improving the response time between the garment sector and the manufacturer, then retailer.¹²⁵ This production style is especially relevant to support the quick response time needed from the garment sector to the end of the apparel supply chain in order to keep up with fast fashion models.¹²⁶ With a QR production style, the time spent in each step of the supply chain is reduced. This time compression in the supply chain then leads to a decrease in costs by making each process time shorter. As a production style, it is efficient to implement and decrease the time spent in the supply chain. For the cut and sew sector, it directly reduces the cost of production and leads to a quick (often rushed) production style, which in turn puts downward pressure on wages. In an industry based on maximum efficiency, manufacturers and contractors use the “incentive” of piece rate pay to motivate quick work, forcing workers to produce at impossible volumes to earn a fair hourly rate. Locally, piece rate pay will be illegal beginning in 2022.

¹²¹ Vickie Veritz. “Piece by Piece: Garment Workers, Livable Wages, and Economic Development in Los Angeles County.” *Texas Hispanic Journal of Law & Policy* 7 (2001): 147–80.

¹²² *ibid.*

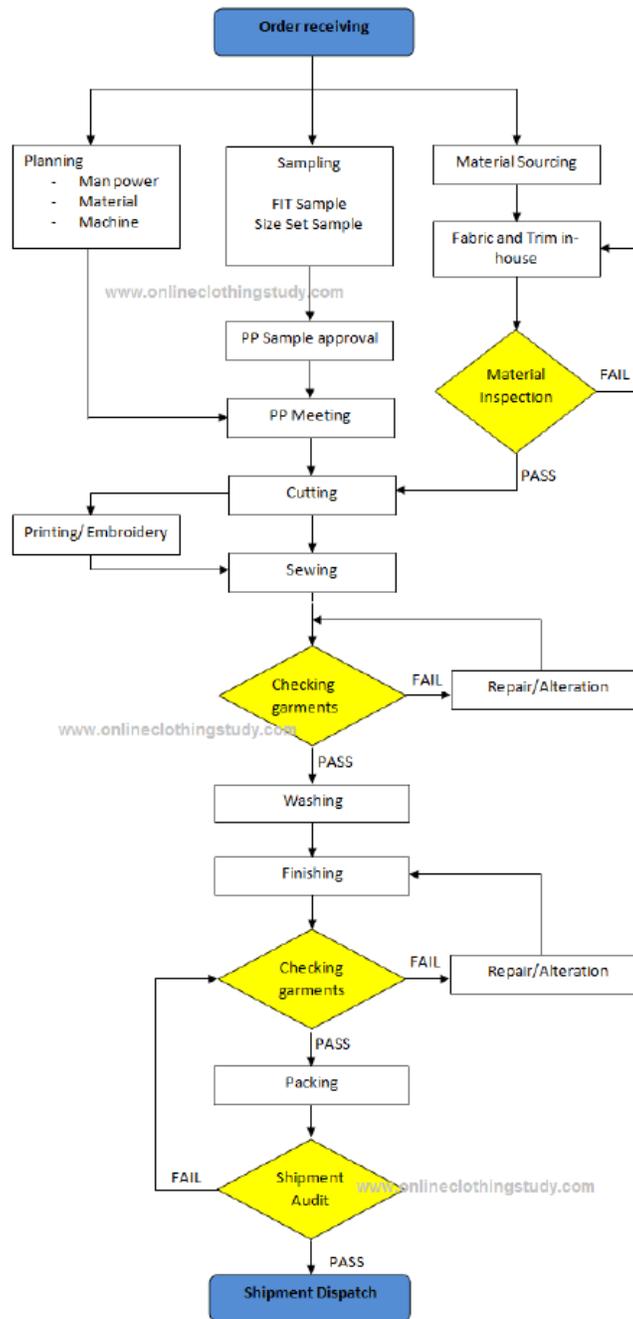
¹²³ *ibid.*

¹²⁴ Tony Hines and Margaret Bruce. *Fashion Marketing: Second Edition: Contemporary Issues*. Routledge, 2007.

¹²⁵ *ibid.*

¹²⁶ *ibid.*

Figure 17. Garment Manufacturing Process¹²⁷



The flow chart shown in Figure 17 provides a visual of how a piece of apparel moves through the manufacturing process. It is important to note that the cut and sew garment industry is a small but essential pitstop for the overall key production process in the

¹²⁷ Prasanta Sarkar. *Garment Manufacturing Process: From Fabric to Finished Apparel Products*. Online Clothing Study, 2020.

overall dispatch of a garment piece. Before the apparel piece reaches the cut and sew sector, it is planned for by the designer or brand, an order is received, material is sourced for the piece, and samples are created for each size offered. The sample garment pieces are the blueprint used by the cut and sew sector for the overall production.¹²⁸ Once the samples are approved, a meeting takes place by the initial designer/brand, and there is a material inspection for the overall garment production, then the cutting and sewing production begins. If necessary for the end result, there may be printing, dyeing, and embroidering throughout this process. Once the garments are submitted for inspection, there is always a chance that they may be returned for repairs or alterations.

Fabric spreading is one of the first steps in the cut and sew process. This entails when a fabric is literally spread out on a cutting table. Sometimes there is an automatic spreading machine that unrolls the roll of fabric, but if this equipment is unavailable, then the workers must use manual labor to carry, place, and unroll the fabric.¹²⁹ Once the fabric sheets are labeled and layed, they are then sent to the sewing department. Here, a sewing garment worker assembles the garment into completion piece by piece.¹³⁰ The garment parts are prepared all together, for example, a collared shirt would be laid out by the collar, torso piece of the shirt, and the short sleeves to support the sewer to accurately sew the garment.¹³¹ Pieces may also be marked using chalk to support the sewer remember where each piece needs to be.

Similar to the cutting process, the sewing process has very little automation with a majority of the work being done by the garment workers' physical labor. The main source of automation is from the sewing machine, which sews the garment pieces together using electrical power.

Research & Development and New Technologies

Research and development (R&D) within apparel manufacturing mostly occurs at a higher level in the industry. R&D within apparel manufacturing is growing around movements for sustainable fashion and procurement. Dual demand from consumers for more ethically sourced materials and from firms for greater production volume given limited natural resources has sparked greater investment in developing the sustainable fashion industry.¹³² For this reason, fashion brands are increasingly investing in R&D.

However, R&D rarely takes place among cut and sew firms since their primary activities require little capital input relative to labor. Cut and sew apparel manufacturers operate with little capacity to invest in R&D, a traditionally expensive activity. Additionally, cut and sew manufacturing firms traditionally have not relied on R&D for increased productivity levels. Although whispers of automation for the purposes of cut and sew have made their way into the industry, the likelihood of cut and sew contractors

¹²⁸ *ibid.*

¹²⁹ *ibid.*

¹³⁰ *ibid.*

¹³¹ *ibid.*

¹³² Katya Foreman and Alessandra Turra, "Resource Recovery, Circular Economy Drive Textile Innovations," *WWD: Women's Wear Daily*, August 27, 2018, 20–23, <https://search.ebscohost.com/login.aspx?direct=true&db=bth&AN=131449375&site=ehost-live>.

adopting such technology remains quite low.¹³³ Table 4 contains a table of all relevant and emerging cut and sew technologies.

Table 4. Existing and Emerging Cut and Sew Technologies

Technology	Description	Manufacturers
Computerized sewing machines	Allows for the easy programming of basic functions like stitching and for workers to operate more than one sewing machine at once. ¹³⁴	Singer, Juki, and Janome
Automatic cutter	Automatically and precisely cuts multiple sheets of fabric.	Gerber Technology and Eastman
Computer aided drafting (CAD)	A computer software that aids in pattern design and prototyping by enabling clothing panels to be digitally projected and fit on virtual models. It has been especially helpful in reducing language and communication barriers when working with foreign contractors and has helped reduce lead times. ¹³⁵	Tukatech, Gerber Technology, and CLO
Automatic sewing machine	A fully automated sewing machine that uses machine vision to watch and guide fabric, and leverages robotics to detect distortions and adjust the fabric. Automatic sewing machines can cut, sew a seam, add a sleeve, and conduct quality inspection.	SoftWear

The industry's low profit margins make R&D a financially infeasible activity for many cut and sew contractor firms. Additionally, many firms are unwilling to make the relevant expenditures to upgrade technology due to generations worth of success using a

¹³³ Ristoff, "Cut and Sew Manufacturers in the US."

¹³⁴ Minyoung Suh, "Automated Cutting and Sewing for Industry 4.0 at ITMA 2019," *Journal of Textile and Apparel, Technology and Management*, Special Issue: ITMA, 2019, <https://ojs.cnr.ncsu.edu/index.php/JTATM/article/download/16453/7266>.

¹³⁵ *ibid.*

labor-based production model likely stifles the disruptiveness of automation.¹³⁶ Similarly, the greatest cost-savings at the cut and sew phase of the value chain are in alternative labor staffing strategies, like offshoring labor, rather than time-saving production methods.¹³⁷

While the likelihood of automation disrupting the cut and sew apparel industry remains low, some firms are attempting to excite the industry with the possibility. Chinese clothing manufacturer Tianyuan Garments Company opened their fully automated factory based in Arkansas in 2019, where 21 production lines produce an annual volume of 23 million T-shirts at \$0.33 per shirt.¹³⁸ The example of Tianyuan Garments Company demonstrates that the adoption of automation in the industry could mean greater labor cost savings. Such success stories could ultimately incentivize more firms to reshore to the US, where large consumer markets exist, instead of having to risk greater lead times and importing costs to offshore activities abroad for purposes of cheap labor costs. However, the likelihood of having completely autonomous cut and sew functionality is highly unlikely in the coming years especially given the industry's historical reliance on human labor.

Although innovation among cut and sew firms is limited, innovation in other parts of the supply chain could be consequential for those working in cut and sew. For example, the use of AI for demand forecasting is beneficial to labels and retailers as they could theoretically reduce waste by avoiding overproduction.¹³⁹ However, this could ultimately mean smaller orders for cut and sew contractors, ultimately impacting their sales volumes. The impact of AI on the industry in this way is unclear as the technology has yet to be widely adopted for the purposes of predictive analytics.

Outputs

While larger multinational retail brands tend to source the bulk of their production overseas to save on production and labor costs, both large and small brands have found value in maintaining some domestic manufacturing.¹⁴⁰ Output from domestic production is still essential to the overall success of the apparel industry, but is delivered at a smaller scale compared to the production overseas.

¹³⁶ Ristoff, "Cut and Sew Manufacturers in the US."

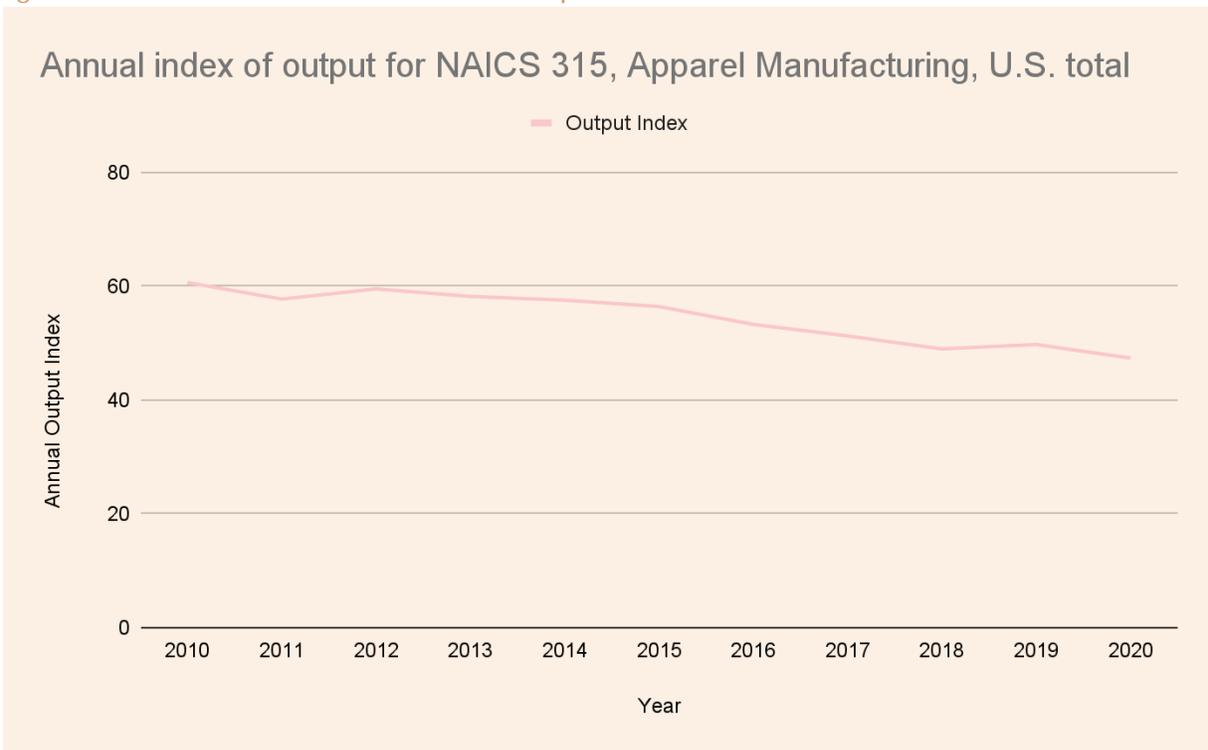
¹³⁷ *ibid.*

¹³⁸ *ibid.*

¹³⁹ E.S. Silva, H. Hassani, and D.Ø. Madsen, "Big Data in fashion: transforming the retail sector," *Journal of Business Strategy*, 2019, ISSN0275-6668.

¹⁴⁰ Ristoff, "Cut and Sew Manufacturers in the US."

Figure 18. Bureau of Labor Statistics Output Index for NAICS code 315¹⁴¹



The Bureau of Labor Statistics provides the output of the cut and sew sector (NAICS code 315) in the United States, which shows that output has decreased over the last decade.¹⁴² In Figure 18, you can see that there has been a moderate decrease in the annual output index over the last decade from the national production of NAICS code 315 in the United States. We explore this trend in greater detail throughout this report, and return to it in our conclusion.

Global Dynamics

Globalization in the Industry

As American garment companies began to lose their traction and economic power, companies began production overseas to continue to follow the cheap labor model and avoid the union workforce that was evident in the US.¹⁴³ Deregulation in the 1990s supported the imports of cheap apparel from countries overseas and made this business approach more beneficial for the garment industry compared to having domestic

¹⁴¹ US Bureau of Labor Statistics. "Industries at a Glance: Apparel Manufacturing, NAICS 315 Productivity, Output Index." Accessed October 11, 2021. <https://www.bls.gov/iag/tgs/iag315.htm>.

¹⁴² *ibid.*

¹⁴³ National Museum of American History. "History of Sweatshops: 1940-1997." Accessed September 30, 2021. <https://americanhistory.si.edu/sweatshops/history-1940-1997>.

manufacturing.¹⁴⁴ Additionally, NAFTA's influence on the movement of labor and production from Los Angeles to Mexico led to a mass decrease of labor and employment opportunities in the US for garment workers. Consequently, US wages were decreased to compensate for the globalization of the operation.¹⁴⁵ This is a major reason why there has been an overall decrease in the recent years of employment in the garment industry.

Global Competition

The US garment industry has been experiencing a decades long decline due to increasing competition from global firms. China, Vietnam, and Bangladesh are the three most prominent countries in the global manufacturing market and pose the greatest threat to the apparel industry in the United States. Over the last five years, domestic apparel manufacturing has decreased by 6.9% while imports related to the garment manufacturing industry have grown by a rate of 1% over the same time period.¹⁴⁶ Labor costs abroad are much lower than in the United States and regulations are less strict as well. The combination of these two factors drives down the cost of the final product, appealing to consumer demand for affordability, increasing global firms' competitive advantage and profit. This is the competitive cycle that underlies the fast fashion industry.

While global competition keeps costs low for customers, the costs remain higher than ever for garment factory workers. The 2013 Dhaka garment factory collapse is a devastating example of the high costs of fast fashion. On April 24, 2013, the eight-story Rana Plaza factory collapsed, which killed an estimated 1,134 people and marked the deadliest tragedy in the history of the global apparel industry.¹⁴⁷ The factory contained several apparel firms who produced clothing for brands such as Prada, Gucci, the Children's Place, Joe Fresh, Primark, and Walmart. On the day before the collapse, a local TV station recorded footage that showed cracks on the building which led to an immediate evacuation. The building owner Sohel Rana told the media the building was safe for work and that factories should continue onwards. Ether Tex, an apparel manufacturing firm located in the building, threatened to withhold a month's worth of wages from workers who refused to come to work.¹⁴⁸ Less than 24 hours later, at 8:57am, 3,122 workers were in the building at the time of the collapse.¹⁴⁹ In response, prominent brands such as H&M signed the Accord on Fire and Building Safety in Bangladesh,

¹⁴⁴ Dolores Monet. "Ready-to-Wear: A Short History of the Garment Industry," September 30, 2021.

<https://bellatory.com/fashion-industry/Ready-to-Wear-A-Short-History-of-the-Garment-Industry>.

¹⁴⁵ *ibid.*

¹⁴⁶ Ristoff, "Cut and Sew Manufacturers in the US."

¹⁴⁷ Clean Clothes Campaign, "H&M Fails to Make Fire and Building Safety Repairs in Bangladesh." 2015, <https://cleanclothes.org/news/2015/10/01/h-m-fails-to-make-fire-and-building-safety-repairs-in-bangladesh>.

¹⁴⁸ Devnath, Arun and Srivastava, Mehul, "'Suddenly the Floor Wasn't There,' Factory Survivor Says." Bloomberg, April 25, 2013, <https://www.bloomberg.com/news/articles/2013-04-25/-suddenly-the-floor-wasn-t-there-factory-survivor-says>.

¹⁴⁹ "Firms Back Bangladesh Safety Plan." ITV New, 2013, <https://www.itv.com/news/story/2013-04-24/bangladesh-building-collapse>.

promising to improve manufacturing conditions in Bangladesh.¹⁵⁰ However, H&M continues to be one of the worst ranked businesses in terms of their business practices and transparency. This example speaks to the expense at which fast fashion comes for laborers abroad. Building owners and brands continue to skirt liability and are more invested in increasing their profits rather than protecting their laborers.

Global Trade Agreements

The apparel industry has a long history of hefty global trade agreement protections and regulations, ranging from agricultural subsidies on raw inputs (wool, etc) to the present day United States-Mexico-Canada agreement (the renegotiation of NAFTA).¹⁵¹ International tariffs vary widely based on raw materials, production methods, volume, and country of origin.¹⁵² Two of the most impactful trade agreements in the industry were the Multi-Fiber Agreement (MFA) and the North American Free Trade Agreement (NAFTA), recently renegotiated as the United States Mexico Canada Agreement (USMCA).

MFA

The Multi-Fiber Agreement was introduced in 1974 under the General Agreements on Tariffs and Trade (GATT), the predecessor to the World Trade Organization, and established quotas on apparel imported by the United States, Canada, and European Nations.^{153,154} The goal was to protect domestic apparel manufacturing industries in these markets by establishing limits on the volume of apparel products other countries were allowed to export.¹⁵⁵ Developing countries were seen as highly competitive suppliers, due in large part to lower wages and lack of regulation. One consequence of the MFA was a redistribution of exporting countries: as Hong Kong, South Korea, Taiwan, and China reached their export quotas, production was subcontracted to other developing countries such as Bangladesh and Vietnam - two countries that continue to have high export volumes.¹⁵⁶

Despite goals of protecting the domestic apparel manufacturing industry, employment continued to drop over the next several decades: Figure 19 (below) shows a small uptick immediately following the agreement in 1974, followed by a decrease in workers in both the apparel and textile industries.

¹⁵⁰ "The Bangladesh Accord on Fire and Building Safety." 2013, <https://bangladeshaccord.org/>.

¹⁵¹ Gereffi and Frederick, "The Global Apparel Value Chain, Trade and the Crisis."

¹⁵² Ristoff, "Cut and Sew Manufacturers in the US."

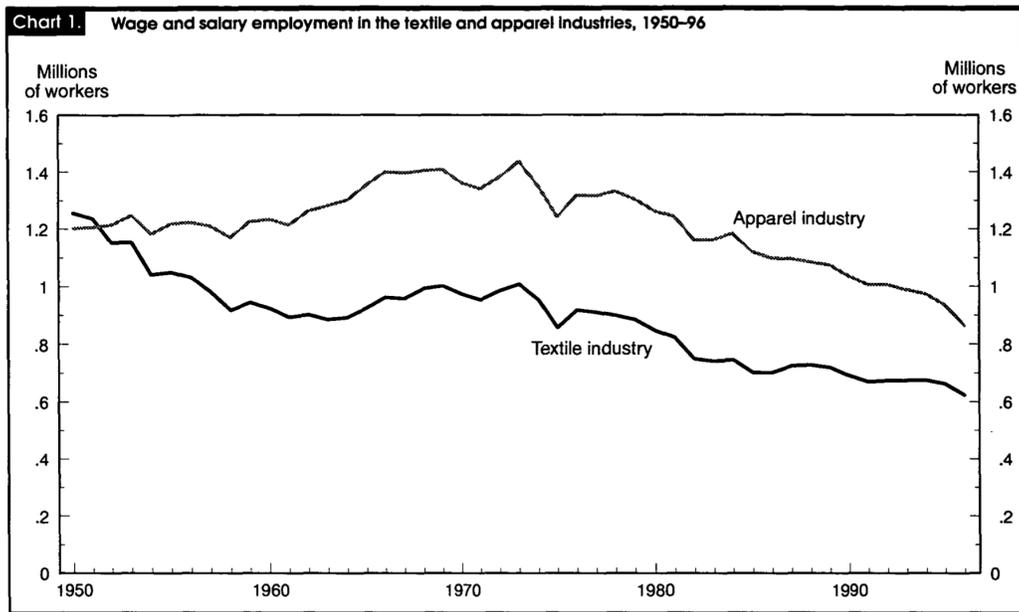
¹⁵³ Mark Mittelhauser, "Employment Trends in Textiles and Apparel, 1973-2005," 1997.

¹⁵⁴ Gereffi and Frederick, "The Global Apparel Value Chain, Trade and the Crisis."

¹⁵⁵ John Thoburn, "The Impact of World Recession on the Textile and Garment Industries of Asia," n.d., 56; Gereffi and Frederick, "The Global Apparel Value Chain, Trade and the Crisis."

¹⁵⁶ Gereffi and Frederick, "The Global Apparel Value Chain, Trade and the Crisis."

Figure 19. US Employment in Apparel and Textile Industries, 1950-2000¹⁵⁷



The MFA was eventually phased out by the World Trade Organization (WTO) between 1995 and 2005, as part of the Agreement on Textiles and Clothing. The removal of these quotas marked the end of one “era” of global garment production, with the industry slowly shifting away from protectionism and removing barriers.¹⁵⁸ One prime example of this shift is the North American Free Trade Agreement, discussed below.

NAFTA

In 1994, the United States, Mexico, and Canada negotiated the North American Free Trade Agreement (NAFTA), which eliminated almost all trade restrictions and tariffs between the three countries.¹⁵⁹ It superseded any bi-lateral trade agreements between the US and Mexico, including the MFA, and simplified the process by which raw inputs (such as yarn and fabric) as well as final goods could be traded between the two countries. This new free trade bloc made it significantly easier for manufacturers to export labor, by removing tariffs associated with exporting raw goods and re-importing the final products.¹⁶⁰ Prior to NAFTA, a 20% duty was assessed on the value added to garments assembled in Mexico, so the elimination of this tax was a significant barrier reduction.¹⁶¹ As of 2000, 6 years after the implementation of NAFTA, Mexico had overtaken China as the top US apparel supplier - indicative of larger trends away from Asia as a main supplier and towards suppliers in the Americas.¹⁶²

¹⁵⁷ *ibid.*

¹⁵⁸ Gereffi and Frederick, “The Global Apparel Value Chain, Trade and the Crisis.”

¹⁵⁹ History, “NAFTA Signed into Law,” HISTORY, accessed October 16, 2021, <https://www.history.com/this-day-in-history/nafta-signed-into-law>.

¹⁶⁰ Judi A. Kessler, “The North American Free Trade Agreement, Emerging Apparel Production Networks and Industrial Upgrading: The Southern California/Mexico Connection,” *Review of International Political Economy* 6, no. 4 (1999): 565–608.

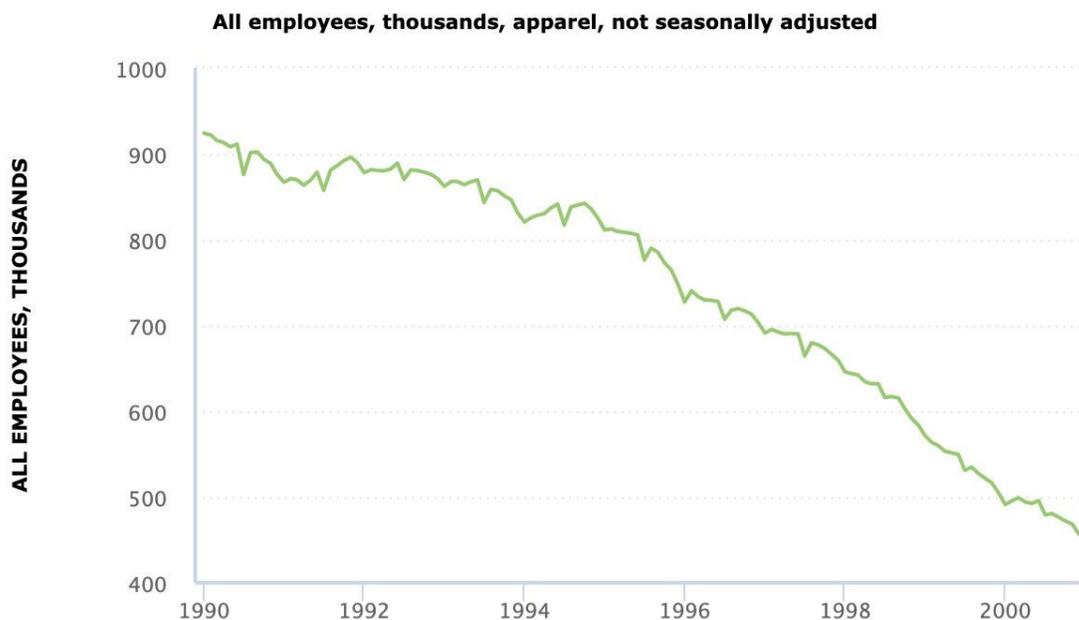
¹⁶¹ *ibid.*

¹⁶² Gary Gereffi, “The Transformation of the North American Apparel Industry: Is NAFTA a Curse or a Blessing?,” 2000, 51.

Judi Kessler argues that the signing of NAFTA “roughly coincided with a crack-down of sweatshops” in the United States, as well as an increase in minimum wages, “which was primarily absorbed by the contractors who own the sewing factories and their employees, who are often illegally underpaid.”¹⁶³ This coalescence of factors pushed manufacturers to consider exporting production to Mexico in order to gain a competitive advantage (with labor as a significant portion of costs, cheaper wages could make a noticeable difference in margins).¹⁶⁴

National data from the Bureau of Labor Statistics shows a marked decrease in employment after 1994 (Figure 20), declining at a faster rate than 1990-1994.¹⁶⁵

Figure 20. US Apparel Employment, 1990-2001¹⁶⁶



The impact of NAFTA in California and Los Angeles County is slightly more complicated, but shares the same end result of employment decline. From 1994-1996, both California and LA County saw a slight uptick in apparel manufacturing employment (Figure 21), followed by decline beginning in 1997.^{167,168} One possible explanation for the

¹⁶³ *ibid.*

¹⁶⁴ *ibid.*

¹⁶⁵ Bureau of Labor Statistics (BLS), “Employment, Hours, and Earnings from the Current Employment Statistics Survey (National).”

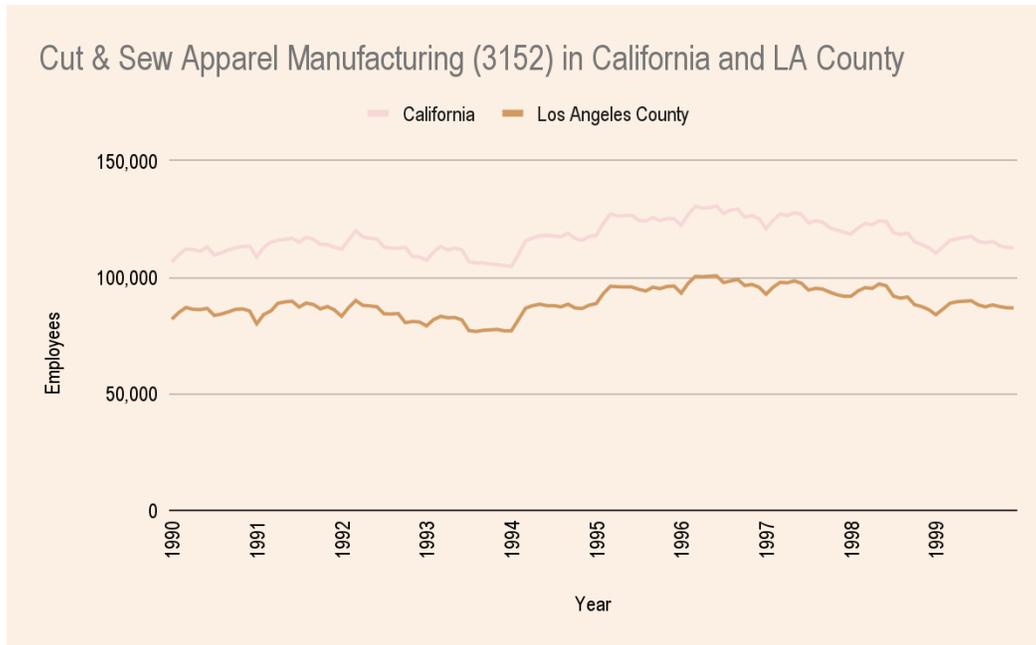
¹⁶⁶ *ibid.*

¹⁶⁷ California Employment Development Department (CA EDD). “Employment by Industry Data: California 1990-1999, Not Seasonally Adjusted, NAICS 3152” EDD Data Library, accessed October 10, 2021. <https://data.edd.ca.gov/Employment-Projections/Long-Term-Industry-Employment-Projections/sp6i-jezb>.

¹⁶⁸ California Employment Development Department (CA EDD). “Employment by Industry Data: Los Angeles County 1990-1999, Not Seasonally Adjusted, NAICS 3152” EDD Data Library,

initially stable employment numbers is the strength of the local cluster - Los Angeles is a major style center, and home to not only manufacturers but also textile providers, buying offices, fashion institutes, and other industry nodes.¹⁶⁹ Los Angeles is also home to a significant immigrant population from Mexico and Central America, and the garment workforce relies heavily on this employment base for low-cost labor. The combination of a strong local cluster with the prevalence of low wage workers may have initially buffered Los Angeles from job loss due to NAFTA.¹⁷⁰

Figure 21. Cut & Sew Apparel Manufacturing Employment in California and Los Angeles^{171,172}



Importantly, however, CA EDD only tracks this data for NAICS Codes 315 and 3152, and does not track the more granular 315210 code, which would show the employment for contractors - the most labor intensive, and most likely to be outsourced, portion of the

accessed October 10, 2021.

<https://data.edd.ca.gov/Employment-Projections/Long-Term-Industry-Employment-Projections/sp6i-jezb>.

¹⁶⁹ Judi A. Kessler, "Free Trade and Garment Work: The Impact of NAFTA on Service and Manufacturing Jobs in the Los Angeles Apparel Industry," *International Journal of Urban and Regional Research* 28, no. 2 (2004): 308–28, <https://doi.org/10.1111/j.0309-1317.2004.00521.x>.

¹⁷⁰ *ibid.*

¹⁷¹ California Employment Development Department (CA EDD). "Employment by Industry Data: California 1990-1999, Not Seasonally Adjusted, NAICS 3152" EDD Data Library, accessed October 10, 2021.

<https://data.edd.ca.gov/Employment-Projections/Long-Term-Industry-Employment-Projections/sp6i-jezb>.

¹⁷² California Employment Development Department (CA EDD). "Employment by Industry Data: Los Angeles County 1990-1999, Not Seasonally Adjusted, NAICS 3152" EDD Data Library, accessed October 10, 2021.

<https://data.edd.ca.gov/Employment-Projections/Long-Term-Industry-Employment-Projections/sp6i-jezb>.

process. Garment sewing operator employment in Los Angeles County declined by almost 16% from 1995 to 1998, a period of time in which total employment in the industry was stable.¹⁷³ Therefore, while it is true that manufacturers temporarily experienced stable employment after the passage of NAFTA, it is not necessarily true that cut and sew contractors experienced the same stability. Long term, both manufacturers and contractors have experienced a significant decline in employment since the 1990s.

US-Mexico-Canada Agreement (USMCA)

In 2017, the United States began the process of renegotiating NAFTA, culminating in the US-Mexico-Canada Agreement (USMCA) that took effect in July 2020.¹⁷⁴ The goal was to replace NAFTA with an "updated and rebalanced agreement,"¹⁷⁵ though many economists argued that the USMCA would have minimal impact on the US economy.¹⁷⁶ The USMCA strengthened some restrictions, and loosened others. For instance, the new agreement tightens requirements for some inputs (such as sewing thread and coated fabric) and increases customs enforcement in hopes of preventing circumvention.¹⁷⁷ However, it also newly allows manufacturers to use certain inputs not generally available in North America.¹⁷⁸ In assessing the impact of USMCA on the garment industry, a trade publication assessed that the "financial implications of USMCA will be less noticeable than NAFTA as the latter agreement already eliminated tariffs in most sectors."¹⁷⁹

Impact of COVID-19 on Global Apparel Manufacturing

Garment workers around the globe faced increased hardship as a result of COVID-19. The fallout exacerbated existing inequalities within global supply chains and the burden was pushed onto the backs of those at the bottom of the industry — garment factory workers. Around the globe, garment workers lost an annual income of 11% and faced extreme economic strain.¹⁸⁰ It is estimated that in South and Southeast Asia, garment

¹⁷³ *ibid.*

¹⁷⁴ "United States-Mexico-Canada Agreement | United States Trade Representative," accessed October 17, 2021, <https://ustr.gov/trade-agreements/free-trade-agreements/united-states-mexico-canada-agreement>.

¹⁷⁵ *ibid.*

¹⁷⁶ "Analysis | The Finance 202: USMCA Isn't Expected to Have a Big Impact on the Economy," *Washington Post*, accessed October 17, 2021, <https://www.washingtonpost.com/news/powerpost/paloma/the-finance-202/2019/12/11/the-finance-202-usmca-isn-t-expected-to-have-a-big-impact-on-the-economy/5df02717602ff1440b4df980/>.

¹⁷⁷ Mary Burfisher, Frederic Lambert, and Troy Matheson, "NAFTA to USMCA: What Is Gained?" (International Monetary Fund, March 2019), <https://www.imf.org/en/Publications/WP/Issues/2019/03/26/NAFTA-to-USMCA-What-is-Gained-46680>.

¹⁷⁸ SPESA, "USMCA Takes Effect - What It Means For Textiles and Apparel," *Behind the Seams*, July 1, 2020, <https://www.bts-news.org/post/usmca-takes-effect-what-it-means-for-textiles-and-apparel>.

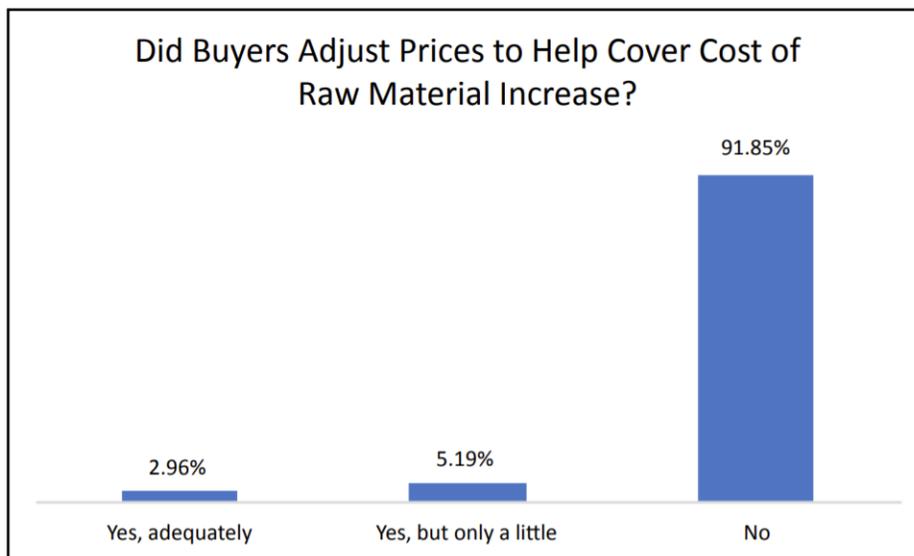
¹⁷⁹ *ibid.*

¹⁸⁰ Genevieve LeBaron et al. "The Unequal Impacts of Covid-19 on Global Garment Supply Chains," 2021.

workers received 38% less than their typical pre-pandemic income.¹⁸¹ In parts of India, this wage gap rises to above 50%.¹⁸² As workers in the sector already experience poverty, most could not afford to take time off and needed to remain working in order to feed their families and survive, exemplifying the complexity of how systemic coercion plays out within the sector and how the lines between free and unfree labor become blurred.

Early on in the pandemic, most multinational corporations (MNCs) responded in a similar fashion and shifted the burden onto suppliers and workers in order to save their bottom line. This looked like canceling orders and invoicing force majeure clauses that release them from their contractual obligations. Additionally, MNCs refused to pay for already produced orders or would withhold pay for extended periods of time, some of which remain outstanding.¹⁸³ Abandoning all corporate social responsibility (CSR) commitments, MNCs responded by prioritizing profit above all else, leveraging supply chain desperation to their advantage. For example, as seen in Figure 22, a survey of over 300 Bangladeshi suppliers shows how buyers refused to cover the adjusted rise in pricing for material costs, shifting the price burden onto suppliers and manufacturers.¹⁸⁴

Figure 22. Buyers Fail to Cover Adjusted Raw Material Prices in Bangladesh¹⁸⁵



<http://speri.dept.shef.ac.uk/wp-content/uploads/2021/06/The-Unequal-Impacts-of-Covid-19-on-Global-Garment-Supply-Chains.pdf>.

¹⁸¹ *ibid.*

¹⁸² "Garment Workers on Poverty Pay Are Left without Billions of Their Wages during Pandemic," News Item, Clean Clothes Campaign, accessed November 8, 2021, <https://cleanclothes.org/news/2020/garment-workers-on-poverty-pay-are-left-without-billions-of-their-wages-during-pandemic>.

¹⁸³ Genevieve LeBaron et al. "The Unequal Impacts of Covid-19 on Global Garment Supply Chains,"

¹⁸⁴ Mark Anner, "Abandoned? The Impact of Covid-19 on Workers and Businesses at the Bottom of Global Garment Supply Chains," Penn State Center for Global Workers' Rights (CGWR), March 27, 2020, 8.

¹⁸⁵ *ibid.*

Table 5 shows how the lost wages (wage gap) that workers across the globe have, and will continue to, face intensified as a result of COVID-19.¹⁸⁶ From March to May of 2020 alone, the garment worker wage gap in seven countries was estimated to amount to over 3 million dollars.¹⁸⁷ This number has, and will continue to grow over the course of the pandemic as the supply chain continues to pass along the burden to workers at the bottom.

Table 5. Estimated Garment Worker Wage Gap from March - May 2020 in USD¹⁸⁸

	WORKERS INCLUDED IN ESTIMATES	AVERAGE MONTHLY WAGE IN USD	ESTIMATED AVERAGE WAGE GAP IN %	ESTIMATED WAGE GAP MARCH-MAY 2020
			MARCH-MAY	IN USD (MILLION)
Bangladesh	4,400,000	113	29.5%	501.62 M
Cambodia	650,000	190	33.0%	122.17 M
India (NCR)	850,000	123	56.9%	178.24 M
India (Tirupur)	800,000	106	54.8%	138.98 M
India (Bangalore)	500,000	121	34.5%	62.40 M
Indonesia	2,600,000	131	39.8%	405.59 M
Myanmar	700,000	93	32.6%	63.33 M
Pakistan	2,200,000	104	46.6%	320.88 M
Sri Lanka (FTZ)	275,000	80	40.8%	27.19 M
Global estimate for garment and footwear sector (halved average) (extrapolated)	50,000,000	200	19.3%	5,787.84 M
Global estimate for export apparel only (China excluded) (extrapolated)	13,800.00	200	38.6%	3,194.89 M

¹⁸⁶ Clean Clothes Campaign, "Un(Der) Paid in the Pandemic," 2020.

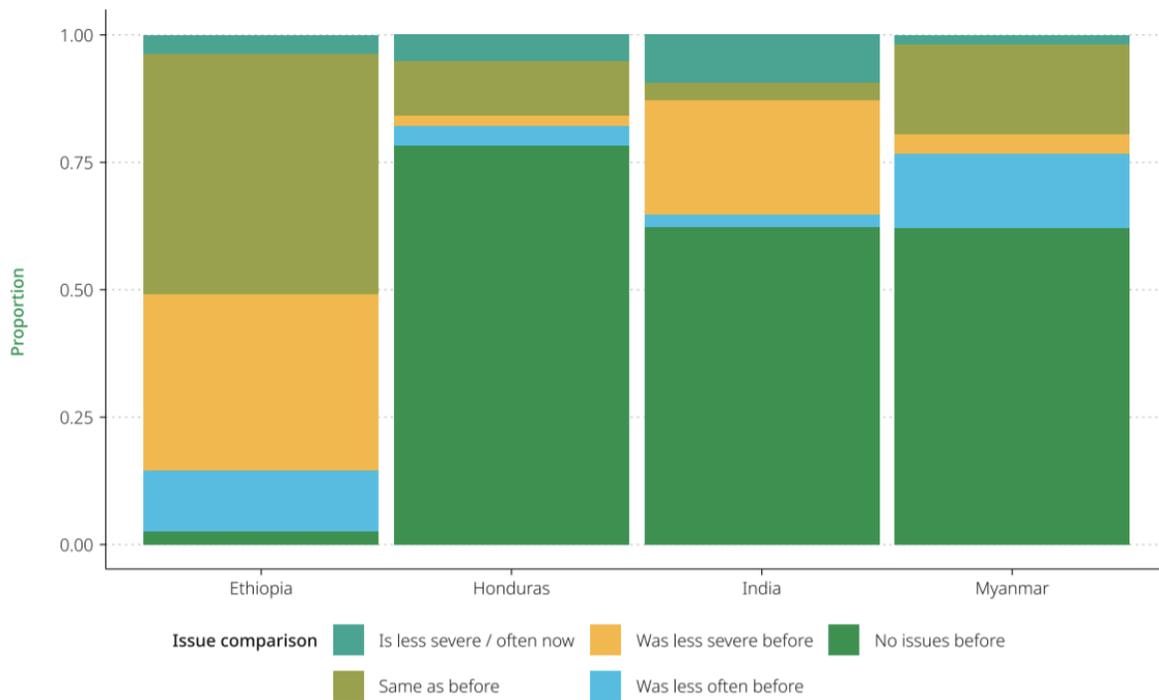
¹⁸⁷ *ibid.*

¹⁸⁸ *ibid.*

Worker vulnerability has increased in a multitude of ways during the pandemic, as mentioned earlier. Research from across the globe shows that employees were targeted by their employers when advocating for their rights for time off or even asking questions in regards to their rights. While the pandemic has highlighted the need for improved worker conditions and protections, these battles are not new to the industry and have only become more extreme, as shown in Figure 23. This is why workforce protection policies such as SB62 are essential not only in times of desperation but all the time, as workplace precarity will remain beyond COVID-19.

Figure 23. Comparison of Forced Labor Indicators in the Garment Manufacturing Sector with Pre-Pandemic Experiences¹⁸⁹

Figure 12. Comparison of forced labour indicators with pre-pandemic



Note: Displayed are workers who stayed in their pre-pandemic factory and experienced at least one indicator of forced labour (N = 554). Responses detail how indicators of forced labour have changed compared to pre-pandemic.

At the local level, the same intensity of poor workplace conditions has held true. A 2016 study from the UCLA Labor Center reports that 60% of garment workers surveyed reported poor workplace ventilation that made it difficult to breathe; 47% reported unmaintained bathroom sanitation, 20% reported visible mold in their factories; and 42% said they had seen vermin in the workplace.¹⁹⁰ As curbing the spread of COVID-19 has meant increased sanitation practices, air ventilation, and social distancing, garment factory workers in these conditions were hyper vulnerable to spreading the virus. The industry received widespread criticism after 300 people tested positive for COVID-19 at

¹⁸⁹ Genevieve LeBaron et al. "The Unequal Impacts of Covid-19 on Global Garment Supply Chains."

¹⁹⁰ Janna Shadduck-Hernández, Zacil Pech, Mar Martinez and Marissa Nuncio. "Dirty Threads, Dangerous Factories," UCLA Labor Center, 2016. https://www.labor.ucla.edu/wp-content/uploads/2016/11/DirtyThreads_FINAL_web_single.pdf

the Los Angeles Apparel factory, resulting in four deaths. This tragedy made national headlines and put the Los Angeles industry under the spotlight.¹⁹¹ While Los Angeles Apparel received widespread criticism, malpractice has been commonplace throughout the industry. The informal and opaque workplace arrangements mean that most workers are unaware of their rights to sick leave. Workers would often come to work sick rather than staying home as it meant forgoing pay. When workers did not show up for work, employers frequently neglected to share what was going on with the rest of the workforce and would brush off employee requests for more information.¹⁹² The rise in PPE contracts often demanded piece work deals where workers were asked to complete over 1000 masks a day. These increased quota demands can be understood as a health and safety issue as workers will sacrifice their health and safety in order to complete the tasks and earn a living, neglecting to take rest and bathroom breaks.¹⁹³ These conditions stretch workers to their limits, and speak to the complexities of un/freedom in the workplace.

Local Dynamics

Mapping the Local Industry

Location Quotient

Los Angeles and California are the nucleus of garment manufacturing in the United States, whether you measure by employment, establishments, or location quotient (location quotient is a measure designed to represent the relative dominance of an industry compared with the United States as a whole, in this case using employment as the variable).^{194,195}

Map 1 shows the cut and sew apparel contractor location quotients of states in the US, and clearly demonstrates California's dominance (maps can be viewed at the end of this section). A location quotient (LQ) of 1 means that an industry is exactly as represented within a geography as it is within the US as a whole - less than 1 means an industry is under-represented, and more than 1 means an industry is more dominant. With a location quotient of 3.99, the cut and sew apparel contracting industry in California is very dominant.¹⁹⁶ It is, in fact, the highest location quotient within the continental US,

¹⁹¹ Vanessa Friedman, "Los Angeles Apparel Factory Shut Down After More Than 300 Coronavirus Cases," *The New York Times*, July 13, 2020, sec. Style, <https://www.nytimes.com/2020/07/13/style/los-angeles-apparel-dov-charney-coronavirus.html>.

¹⁹² Kathryn Melendez, Interview with Kathryn Melendez, Health and Safety Organizer, Garment Worker Center, Zoom, November 5, 2021.

¹⁹³ *ibid.*

¹⁹⁴ "QCEW Location Quotient Details: U.S. Bureau of Labor Statistics," accessed October 24, 2021, <https://www.bls.gov/cew/about-data/location-quotients-explained.htm>.

¹⁹⁵ In order to give the most "accurate" picture of a year uninterrupted by temporary COVID-19 business closures, we have used 2019 data for location quotients. Examining the 2021 data indicates that no large scale pattern shifts have emerged, meaning the 2019 data is still an accurate reflection of the dominance of CA and LA County.

¹⁹⁶ "NAICS 315210 Cut and Sew Apparel Contractors, All States and U.S. 2019 First Quarter, All Establishment Sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics," accessed October 24, 2021,

with only Puerto Rico coming in higher. The states and territories that are higher than the national average are Puerto Rico, California, New York, Tennessee, Mississippi, and New Jersey (in order of dominance). Of note, while Puerto Rico has a higher location quotient than California, the industry is orders of magnitude smaller by raw numbers: Puerto Rico had 26 establishments and approximately 4,000 employees, versus California's 1,750 establishments and almost 15,000 employees.¹⁹⁷

Zooming into California shows the clear dominance of Los Angeles County (see Map 2), which has an even higher location quotient than California - indicating that California's dominance nationally is due in large part to LA County. The location quotient for LA County is 13.09, which is extremely high (generally, a location quotient more than 2 is considered very high).¹⁹⁸ The next closest county in California is Orange County, with a quotient of 2.20. Of note, there are only two counties in the United States that have a higher location quotient than LA County: El Paso County in Texas (22.06), and Hudson County in New Jersey (5.78).

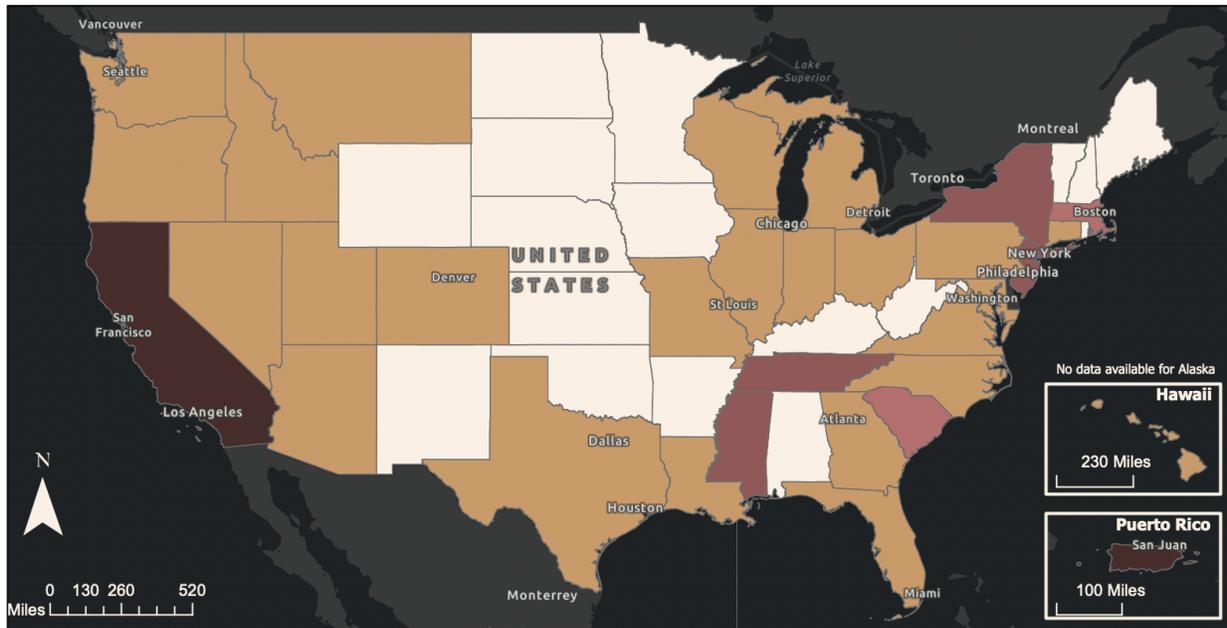
https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=0&year=2019&qtr=1&own=5&ind=315210&supp=0.

¹⁹⁷ *ibid.*

¹⁹⁸ "NAICS 315210 Cut and Sew Apparel Contractors, All Counties 2019 First Quarter, All Establishment Sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics," accessed October 24, 2021,

https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=1&year=2019&qtr=1&own=5&ind=315210&supp=0.

Map 1: Location Quotient of Cut & Sew Contractors, United States
Location Quotient of Cut & Sew Apparel Contractors



Location Quotient (Employment)

- No Data
- Less than 0.8
- 0.8-1.2
- 1.2-2
- Above 2

Sources: Esri; Bureau of Labor Statistics QCEW

Map 2: Location Quotient of Cut & Sew Contractors, California

Location Quotient of Cut & Sew Contractors



Location Quotient (Employment)

-  No Data
-  Less than 1
-  1-1.4
-  1.5-3
-  Over 3

0 40 80 160
Miles

Sources: Esri; US Census Bureau County Business Patterns (2019)

Establishments and Employment

Examining employment numbers and establishment counts within California gives a clear picture of the dominance of Los Angeles County, the scale of the industry, and the geographic concentration. Map 3 shows the count of establishments per county, with Los Angeles County containing over 1,300 establishments.¹⁹⁹ The next highest county is Orange County, with 141 establishments - in other words, LA County has almost ten times the number of establishments as Orange County. Despite LA County's dominance, it is also clear that the region as a whole is very strong, as 3 of the top 4 counties in the state are in Southern California. Employment trends show the same pattern, with the top 3 counties in CA being LA County, Orange County, and San Diego County (see Map 4).²⁰⁰

Continuing the trend of extreme geographic concentration, an analysis of establishments by zip code shows the dominance of the LA Fashion District even within LA County - see Map 5 for details.²⁰¹ The top three zip codes in Los Angeles are 90015 (146 establishments), 90021 (131 establishments), and 90011 (120 establishments), all of which make up the Fashion District.

Outside of the Fashion District, there is also significant concentration in El Monte (zip code 91733, with 118 establishments). This is particularly interesting given the history of El Monte in the Southern California garment industry. In 1995, authorities raided a complex in El Monte where over 70 Thai workers were being held captive and forced to work in a garment sweatshop.^{202,203} The event prompted local, national, and international outrage, and led to legislation protecting workers from sweatshop conditions and human trafficking.²⁰⁴ While the incident was more than 25 years ago, it is clear that the garment industry in El Monte is still alive and well.

¹⁹⁹ US Census Bureau, "All Sectors: County Business Patterns, Including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2019," accessed October 24, 2021, <https://data.census.gov/cedsci/table?q=&g=0400000US06%240500000&d=ECNSVY%20Business%20Patterns%20County%20Business%20Patterns&n=315210&tid=CBP2019.CB1900CBP>.

²⁰⁰ *ibid.*

²⁰¹ US Census Bureau, "Zip Code Business Patterns by Employment Size Class; California; 2019," accessed October 24, 2021, <https://www.census.gov/data/datasets/2019/econ/cbp/2019-cbp.html>.

²⁰² "What the El Monte Sweatshop Case Means to Me | U.S. Department of Labor Blog," accessed October 24, 2021,

<https://blog.dol.gov/2021/08/02/what-the-el-monte-case-means-to-me>.

²⁰³ Erin Blakemore, "20th-Century Slavery in a California Sweatshop Was Hiding in Plain Sight," *Smithsonian Magazine*, accessed October 24, 2021, <https://www.smithsonianmag.com/smithsonian-institution/20th-century-slavery-california-sweatshop-was-hiding-plain-sight-180975441/>.

²⁰⁴ *ibid.*

CA Apparel Contractors by County (315210)



Establishments

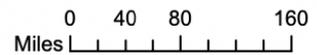
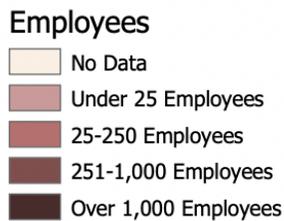
- No Data
- Under 10 Establishments
- 10-50 Establishments
- 51-150 Establishments
- Over 150 Establishments

0 40 80 160
Miles

Sources: Esri; US Census Bureau County Business Patterns (2019)

Map 4: California Cut & Sew Contractor Employment by County

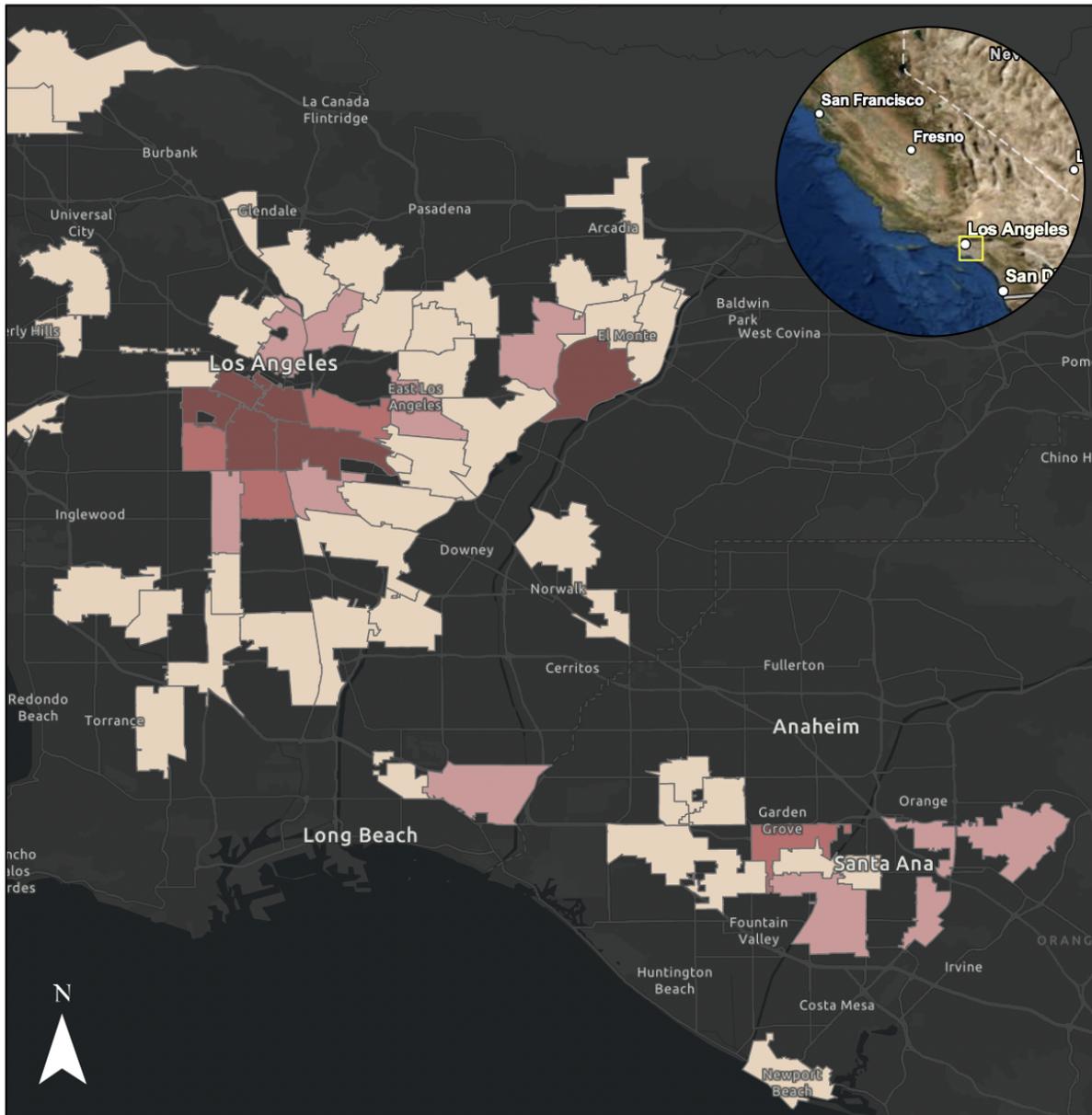
CA Apparel Contractor Employment by County



Sources: Esri; US Census Bureau County Business Patterns (2019)

Map 5: Spatial Concentration of Apparel Contractors

Spatial Concentration of Apparel Contractors



Cut and Sew Apparel Contractors

Establishments

- 1-10 Establishments
- 10-28 Establishments
- 29-55 Establishments
- 55+ Establishments

0 2.5 5 10
Miles

Sources: Esri; US Census Bureau Zip Code Business Patterns (2019)

Spatial Clustering of the Industry in LA

The clustering of the fashion industry within LA's Fashion District is made extremely visible by the businesses and activities present in the neighborhood. Manufacturers, contractors, wholesalers, designers, and retailers are all present within the small boundaries of the Fashion District outlined in Figure 24. There are certainly many benefits for all supply chain actors to cluster in one region, including better access to consumer markets, lower transportation costs, and quicker turnaround times.²⁰⁵

However, the extent of spatial clustering within each of these sub-sectors varies for a number of reasons. One study on the spatial distribution of the fashion industry in LA found that wholesalers and distributors are the most concentrated in the Fashion District. The co-locating of these sub-sectors makes sense, given that distributors are a key middleman between wholesalers and retailers. Furthermore, the proximity of distributors to wholesalers allows for buyers to see and receive a greater amount of product in a shorter amount of time.²⁰⁶ While manufacturers, contractors, and designers all have a strong presence in the Fashion District, they exhibit more of a tendency to also exist in areas just outside of the main Fashion District core.²⁰⁷ Designers specifically find benefit in locating near complimentary industries, like the film and entertainment industries, where they can have easy access to buyers. In Los Angeles, this means a higher concentration of designers in areas like Hollywood, West Hollywood, and Beverly Hills.²⁰⁸ Figure 25 illustrates these patterns in clustering.

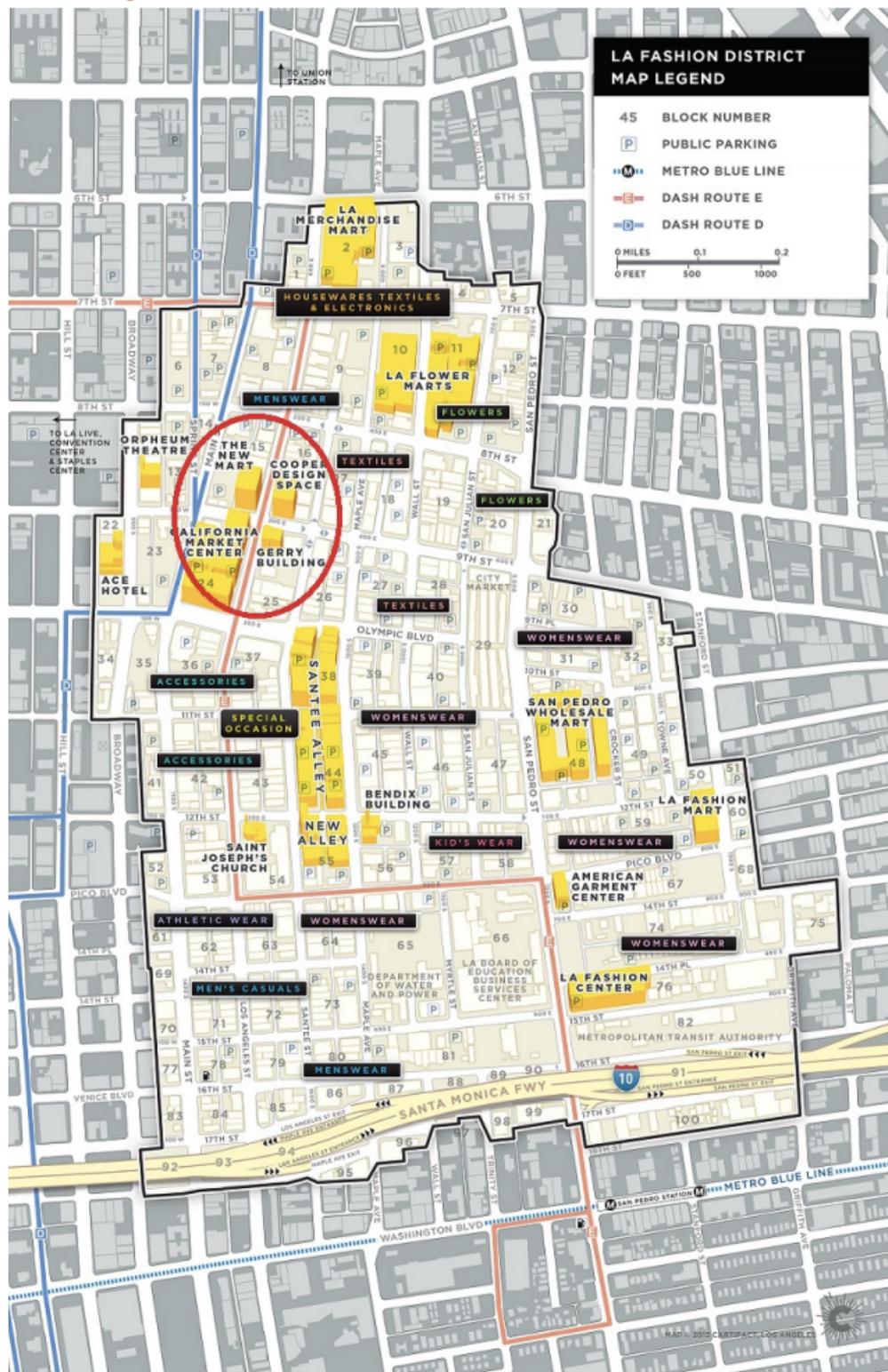
²⁰⁵ "Market Analysis of the Los Angeles Fashion District," Market Analysis (AECOM, April 2021), https://fashiondistrict.org/_uploads/LA_Fashion_District_2011_Market_Analysis_Reduced.pdf.

²⁰⁶ Sarah Williams and Elizabeth Currid-Halkett, "The Emergence of Los Angeles as a Fashion Hub: A Comparative Spatial Analysis of the New York and Los Angeles Fashion Industries," *Urban Studies* 48, no. 14 (2011): 3043–66. <http://www.jstor.org/stable/43082023>.

²⁰⁷ *ibid.*

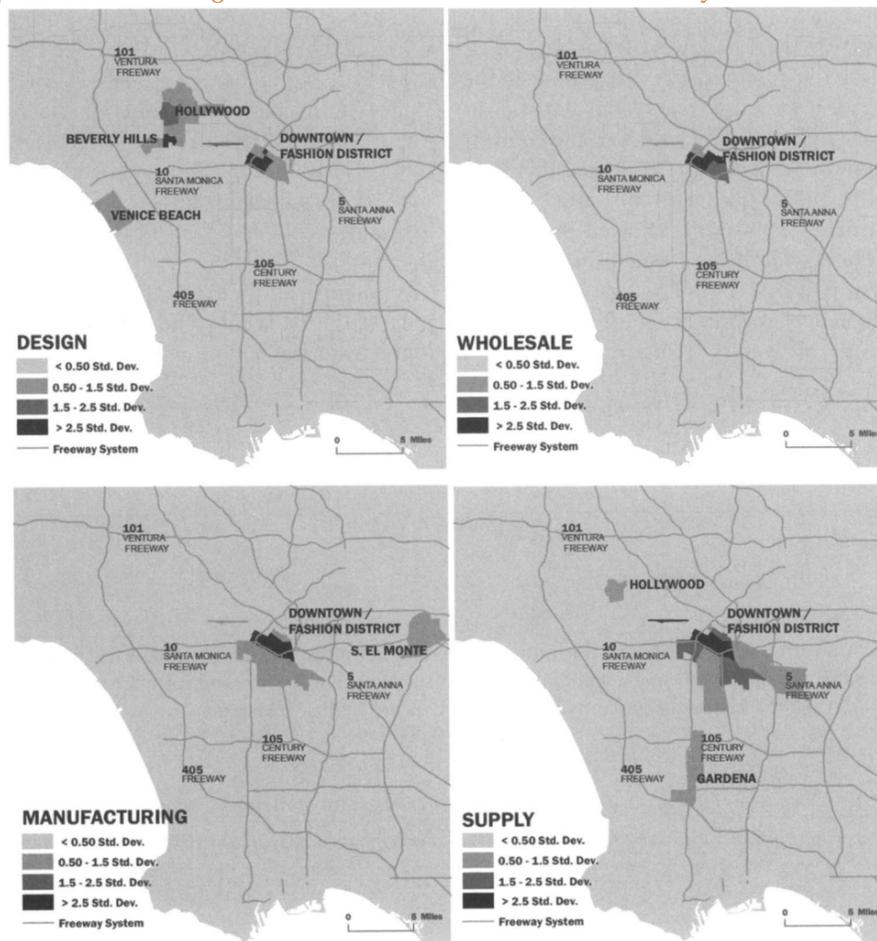
²⁰⁸ *ibid.*

Figure 24. Los Angeles Fashion District²⁰⁹



²⁰⁹ Daniel D. Gutierrez, "The Los Angeles Fashion Industry: A Data Science Perspective" (Amulet Analytics, 2016), <https://amuletanalytics.files.wordpress.com/2016/09/amulet-analytics-la-fashion-industry.pdf>.

Figure 25. Spatial Clustering of Actors in LA's Fashion Industry²¹⁰



Given that manufacturers often rely on contractors for sewing and cutting activities, the two sub-sectors are oftentimes found in clusters together. In fact, a 2001 survey found that manufacturers in Southern California contract out 64.8 percent of all cutting and 82.1 percent of all sewing.²¹¹ Therefore, for ease of business and quick turnaround times, manufacturers and contractors likely find it beneficial to co-locate. Manufacturers and contractors can be found in cities like El Monte, Vernon, and Commerce. According to the State of California's Department of Industrial Relations, Los Angeles city, El Monte, Vernon, and Commerce have 3,253; 334; 536; and 103 registered manufacturers and contractors, respectively (Figure 26).²¹² The explanation for manufacturing and contractor clusters outside of LA can be explained in part due to Los Angeles' sprawling geography that provides more space to the metropolitan area, especially when

²¹⁰ Williams and Currid-Halkett, "The Emergence of Los Angeles as a Fashion Hub: A Comparative Spatial Analysis of the New York and Los Angeles Fashion Industries."

²¹¹ Allen Scott, "Competitive Dynamics of Southern California's Clothing Industry: The Widening Global Connection and Its Local Ramifications," *Urban Studies* 39, no. 8 (2002): 1287–2306, <https://core.ac.uk/download/pdf/9310113.pdf>.

²¹² "Garment Manufacturers and Contractors Registration Database," California Department of Industrial Relations, April 2016, <https://www.dir.ca.gov/databases/dlseir/garmreg.html>.

compared to denser urban geographies like New York City.²¹³ El Monte in particular has had an active apparel manufacturing sector since the 1990s, with the city best known for the location of the Thai slave shop incident discussed later in this report. However, conversations with contractors based in the LA region revealed the cost of rent as another enabling factor for locating to nearby cities.^{214,215} As a proxy for rent costs, average rent prices per square foot for commercial spaces across these cities are displayed in Figure 27.

Figure 26. Number of Manufacturers and Contractors in the LA Metro Area²¹⁶



²¹³ Williams and Currid-Halkett, "The Emergence of Los Angeles as a Fashion Hub: A Comparative Spatial Analysis of the New York and Los Angeles Fashion Industries."

²¹⁴ Interview with Sonia Boutique, In Person, October 15, 2021.

²¹⁵ Interview with Michael of L.A., Telephone, October 13, 2021.

²¹⁶ "Garment Manufacturers and Contractors Registration Database," California Department of Industrial Relations, April 2016, <https://www.dir.ca.gov/databases/dlseir/garmreg.html>

Figure 27. Average Rent for Commercial Spaces in the LA Metro Area²¹⁷

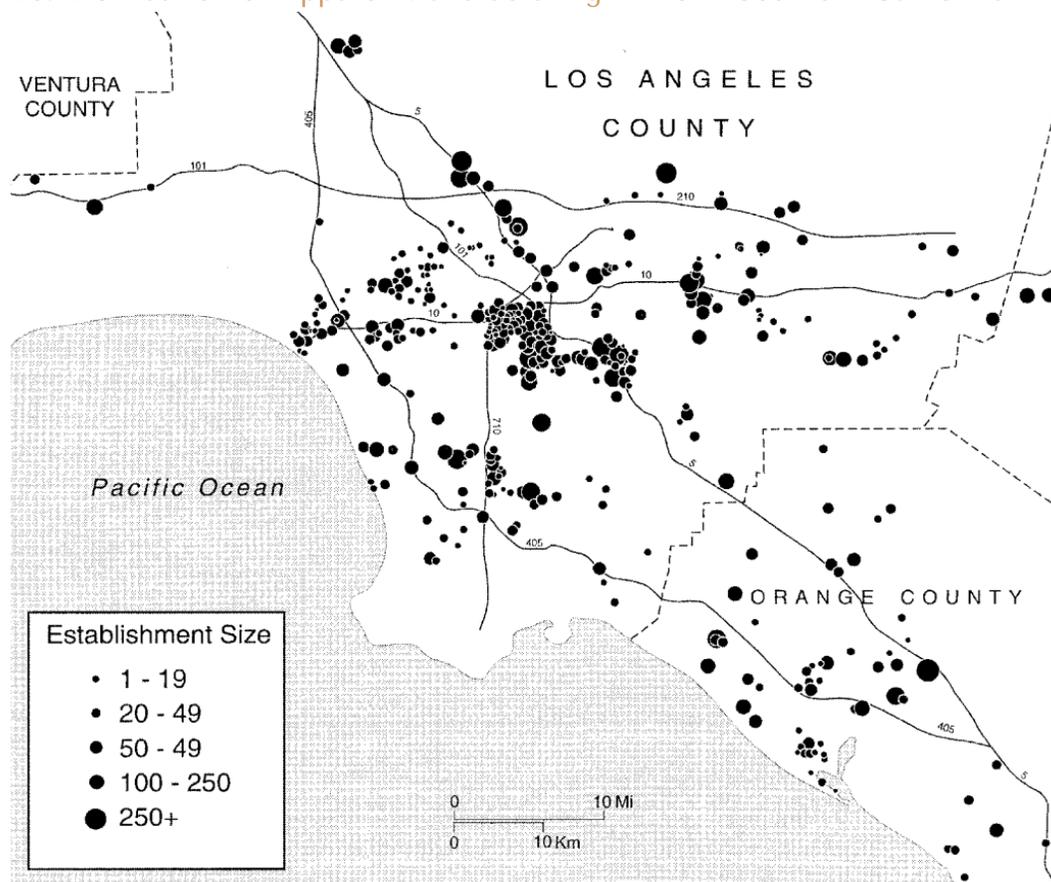


With the recent passage of SB62 eliminating the piece rate system, manufacturers and contractors will continue to feel strapped by operating costs. This could potentially motivate them to locate to places that allow them to maintain a certain level of proximity, while also cutting costs with cheaper rents, and ultimately salvaging profit. Figure 28 shows these locational patterns on a finer scale, with manufacturing establishments mapped according to employment size. Although Figure 28 represents the spatial distribution of establishments from the early 2000s, our research and presented evidence indicates that the same patterns hold true today. It is clear that the concentration of manufacturing establishments in the Fashion District are smaller, while the aforementioned cities are home to larger establishments. This observation is likely due to the less-dense nature of cities like Commerce, Vernon, and El Monte, where larger establishments are able to capitalize on more space at comparatively lower prices for their operations.²¹⁸

²¹⁷ Commercial Cafe, Los Angeles Office Rent Price & Sales Report, 2021, <https://www.commercialcafe.com/office-market-trends/us/ca/los-angeles/>

²¹⁸ "Market Analysis of the Los Angeles Fashion District," Market Analysis (AECOM, April 2021), https://fashiondistrict.org/_uploads/LA_Fashion_District_2011_Market_Analysis_Reduced.pdf.

Figure 28. Distribution of Apparel Manufacturing Firms in Southern California²¹⁹



How patterns of industry clustering will shift in a post-pandemic world remains to be seen, but if the decline in the number of establishments and revenue serves as an indicator, we may find ancillary sectors, like manufacturing and contracting, moving further and further away from the Fashion District and further away from labels, who act as the core of the fashion industry. Some may even choose to move out of Southern California completely.²²⁰ Nevertheless, the advantages of manufacturers and contractors clustering near the core, such as quick turnaround and small-volume orders, remain a strong determinant for why the industry hasn't seen a complete exodus from the Southern California region.²²¹

In the same way that sub-sectors have clustering tendencies, labor in the cut and sew apparel industry also clusters to a certain degree. Cut and sew contractor jobs are dominated by two main ethnic groups: Koreans and Latinx.²²² Los Angeles' immigrant population accounts for 38% of the metro area's labor force.²²³ The proximity of Korean

²¹⁹ Scott, "Competitive Dynamics of Southern California's Clothing Industry: The Widening Global Connection and Its Local Ramifications."

²²⁰ Angie Chung and Sookhee Oh, "Paving the Silk Road: Rethinking Ethnic Solidarity in Los Angeles' Korean Garment District," *Metropolitix*, June 19, 2018.

²²¹ Kessler, "Free Trade and Garment Work: The Impact of NAFTA on Service and Manufacturing Jobs in the Los Angeles Apparel Industry."

²²² Sonia Boutique, 2021.

²²³ "Profile of the foreign-born population in Los Angeles, California."

and Latinx dominated communities, like Koreatown and Boyle Heights, may serve as explanations for why workers from both ethnic groups have gravitated to the Fashion District and surrounding areas for jobs in the cut and sew contracting sector. Koreatown's population is 33% Asian and 52% Hispanic, while the geographic area that includes the Fashion District, Boyle Heights, and Downtown LA is 15% Asian and 63% Hispanic.^{224,225} The prominence of personal connections and family networks in both cultures, especially Asian culture, may also serve as an additional explanation for the strong presence of both ethnic groups in the industry.²²⁶ Additionally, the "low-skilled" nature of cutting and sewing jobs has attracted many low-wage immigrant workers.²²⁷ Given the tight-knit relationships between contractors and manufacturers that characterize the industry, it is unsurprising to see similar relationships made with respect to labor. The presence of formal and informal labor associations, like the Korean American Garment Industry Association (KAMA), also help to cultivate a sense of ethnic solidarity within the industry, while allowing for certain ethnic groups to remain dominant within the industry by expanding the network of firms owned and operated by people of the same ethnicity.²²⁸

Industry Relationships

Contractors' main clients are typically manufacturers, who sub-contract out their cutting and sewing activities for economic efficiency. However, some contractors deal directly with designers and retailers.²²⁹ Figure 29 demonstrates the complicated web of relationships between supply chain actors. Contractors typically work with only a handful of clients at a time. In interviews with three separate contractors, the number of clients worked with varied between two and seven. This in part is due to the capacity of small contractors, who typically employ less than 10 workers, to fulfill multiple orders in a timely fashion. The large local and national consumer market and year-round demand for apparel also ensures that contractors always have orders to fulfill. While some of the interviewed contractors identified certain "high" seasons, all mentioned that their workers are busy fulfilling orders year-round.^{230,231}

²²⁴ "Los Angeles County (Central)--East Los Angeles PUMA, CA. ACS 2019 1-Year," Census Reporter, n.d., <https://censusreporter.org/profiles/79500US0603743-los-angeles-county-central-east-los-angeles-puma-ca/>.

²²⁵ *ibid.*

²²⁶ Gill Corkindale, "Nepotism: The Unspoken Rules," *Harvard Business Review* (blog), September 4, 2007, <https://hbr.org/2007/09/nepotism-the-unspoken-rules>.

²²⁷ Kessler, "Free Trade and Garment Work: The Impact of NAFTA on Service and Manufacturing Jobs in the Los Angeles Apparel Industry."

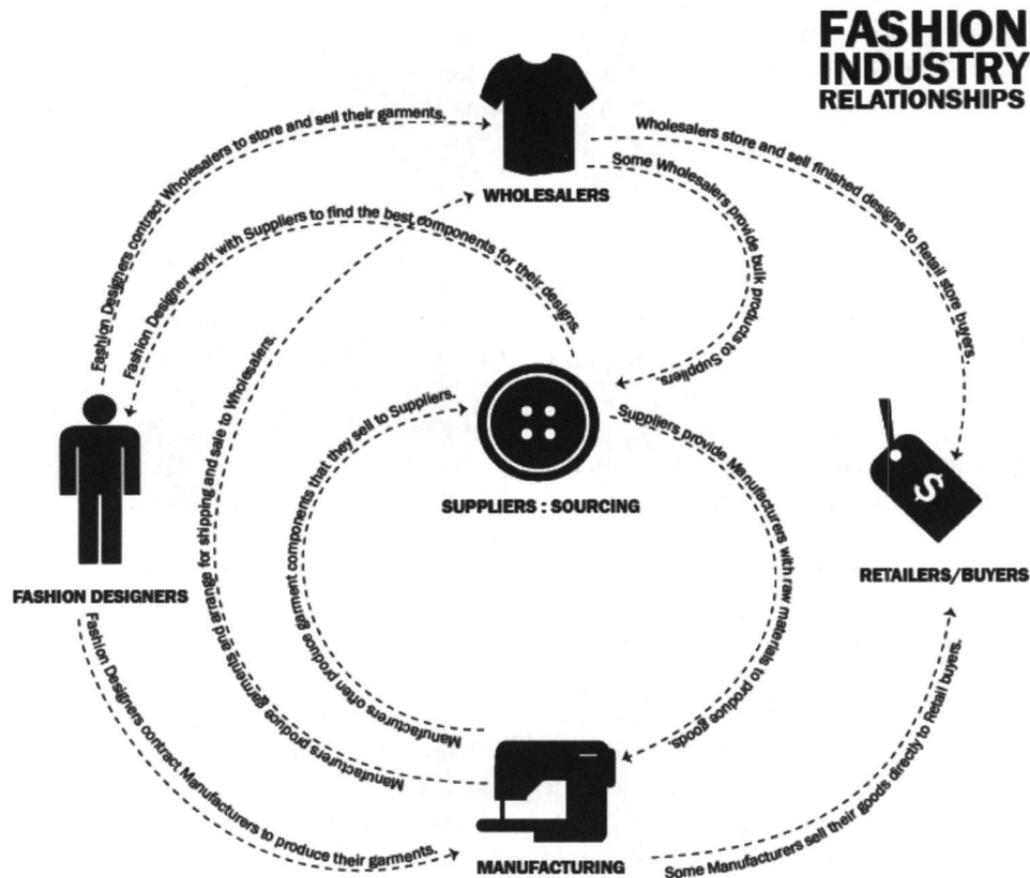
²²⁸ Chung and Oh, "Paving the Silk Road: Rethinking Ethnic Solidarity in Los Angeles' Korean Garment District."

²²⁹ Interview with Michael of L.A., 2021.

²³⁰ Interview with Sonia Boutique, 2021.

²³¹ Interview with Michael of L.A., 2021.

Figure 29. Fashion Industry Relationships²³²



Relationships between contractors and their clients are not marked by intense competition among contractors. For contractors, relationships with clients are established and cemented over the course of years, with trust being an incredibly important feature. However, once this trust and reliability is established, contractors and their clients are able to consistently engage in steady streams of transaction. For example, once a manufacturer is able to confirm that a cut and sew contractor can cut and sew high-quality garments in a short amount of time, they will continue to put in orders with that contractor. At the same time, if a contractor knows that a manufacturer will offer a reasonable price, then the contractor will continue to fulfill orders for the manufacturer. For this reason, once these types of informal business “contracts” are formed manufacturers find no reason to look elsewhere for cut and sew contractors, and contractors have no reason to seek out other clients.²³³ As a result, competition for clients among contractors is not of particular concern to existing contractors. Competition is especially scarce for contractors that specialize in niche garments, like jackets.²³⁴

²³² Williams and Currid-Halkett, “The Emergence of Los Angeles as a Fashion Hub: A Comparative Spatial Analysis of the New York and Los Angeles Fashion Industries.”

²³³ Interview with Sonia Boutique, 2021.

²³⁴ Interview with Michael of L.A., 2021.

However, this informal system of networks poses a barrier for new contractors looking to enter the market. The manager of Sonia Boutique, a sewing contractor based out of the Allied Crafts Building in the Fashion District, explained that new contractors need to set aside a portion of their starting expenses for marketing to attract new clients. Nevertheless, Sonia Boutique's manager mentioned that new contractors located in the Fashion District are able to spend less on marketing due to their proximity to many manufacturers, and instead rely on their ability to network.²³⁵

Local Competition

While Southeast Asian markets are able to keep costs low through the use of cheap labor, overseas markets cannot compete with the immediacy and flexibility that local producers offer. The immediacy and convenience of fast and local quality control plus the ability to make modifications at the snap of a button gives local production a major leg up in comparison to offshore producers and other manufacturers outside of the local area.²³⁶ Given this, the biggest opportunities for local contractors to build competitive advantage lie within reducing the time between order and delivery; being able to act quickly to adjustment requests and shifts in consumer demand; and producing products cheaply, oftentimes by cutting labor costs.

In the United States, the industry is highly fragmented and industry operators tend to be hyper-specialized and/or hyper-local. Los Angeles County has the highest concentration of garment production in all of the US and the highly saturated sector is forced to compete with one another to offer the trifecta of low costs, high speeds, and high quality. Most firms are small scale operations and do not rely on things such as brand power to make their mark on the industry. Firms in Los Angeles run small, with the vast majority of firms having fewer than 20 employees, and often less than five. Given the small size of the teams and frequent informal nature of the work, barriers to enter the industry are low. As firms only need to find a space to work, simple sewing supplies, and labor to participate, it is quite easy for new firms to join the industry. However, the oversaturation of the market also makes it difficult for firms to establish new contracts.²³⁷

During the pandemic, proximity has proven more advantageous than ever with the rise in global supply chain slow downs and interruptions. Working locally has been a crucial strategy for producers to remain competitive and keep up with consumer demand. Los Angeles firms have been at a competitive advantage in this regard as manufacturers have been able to cut down significantly in terms of efficiency and worry by condensing the manufacturing flow to a tight region. This way, manufacturers have been able to ensure minimal disruption while retaining quality output.

²³⁵ Interview with Sonia Boutique, 2021.

²³⁶ Bailey-Todd, Eckman, and Tremblay, "Evolution of the Los Angeles County Apparel Industry." 2008.

²³⁷ US Census Bureau, "All Sectors: County Business Patterns, Including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2012-2019."

Why Los Angeles?

The fashion industry's established base in Los Angeles comes as no surprise. There are several factors that explain why so many firms within the wider industry are based in LA, and cut and sew contractors are no exception. Figure 30 shows the results of a 2018 survey asking fashion manufacturers in Los Angeles County and Orange County for reasons why they've chosen to locate their business in the LA region. In addition to the factors listed in Figure 30, large retail and consumer markets, access to important transportation corridors, abundant supply of labor, and proximity to related industries are a few reasons as to why the fashion industry calls LA home.

Figure 30. Reasons Manufacturing Firms Remain in Los Angeles²³⁸



Retail and Consumer Market

California leads the national retail market with 10.1% of retail establishments in the country, the most of any state.²³⁹ In addition, California has the greatest share of cut and sew apparel manufacturers nationally, with 58.8%.²⁴⁰ These two markets are important drivers of business for cut and sew contractors. The high concentration of retail establishments within the state of California means a constant demand for manufactured retail goods, like apparel. This demand is especially high from the fast fashion market, with companies such as Forever21, TJMaxx, and FashionNova based out of the city. At the same time, the strong presence of manufacturers within the state, including the previously discussed concentration of manufacturers in Los Angeles and Southern California, translates into more direct business for contractors. Being based in the midst of one of the largest regional consumer markets allows contractors to have quick turnaround times while minimizing transportation costs, therefore maximizing profit.

The reverse of this relationship also holds true. Los Angeles based labels and retailers equally benefit from having access to suppliers, including contractors and manufacturers.²⁴¹ This allows them to quickly respond to changes in consumer demand

²³⁸ Tso, "State of the Fashion Industry in Los Angeles."

²³⁹ Brigitte Thomas, "Industry Report 44-45 - Retail Trade in the US," IBIS World, July 2021, <https://www.ibisworld.com/>.

²⁴⁰ Ristoff, "Cut and Sew Manufacturers in the US."

²⁴¹ Thomas, "Retail Trade in the US."

and capitalize on the increasing popularity of fast fashion trends. Therefore, retail plays a critical role in attracting contractors to the LA region.

Transportation

One of the most important assets to the LA fashion industry is the San Pedro Bay Port Complex, which includes the Port of Los Angeles and the Port of Long Beach. Both ports account for roughly 31% of all national shipping activity.²⁴² While cut and sew contractors do not directly rely on the Ports, their suppliers certainly do. Manufacturers in the industry depend on fabrics that are made from raw materials, such as cotton yarn. In 2019, the United States was the world's top importer of retail cotton yarn, accounting for 18.1% of global retail cotton yarn imports, with the majority of cotton being imported from Turkey and Canada.²⁴³ Table 6 displays commonly used raw materials in the apparel manufacturing industry and the value imported to the US. Raw materials are often imported from abroad and transported to regional textile mills and manufacturers, where they're turned into fabric for manufacturers and contractors to work with.²⁴⁴

Table 6. US Import Values and Share of Global Imports of Commonly Used Raw Materials (2019)²⁴⁵

Raw Material	Import Value (millions of dollars)	Share of Global Imports
Cotton	\$50.1	18.1%
Silk	\$1.47	12.1%
Synthetics	\$28.4	8.96%
Wool	\$36.7	9.63%
Cellulosic fibers/viscose	\$5.29	5.03%
Leather	\$20.0	7.62%
Nylon	\$54.6	3.58%

The fashion industry's reliance on the Ports is best illustrated by the financial distress caused by shipping backlogs. Delays in shipping times place stress on the apparel supply chain, causing low inventory levels at every stage of production. Lower supply

²⁴² "The Port of Los Angeles: Facts & Figures," Port of LA, 2020. <https://kentico.portoflosangeles.org/getmedia/a8fcbf89-f5dd-4027-8ffc-cb743f478f87/2020-Facts-Figures>

²⁴³ AJG Simoes and CA Hidalgo. "The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development. Workshops at the Twenty-Fifth AAAI Conference on Artificial Intelligence." 2011.

²⁴⁴ "Textiles and Apparel: Assessment of the Competitiveness of Certain Foreign Suppliers to the U.S. Market," United States International Trade Commission (USITC) Office of Industries, 2004. <https://www.usitc.gov/publications/332/pub3671.pdf>.

²⁴⁵ Simoes and Hidalgo. "The Economic Complexity Observatory: An Analytical Tool for Understanding the Dynamics of Economic Development. Workshops at the Twenty-Fifth AAAI Conference on Artificial Intelligence."

results in higher prices for shipping containers, fabrics, and retail items, putting the industry in a financially precarious position. The COVID-19 pandemic put additional stress on global supply chains, with factory shutdowns across the world causing intense delays in shipping.²⁴⁶ The pandemic has forced more than two-thirds of firms in the industry to anticipate declines in sourcing volumes by at least 20%.²⁴⁷ Nevertheless, the Ports remain an essential factor in why the cut and sew apparel industry, and the fashion industry at large, are largely based out of Los Angeles.

In addition to overseas shipping infrastructure, intra-regional transportation infrastructure, in the form of freeways, remain important for the movement of goods within the cut and sew apparel industry. The Harbor 110 Freeway and the 710 Freeway are the two principal connectors between the San Pedro Bay Port Complex and the mainland, with the 110 serving as the main connector to the Port of LA and the 710 as the main connector to the Port of Long Beach. The 110 in particular frames LA's Fashion District at its western edge, allowing for easy access to imported goods like raw materials, fabrics, and apparel. The Alameda Corridor Train Line is also an important piece of transportation infrastructure that moves cargo inland from the port complex.

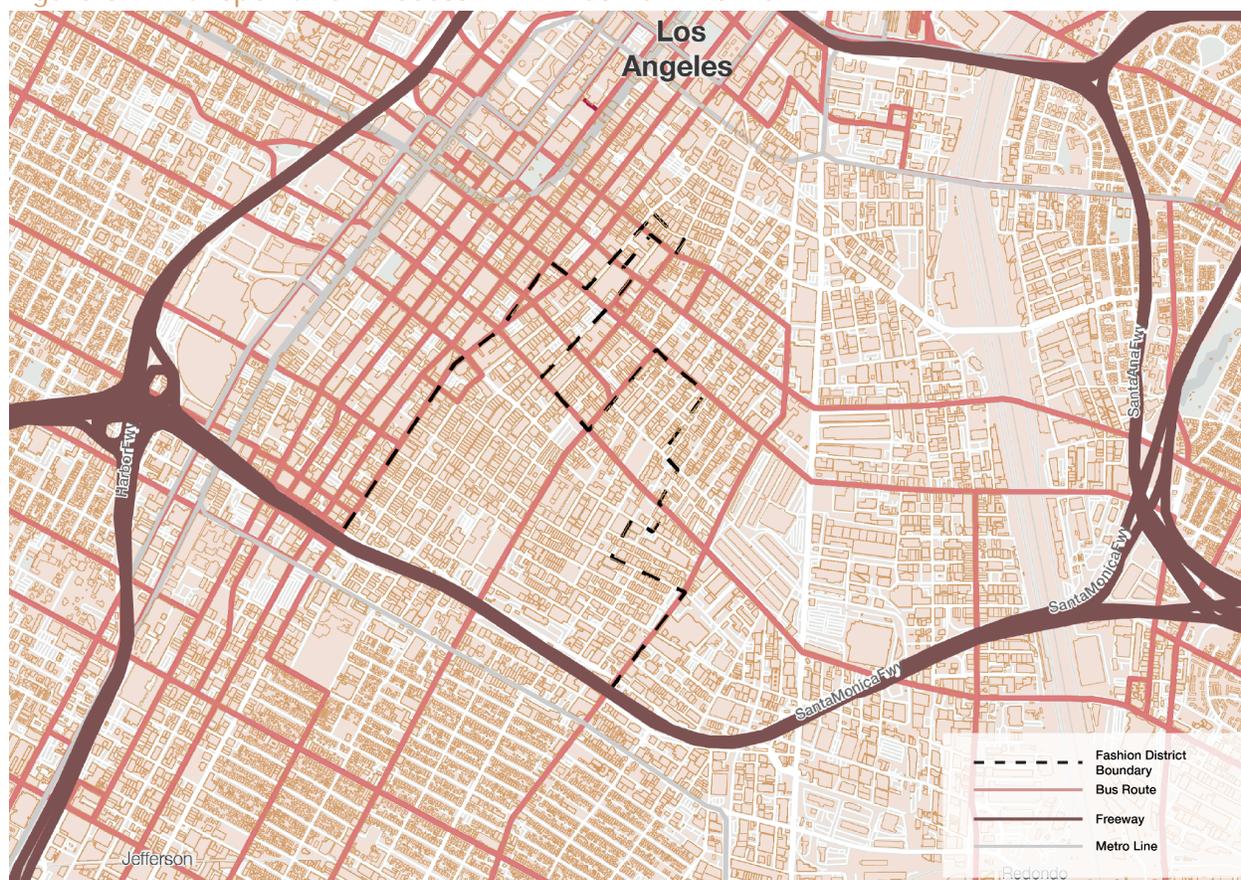
Additional access routes to the Fashion District include the 10 (Santa Monica Freeway), 5 (Santa Ana Freeway), 101, and 60 freeways; buses; and metro lines (Figure 31). These transportation systems connect the greater LA region, as well as Central and Southern California, to the Fashion District. These transportation corridors are especially critical in increasing market access. Ease of transportation allows contractors to connect with manufacturers seamlessly, especially for contractors who may be taking advantage of greater space at cheaper prices in nearby cities. Transportation access to the Fashion District also brings in retail customers and laborers. Retail customers coming from nearby areas are able to access the Fashion District via a network of highways, buses, and metro lines, while garment workers rely heavily on bus routes to commute to work.

²⁴⁶ Berg et al, "Time for change: How to use the crisis to make fashion sourcing more agile and sustainable," McKinsey & Co., 2020.

<https://www.mckinsey.com/~media/mckinsey/industries/retail/our%20insights/time%20for%20change%20how%20to%20use%20the%20crisis%20to%20make%20fashion%20sourcing%20more%20agile%20and%20sustainable/time-for-change-how-to-use-the-crisis-to-make-fashion-sourcing-more-agile-and-sustainable.pdf>

²⁴⁷ *ibid.*

Figure 31 - Transportation Access in LA Fashion District



Labor Market Access

The cut and sew contracting sector relies heavily on low-skilled and low-cost labor. With immigrant workers accounting for 40% of the LA metro area's workforce, contractors have no shortage of labor.²⁴⁸ In a conversation with Fernando Sanchez, a cut and sew worker in the Fashion District, he emphasized that the large immigrant population in the region keeps many firms in Los Angeles.²⁴⁹ Furthermore, due to the low-skill nature of cut and sew work, the labor force does not require skills prior to entering into the industry. In fact, Sanchez explained that most workers learn the skills on the job.²⁵⁰ In the City of LA, 36.7% of immigrants do not have a high school diploma, while 20.6% of the population have only a high school diploma.²⁵¹ Thus, more than 50% of the City's immigrant population has no formal skills training, making them perfect candidates for cut and sew work. Table 7 shows that the immigrant population of LA County exhibits similar characteristics, an important consideration given large

²⁴⁸ "Profile of the foreign-born population in Los Angeles, California."

²⁴⁹ Interview with Fernando Sanchez, Garment Worker in Fashion District (name and company name redacted for privacy purposes), October 23, 2021.

²⁵⁰ Interview with Fernando Sanchez.

²⁵¹ "Selected Characteristics Of The Foreign-Born Population By Period Of Entry Into The United States. Acs 2019 1-Year." Us Census Bureau, N.D., https://Data.Census.gov/Cedsci/Table?Q=Foreign%20born&G=0500000us06037_1600000us0644000&Tid=Acstly2019.S0502&Hidepreview=True.

immigrant communities in other parts of LA County, like East Los Angeles. Therefore, with no need to have a skilled labor force, firms are able to tap into a large pool of local, low-cost talent.

Table 7. Educational Attainment of Foreign Born Population in City of LA and LA County²⁵²

Educational Attainment	Los Angeles City	Los Angeles County
Less than high school graduate	36.7%	34.7%
High school graduate (includes equivalency)	20.6%	20.8%

Agglomeration Economy

Another influential factor as to why the garment industry continues to thrive in Los Angeles is the high concentration of firms that handle various parts of the supply chain. American economist Edward Glaeser defines agglomeration economies as economies that benefit from the industrial cluster of firms and people located close to one another in cities.²⁵³ The Los Angeles garment industry is an agglomeration economy that relies on various niche areas of work throughout its supply chain such as, designers, textile manufacturers, dyers, pattern makers, cutters, sewers, pressers, labelers, packers, warehouse manufacturers, shippers and retailers.²⁵⁴ Some firms take on the responsibility of multiple activities, while others will specialize and take on only one task, such as cutting. Given how concentrated the Los Angeles garment manufacturing industry is, brands are able to complete the entire manufacturing process in Los Angeles rather than having to work with firms in different cities or countries. This lowers transportation costs, contributing to lower prices and efficient workflows. Many firms in Los Angeles operate in the same building or within walking distance to one another, making it incredibly convenient to deliver and pick up material by foot, make swift changes to meet consumer and brand demands, and reduce total production time. The convenience offered by this economy format is a major reason that LA remains a competitive location for the garment industry. Given how long it takes for an economy like this to develop, there is nowhere else in the United States that would be able to offer this same style of convenience. For local Los Angeles retailers and brands, working locally means secure workflows and ease. Nike recently shared that shipping times from Asia have doubled to 80 days due to the pandemic.²⁵⁵ These long wait times for materials and products ultimately position Los Angeles as a resilient and desirable location for local garment brands and retailers to turn to amidst the uncertain supply chain rhythms impacted by COVID-19.

²⁵² *ibid.*

²⁵³ Edward Glaeser, "Introduction to 'Agglomeration Economics.'" In *Agglomeration Economics*, 1–14. University of Chicago Press, 2010. <https://www.nber.org/books-and-chapters/agglomeration-economics/introduction-agglomeration-economics>.

²⁵⁴ *ibid.*

²⁵⁵ Davey and Baertlein, "Not so fast! Supply bottlenecks strain fashion chains", *Reuters*, 2021. <https://www.reuters.com/business/not-so-fast-supply-bottlenecks-strain-fashion-chains-2021-10-13/>

Complementary Industries

The fashion industry cluster in LA benefits from a number of nearby interdependent industry clusters. The most notable of these is the entertainment industry, which includes film, television, and other media, located in Hollywood and Beverly Hills. The entertainment industry is not only a source of business for fashion designers, labels, and brands, and in turn manufacturers and contractors, but it also offers the fashion industry opportunities for collaboration and inspiration.²⁵⁶ Figures in the entertainment industry oftentimes define fashion trends and consumer demand. Similarly, the entertainment industry can market specific designers and brands, boosting demand for these individual players and their network of manufacturers and contractors. Proximity to a highly influential and visible industry like entertainment is yet another reason that LA stands out as a base for many firms within the fashion industry, including cut and sew apparel contractors.²⁵⁷

Local and Government Incentives

While the City of LA only offers one fashion-specific incentive program, LA Original, the city hosts several other programs targeted at small and growing businesses that many contractors, manufacturers, and labels in the space could take advantage of. These programs are outlined in Table 8. In recent years, the local government has commissioned reports to assess the economic state of the fashion industry within Los Angeles.^{258,259, 260} A number of these reports looked specifically at LA's Fashion District.^{261,262} These reports have prompted government supported initiatives that aim to preserve the city's status as a fashion hub.

Most notably, the Fashion District Business Improvement District (BID) has invested heavily in marketing over the last few years. Such efforts have included active social media accounts promoting the neighborhood and all it has to offer; putting on neighborhood-specific events, like Santee Wonderland; and offering advertising services for local businesses.²⁶³ The recent investment in boosting the Fashion District's brand could be another explanation for why LA remains a base for the fashion industry.

²⁵⁶ Sascha Brinkhoff, "Spatial Concentration of Creative Industries in Los Angeles," *Humboldt-Universität zu Berlin*, 2006. <http://www-sre.wu-wien.ac.at/neurus/brinkhoff.pdf>.

²⁵⁷ Tso, "State of the Fashion Industry in Los Angeles."

²⁵⁸ AECOM, "Market Analysis of the Los Angeles Fashion District."

²⁵⁹ *ibid.*

²⁶⁰ "2019 Annual Report." LA Fashion District, 2019.

<https://ctycms.com/ca-fashion-district/docs/eport-v4---final-magazine-layout---reduced-siz.pdf>

²⁶¹ AECOM, "Market Analysis of the Los Angeles Fashion District."

²⁶² LA Fashion District, "2019 Annual Report."

²⁶³ *ibid.*

Table 8. Local Government Business Incentive Programs²⁶⁴

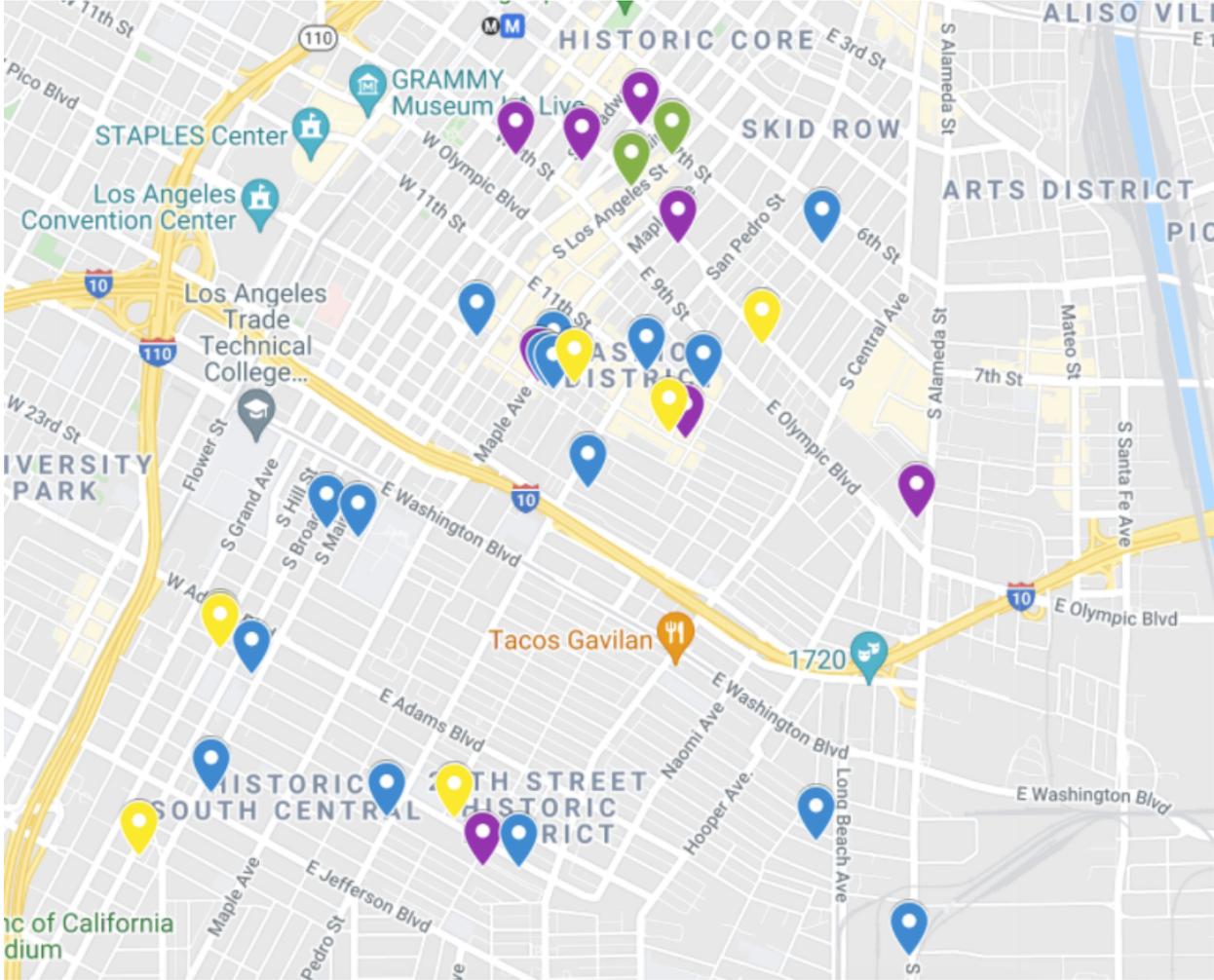
Program	Description
BusinessSource Centers	Provide startup ventures and current small business owners tools to help their businesses grow and remain competitive. Most services are provided at no cost.
Green Business Assistance	Offer resources on how businesses can improve their energy efficiency, waste management, and carbon footprint.
Small Business Loan Program	Provides financing options for small businesses that may have trouble securing loans from traditional lenders.
WorkSource Center	Deliver no cost prescreening, customized training, applicant referral, labor market information, and other business services.
Industrial Development Bonds	Taxable and tax-exempt financing for commercial and industrial development projects at favorable interest rates, usually below conventional borrowing costs.
LA Original Program	Provides a platform to sell fashion products designed, assembled, or manufactured in Los Angeles—with proceeds supporting creative entrepreneur programs.

The Apparel Manufacturing Agglomeration Mapped

The California Department of Industrial relations lists over 4000 Los Angeles-based apparel contracting firms and more than 2000 Los Angeles-based apparel manufacturing firms in their database. The database contains addresses for every firm, enabling us to find out which addresses are utilized most frequently, indicating a larger factory with multiple apparel firms. These locations are marked in purple in Figure 32. These firms are located predominantly north of the City's Fashion District, closer to Skid Row and the Historic Core. The other points on the map reflect addresses with 3-6 listed firms at the address (blue), while the yellow points represent buildings where only one firm has listed the address. Both the smaller factories (blue) and standalone firms (yellow) are more spread out across the greater Downtown LA and South LA area.

²⁶⁴ *ibid.*

Figure 32. Spatial Clustering of Selected Apparel Manufacturing Firms in Downtown Los Angeles



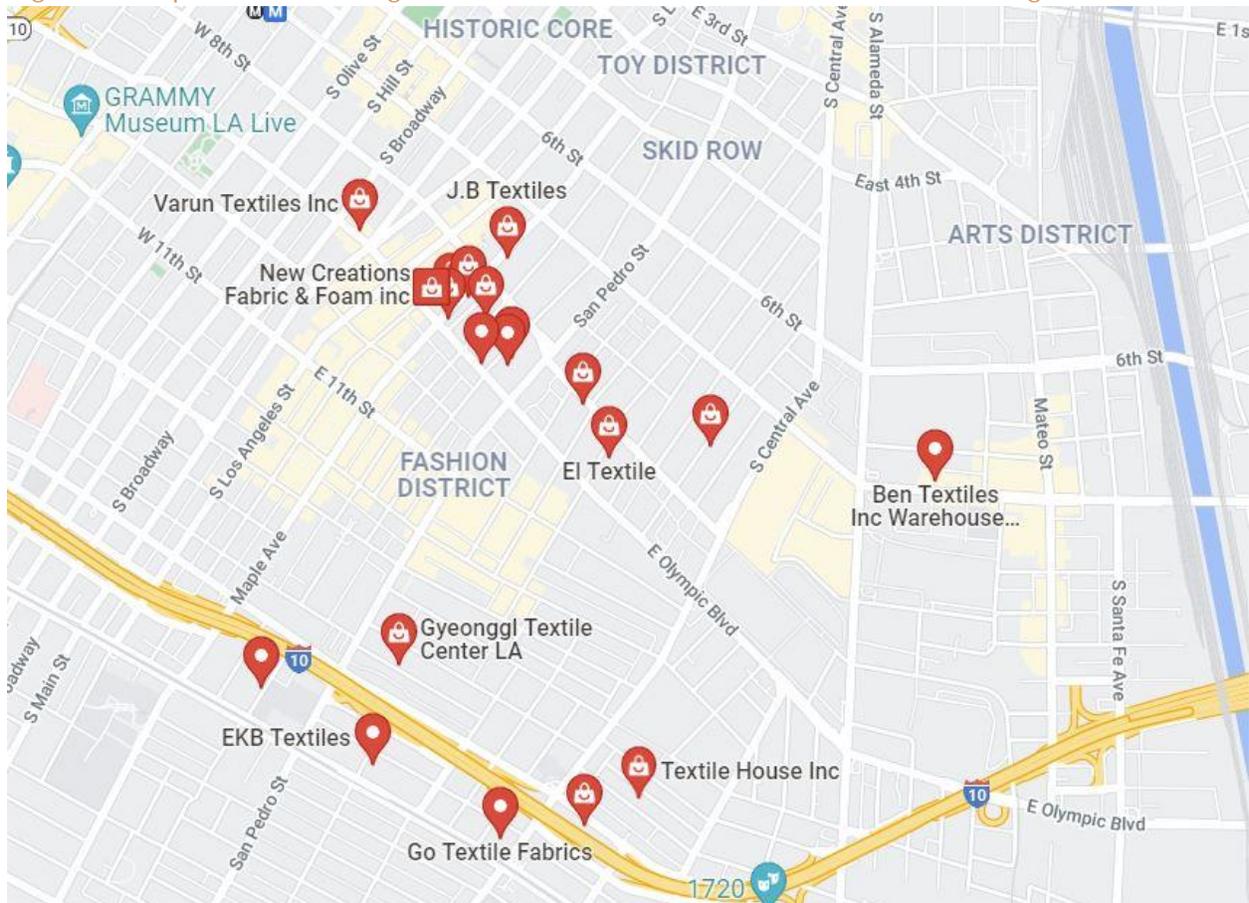
Purple points in this map represent buildings with six or more firms listed at this address according to the California Department of Relations Database. Blue points represent buildings with two to five firms listed at this address, while yellow points indicate one firm listed at this address. Green points represent addresses listed on the 2012 Department of Relations Database that are no longer operating according to the 2021 database.²⁶⁵

In contrast, textile wholesalers are located much closer together in the Fashion District, between Olympic and 8th st, according to a Google Maps search (Figure 33). Due to the hyper-specificity of firm activities in the sector, it's difficult to locate the exact location of firms that take on niche roles within the industry. Given that many firms operate under the table, we are unable to find data related to the entire industry. The highly fragmented and obfuscated industry poses challenges from a research perspective when trying to understand the main activities of the industry. Business

²⁶⁵ California Department of Industrial Relations, "Garment Manufacturers (and Contractors)," 2021.

names tend to be generic and many business owners are distrusting when it comes to revealing information about their businesses and practices to researchers.

Figure 33. Spatial Clustering of Textile Wholesalers in Downtown Los Angeles



Spatial clustering of Los Angeles textile firms according to Google Maps.

Market Access

Market access for cut and sew contractors means proximity to manufacturers. In an informally structured sector like cut and sew apparel manufacturing, access to the market is critical for survival. Market access allows contractors to form close relationships with manufacturers who often turn into regular clients.²⁶⁶ Market access is also crucial for contractors in the face of intense competition from overseas. Contractors with market access are able to respond to orders with quicker run times, unlike contractors overseas whose runtimes are elongated due to international shipping times. In a market like LA, where fast fashion drives much of production, the quick runtimes realized by proximity to clients is a major benefit to contractors.²⁶⁷

Interdependence characterizes many of the business relationship firms have in this sector. As such, gaining market access depends upon the networks that individual contractors have formed with manufacturers. These relationships are dependent upon

²⁶⁶ Interview with Sonia Boutique, In Person, October 15, 2021.

²⁶⁷ AECOM, "Market Analysis of the Los Angeles Fashion District."

the quality and reliability of work that contractors provide to their clients. Firms without these networks, and thus with no market access, struggle to stay afloat in this tightly connected sector.²⁶⁸ This strong sense of connectivity also drives much of the physical proximity and clustering that's seen within the Fashion District. Many wholesalers, cut and sew contractors, manufacturers, retailers, and designers in the Fashion District work within a short distance of each other. Figure 34 shows a 1km² area of different sites operating within close proximity. California Market Center is the Fashion District's most renowned wholesale market. Just across the street is the Gerry Building, a space that houses designers and their showrooms. Santee Alley is a major attraction for the Fashion District, with many visitors coming to the neighborhood to shop at the large retail destination. The F.W. Braun and Allied Crafts Buildings are two multi-story factory buildings that house several cut and sew contractors and manufacturers. While the Bendix Building, a physical landmark for the Fashion District, houses everything from designers to manufacturers to wholesalers, representing the concentration of the supply chain within the LA region all in one space.

Figure 34. Los Angeles Fashion District Sites²⁶⁹



²⁶⁸ Interview with Vladimir, Cutting Manufacturer Owner in Fashion District Los Angeles, Phone Call, October 24, 2021.

²⁶⁹ Ristoff, "Cut and Sew Manufacturers in the US."

Following the Money

Financial Overview

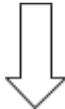
The cut and sew garment manufacturing sector is illustrative of many of the larger market trends in the global economy over the past several decades. The availability of significantly cheaper labor overseas, combined with technological and logistical advances that have increased the speed and reliability of global shipping, have created significant downward pressure on domestic manufacturers. The number of cut and sew enterprises in the United States shrank by 3% over the last 5 years, and is expected to decrease another 2% in the next 5 years as global competitiveness increases.²⁷⁰

Profitability and Revenue

In addition to the decline in the number of enterprises, revenue and profitability of the remaining businesses have also declined. Since 2016, revenues have decreased at an annualized rate of 5.4% and are now at \$1.9 Billion. Profitability has decreased to an industry-wide average of 3.2%, reflecting the very slim margins on which domestic manufacturers operate.²⁷¹

For contractors in the cut and sew apparel space, the main source of revenue comes from the number and value of contracts made with manufacturers. Order size and value are the main source of revenue, while the capital and labor are the major costs. A basic profitability analysis of the industry can be broken down as such:

$$\text{Profit} = \text{Revenue} - (\text{Fixed Costs} + \text{Variable Costs})$$



$$\text{Profit} = \text{Value of Contracts} - (\text{Equipment} + \text{Rent} + \text{Wages})$$

While costs for cut and sew apparel contractors remain relatively consistent, revenue is much more volatile. Revenue is not only dependent upon the relationships that factory owners have with manufacturers (and, in turn, labels), but also the wider demand in the industry. Strong demand from consumers translates into larger orders put in by labels and, thus, more work and revenue for cut and sew contractors.

The largest profit margins within the apparel manufacturing industry are found much higher up the supply chain, with the fashion brands themselves. A McKinsey & Company report from 2019 lists the top 20 fashion companies globally, showing a top profit of over \$4 billion for Inditex, a global fashion conglomerate that owns brands like Zara (see Figure 35).²⁷² The 2021 issue of the McKinsey report showed a pre-COVID fashion industry average profit margin of 10.6% in 2019.²⁷³

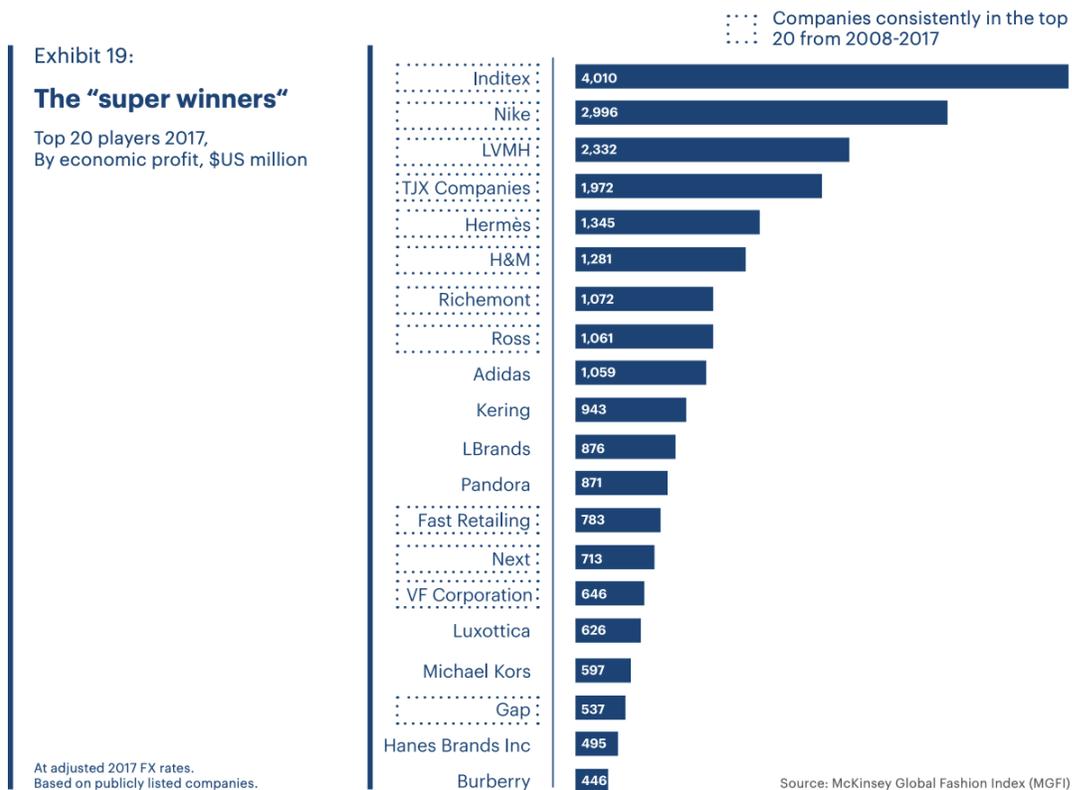
²⁷⁰ *ibid.*

²⁷¹ *ibid.*

²⁷² McKinsey & Company, "The State of Fashion 2019," 2019.

²⁷³ McKinsey & Company, "The State of Fashion 2021," 2021.

Figure 35. Top 20 Global Fashion Companies²⁷⁴



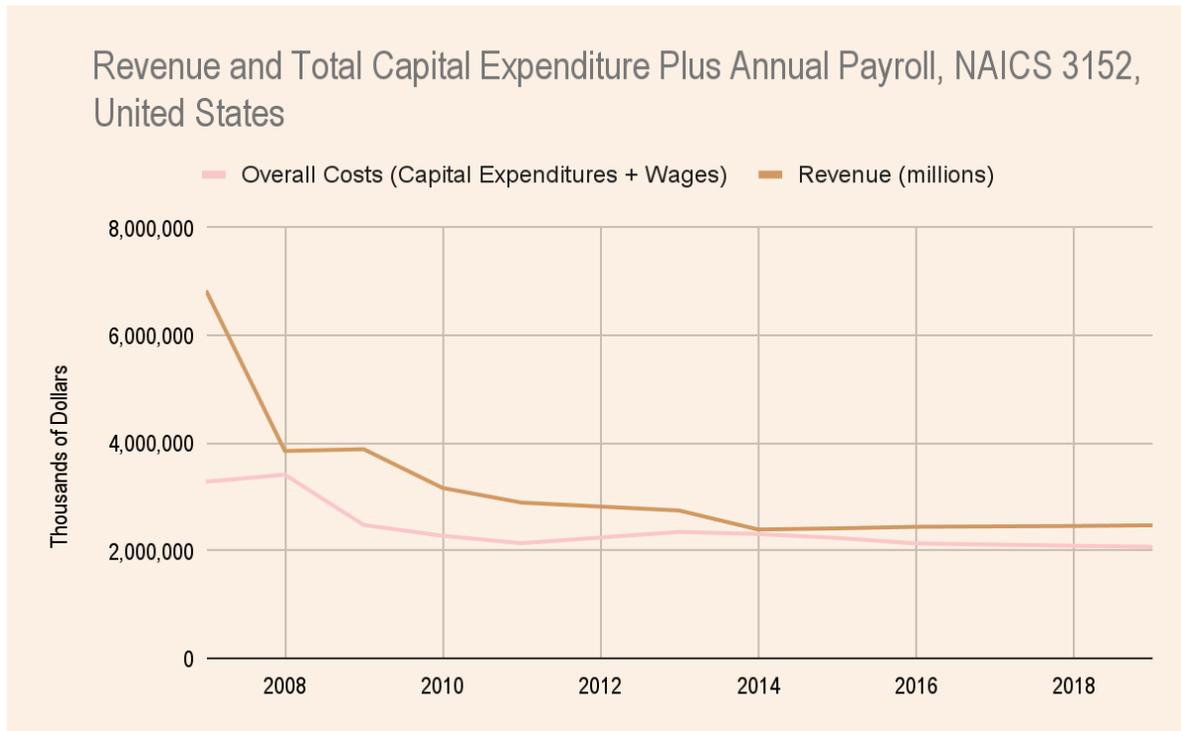
Revenue and profitability in the cut and sew apparel industry have greatly decreased over the last few years. Since 2016, national revenues have decreased at an annualized rate of 5.4% and are now at \$1.9 Billion.²⁷⁵ Profitability has decreased to an industry-wide average of 3.2%, reflecting the very slim margins on which domestic manufacturers operate.²⁷⁶ Decreases in profitability can be attributed to two factors: a decrease in revenue and an increase in labor costs. Figure 11 shows how declines in revenue in the national cut and sew apparel industry (NAICS 3152) compare to changes in capital expenditure and labor costs. Capital expenditures and wages are added together to represent overall costs for the industry. Rents are omitted from this analysis given their negligible contribution to overall costs. In Figure 36, we can see that while both costs and revenue have dropped since 2007, the gap between the two has actually significantly decreased, meaning that costs represent a greater share of revenue, and thus profit. In 2014 specifically, total costs nearly matched total revenue, suggesting a near zero profit margin for the industry nationwide.

²⁷⁴ *ibid.*

²⁷⁵ Ristoff, “Cut and Sew Manufacturers in the US.”

²⁷⁶ *ibid.*

Figure 36. Revenue and Total Capital Expenditures Plus Annual Payroll, 2008 - 2018^{277,278,279}



Similar data is unavailable at smaller scales, including California and Los Angeles County, due to the national scope of the US Census Bureau's Annual Survey of Manufacturers. Nonetheless, the Census Bureau's Economic Census, which occurs every 5 years, records capital expenditure and annual payroll data for the state of California's cut and sew apparel contractor sector. Table 9 illustrates these numbers.

Table 9. Total Expenditures and Annual Payroll for NAICS 315210 in California²⁸⁰

Year	Total Capital Expenditures (\$1,000)	Annual Payroll (\$1,000)
2012	29,021	447,631
2017	28,296	412,235

²⁷⁷ *ibid.*

²⁷⁸ US Census Bureau. "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; California; NAICS 3152." accessed October 10, 2021.

²⁷⁹ US Census Bureau. "Annual Survey of Manufactures: Geographic Area Statistics: Statistics for All Manufacturing by State: 2016, 2015, 2014, 2013, 2011, 2010, 2009, 2008, and 2007; US; NAICS 3152."

²⁸⁰ US Census Bureau, "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; California; NAICS 315210."

Capital Expenditures

Capital for cut and sew apparel contractors typically takes the form of machinery and equipment.²⁸¹ When compared to total labor expenditures, capital expenditures make up a much smaller proportion of the total industry's revenue. Capital expenditures account for roughly 0.7% of industry revenue, wages over 35%, and rent accounts only 3.2%.²⁸²

The imbalance between capital and labor expenditures alludes to the cut and sew apparel manufacturing industry being a low capital intensity industry, meaning that more investment in labor, rather than capital, is required to produce greater output. This is further illustrated by the \$0.02 spent on capital for every \$1 spent on labor in the industry.²⁸³ Despite the industry's reliance on labor to produce garments, the cost of perhaps the industry's most important capital, sewing machines, has continued to decrease over time. According to the Bureau of Labor Statistics (BLS), the unweighted consumer price index (CPI), or the average price of a good or service, for a sewing machine has decreased by 58% since 2011.^{284,285} This ultimately means that the price of sewing machines has decreased steadily over the last decade. As a major source of capital expenditures decreases, understanding simultaneous changes in revenue and labor costs are critical to assessing the industry's overall profitability.

While data on revenue is not available for cut and sew apparel contractors (NAICS 315210), understanding cost patterns for firms in this industry remains vital. Figure 37 and Figure 38 dissect the costs for the national cut and sew apparel contractor industry. These figures show that both costs have decreased over time, with the exception of rising capital expenditures between 2012 and 2014. This brief upward trend mirrors a slight uptick in overall costs during the same time period for the broader cut and sew manufacturing sector. This comes as no surprise given the tight relationship between manufacturing and contracting activities. Labor costs especially have remained rather consistent over time, indicating little change in wages. While declining capital expenditure was previously discussed, decreasing revenue costs are likely a result of larger labels diverting contracts to cut and sew factories abroad, where labor costs overall are cheaper and can generate larger profit margins.²⁸⁶ The unequal decline in both revenue and costs likely explains the reduction of profit margins in the industry.

²⁸¹ Ristoff, "Cut and Sew Manufacturers in the US."

²⁸² *ibid.*

²⁸³ *ibid.*

²⁸⁴ Bureau of Labor Statistics, "Table 2. Consumer Price Index for All Urban Consumers (CPI-U): U. S. city average, by detailed expenditure category," accessed October 9, 2021, <https://www.bls.gov/news.release/cpi.t02.htm>.

²⁸⁵ Bureau of Labor Statistics, "Chapter 17. The Consumer Price Index," February 14, 2018. <https://www.bls.gov/opub/hom/pdf/cpi-20180214.pdf>.

²⁸⁶ *ibid.*

Figure 37. Total Capital Expenditures, 2008 - 2018^{287,288}

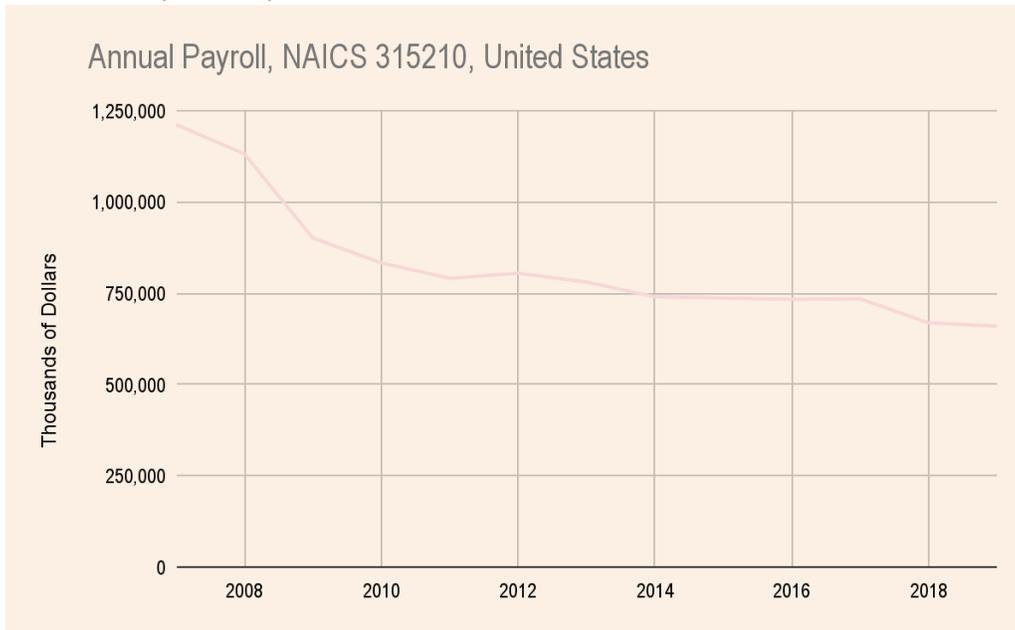
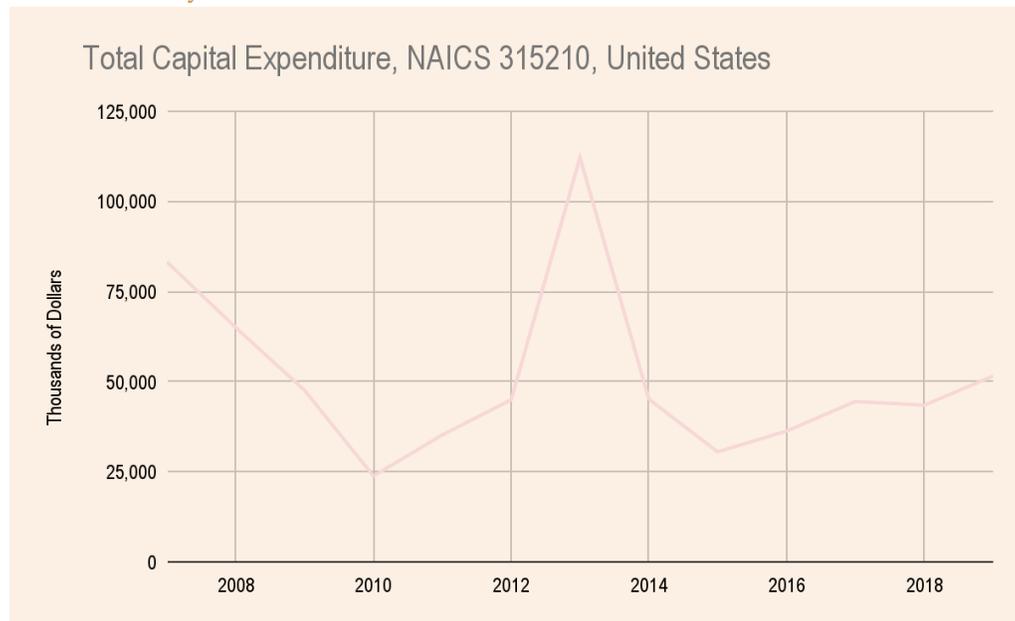


Figure 38. Annual Payroll, 2008 - 2018^{289,290}



²⁸⁷ US Census Bureau. "Annual Survey of Manufactures: Geographic Area Statistics: Statistics for All Manufacturing by State: 2016, 2015, 2014, 2013, 2011, 2010, 2009, 2008, and 2007; US; NAICS 315210."

²⁸⁸ US Census Bureau. "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; California; NAICS 315210."

²⁸⁹ US Census Bureau. "Annual Survey of Manufactures: Geographic Area Statistics: Statistics for All Manufacturing by State: 2016, 2015, 2014, 2013, 2011, 2010, 2009, 2008, and 2007; US; NAICS 315210."

²⁹⁰ US Census Bureau. "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; California; NAICS 315210."

Value Added and Productivity

One way for firms to realize greater profits is to increase the value added of their products. Value added activities refer to those that increase the value of a product from its initial inputs to its consumption.²⁹¹ When firms increase their value added, their goods or services become more desirable and can generate greater profits. For cut and sew apparel contractors, value added comes from cutting and sewing techniques that can increase the quality of the final product.²⁹² Value added activities are found throughout the apparel manufacturing supply chain. However, the greatest value added is found in activities such as research and development, design, marketing, and retail services.²⁹³

Productivity in a labor intensive industry, like cut and sew apparel manufacturing, can be measured as output per worker or output per an hour. Capital productivity is another measure of overall productivity, however, the contribution of capital in producing outputs remains comparatively less relevant than labor. Although minimal technological advancement has been adopted by the industry, the introduction of products like automatic cutters has contributed to increased productivity over the last few years. Productivity has steadily increased since 2007, and finally recovered to its pre-Great Recession levels by 2018.²⁹⁴ Nevertheless, Figure 39 shows how productivity, measured as annual sales per worker, in both the national and local LA industry dramatically dropped during the COVID-19 pandemic. Decline in productivity likely occurred due to worker exposure to the virus and factory closures that forced many out of jobs either temporarily or permanently.²⁹⁵

²⁹¹ Adam Hayes, "Value-Added," Investopedia, October 28, 2020, <https://www.investopedia.com/terms/v/valueadded.asp>.

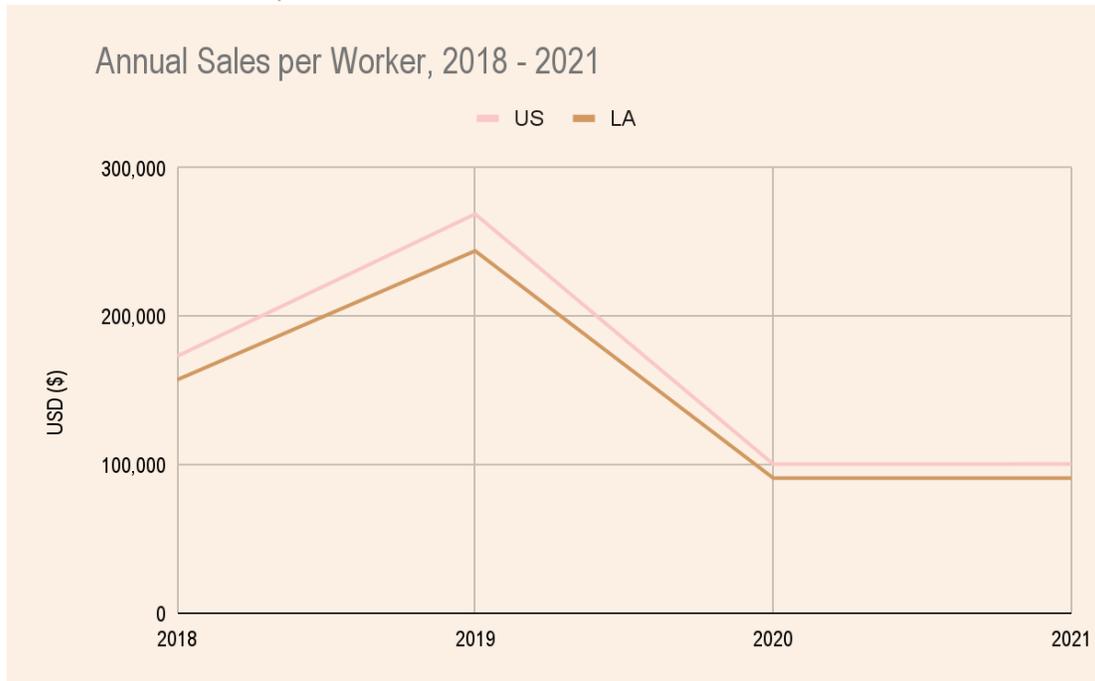
²⁹² "The Apparel Industry – From Factories to Retail Stores: A GVC Analysis," Duke University, n.d., https://sites.duke.edu/sociol342d_01d_s2017_team-7/2-global-value-chain/.

²⁹³ *ibid.*

²⁹⁴ Bureau of Labor Statistics, "Annual percent change of labor productivity for NAICS 315, apparel manufacturing, U.S. total" accessed October 9, 2021, https://data.bls.gov/timeseries/IPUEN315___L001000000?amp%253bdata_tool=XGtable&output_view=data&include_graphs=true.

²⁹⁵ Leila Miller, "Workers Vanished as Coronavirus Swept through L.A. Apparel. Colleagues Struggled for Answers," Los Angeles Times, July 17, 2020, <https://www.latimes.com/california/story/2020-07-17/la-me-la-apparel-outbreak-safety-protection>.

Figure 39. Annual Sales per Worker, 2018 - 2021²⁹⁶



However, as firms observe the simultaneous decline of capital costs, profit, and productivity, many are beginning to realize the benefits of investing in advanced technology that could increase labor efficiency and reduce the need for costly labor.²⁹⁷ This transition to a more capital intensive model could bring massive gains in productivity, and thus revenue, to the industry, especially with the introduction of highly productive forms of automated technology.

Resulting Production Trends

This decrease in industry size and revenue comes despite broad demand for fast fashion. While demand for fast fashion impacts the size of the garment manufacturing industry globally, US manufacturers are typically unable to compete with international manufacturers due in part to stronger labor and environmental protections in the United States. Fast fashion requires incredibly low prices and quick turnaround, which has historically meant outsourced manufacturing: as global logistics and transportation have improved and allowed for faster global trade of finished goods, the lower cost of labor abroad has outweighed the proximity benefits. Therefore, large brands have typically outsourced the bulk of their manufacturing, relying on domestic manufacturers for smaller, fast-turnaround orders.

In response to these global trends, some domestic manufacturers are turning their focus towards more sustainably produced or high end products such as denim, in hopes of capitalizing on the interest in "locally made" and "ethically made" products.²⁹⁸ This

²⁹⁶ Bizminer, "Industry Market Report: NAICS [3152]."

²⁹⁷ Ristoff, "Cut and Sew Manufacturers in the US."

²⁹⁸ *ibid.*

allows manufacturers to compete on quality rather than price. However, this has yet to materialize into a more robust resurgence of the local sector.

The apparel manufacturing industry is generally considered to be sensitive to changes in disposable income, as value-added products and higher end clothing are not necessary goods. This sensitivity, combined with a classification as non-essential businesses, resulted in a significant drop in business in 2020 as many manufacturers were shut down due to the COVID-19 pandemic. This was exacerbated in Los Angeles by several high profile incidents of factories being shut down due to COVID cases.²⁹⁹ Most of this business is expected to rebound in 2021, though it will not outweigh the overall decline in number of establishments or revenues.³⁰⁰

Effect on Wages

Efforts to compete with international manufacturers and maximize already slim profit margins have resulted in significant pressure on wages. In the United States, many cut and sew garment manufacturers rely on a system of payment known as "piece rate," whereby workers are paid per garment or per seam. The rate is often only a few cents per seam, creating tremendous pressure for workers to sew at rapid speeds and minimize breaks or rest periods. While companies are supposed to make up any difference between the piece rate and local minimum wage, this often does not happen - a UCLA Labor Center study found that the average wage for garment workers in Los Angeles was \$5.15 per hour.³⁰¹

In California, the piece rate can be as low as 3 cents a piece.³⁰² At that rate, in order to earn the LA minimum wage of \$15/hr, a worker would need to sew 500 pieces an hour, or more than 8 per minute. California Governor Gavin Newsom recently signed a bill that bans piece rate payment systems except in cases with existing collective bargaining agreements, mandating that garment workers are paid at least the minimum wage.³⁰³ The bill also expands liability for wage theft up the supply chain to the fashion brands themselves, a rarity in an industry that relies on complex networks of subcontractors. The details of this legislation, and its potential impact, are discussed later in this report.

Wages and Employment

Employment Trends Over Time

US employment in all facets of the apparel manufacturing sector has decreased since a previous high in the early 1970s. The combined textile and apparel manufacturing

²⁹⁹ Miller, "Workers Vanished as Coronavirus Swept through L.A. Apparel. Colleagues Struggled for Answers."

³⁰⁰ Ristoff, "Cut and Sew Manufacturers in the US."

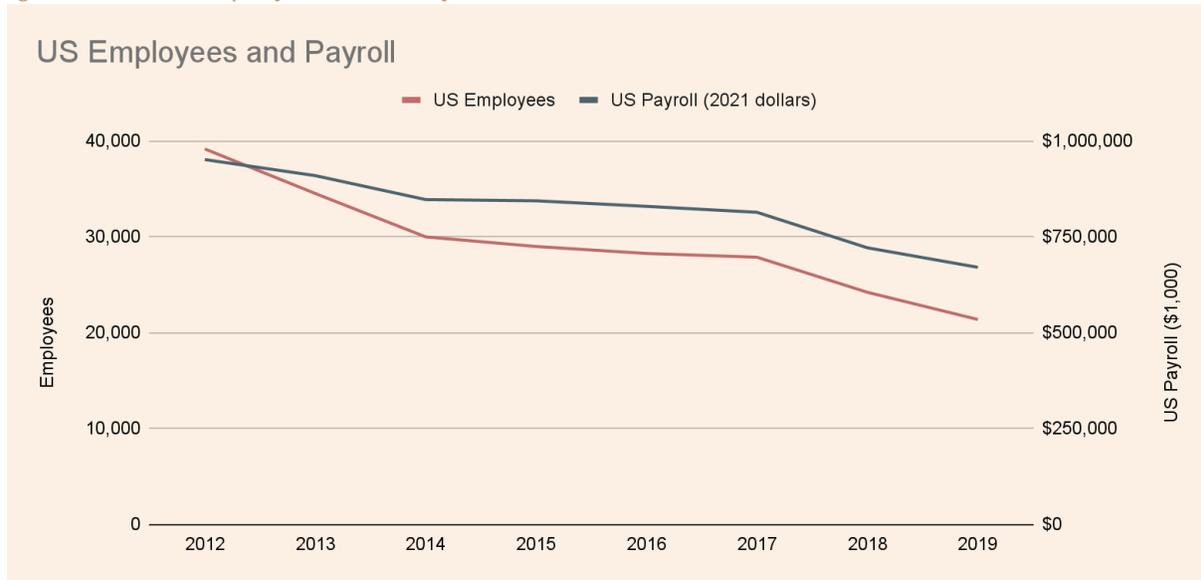
³⁰¹ Shadduck-Hernández et al., "Dirty Threads, Dangerous Factories."

³⁰² Hurtado, "Garment Workers, Paid by the Piece, Say They'll Keep Fighting to Change the System."

³⁰³ "Governor Newsom Signs Legislation Creating Nation-Leading Worker Protections for Garment Industry, Additional Measures to Combat Unfair Pay Practices and Improve Workplace Conditions."

industry lost nearly one million jobs between 1973 and 1996.³⁰⁴ This trend has continued in recent years, both in the United States and in California. Narrowing the industry focus to cut and sew contractors specifically reveals a job loss of almost 18,000 jobs nationwide between 2012 and 2019, as shown in Figure 40. This loss reflected an almost 50% decrease, a percentage which carries over to Los Angeles County job losses (Figure 41). In LA County, cut and sew contractor employment decreased from 21,440 in 2012 to 11,272 in 2019.³⁰⁵

Figure 40. US Employees and Payroll, 315210^{306,307,308}



³⁰⁴ Mittelhauser, "Employment Trends in Textiles and Apparel, 1973-2005."

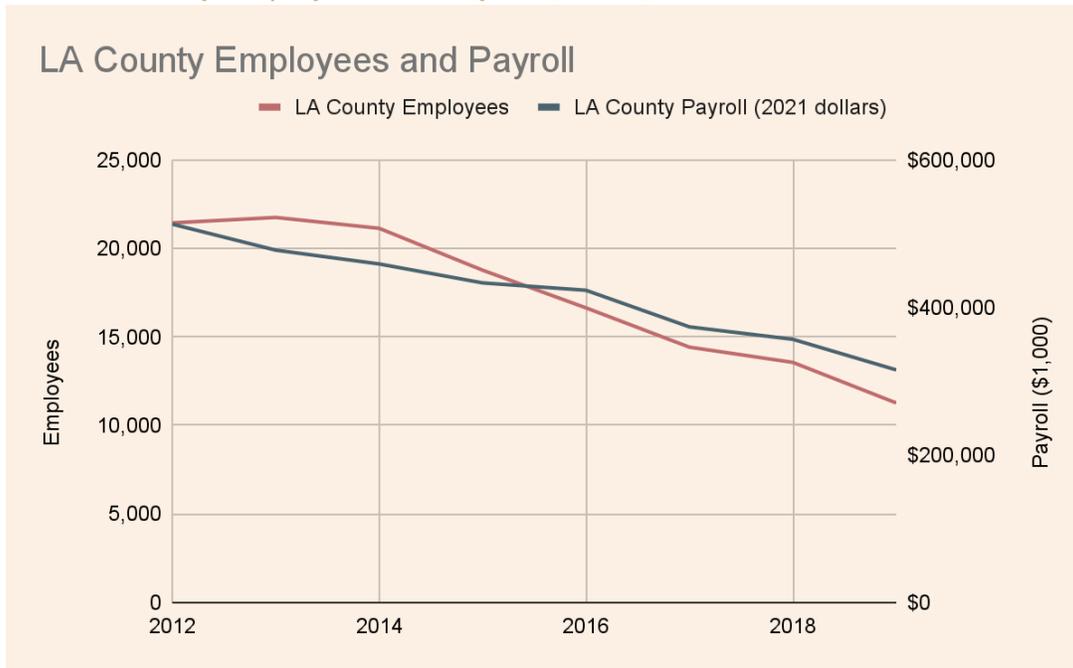
³⁰⁵ US Census Bureau, "All Sectors: County Business Patterns, Including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2012-2019."

³⁰⁶ US Census Bureau, "Annual Survey of Manufactures: Summary Statistics for Industry Groups and Industries in the U.S., 2018 and 2019; US; NAICS 315210."

³⁰⁷ US Census Bureau, "All Sectors: Comparative Statistics for the U.S., States, and Selected Geographies (2012 NAICS Basis): 2017 and 2012; US; NAICS 315210."

³⁰⁸ US Census Bureau, "Annual Survey of Manufactures: Geographic Area Statistics: Statistics for All Manufacturing by State: 2016, 2015, 2014 and 2013; US; NAICS 315210."

Figure 41. LA County Employees and Payroll (\$1,000)³⁰⁹



Prior to the pandemic, the California Employment Development Department (CA EDD) was projecting a significant decline in employment in both the broader apparel manufacturing (315) and cut and sew apparel manufacturing (3152).³¹⁰ CA EDD projected that, from a base year of 2018, employment in cut and sew apparel manufacturing in CA would decline almost 40% by 2028 (Table 10).

Table 10. CA EDD Employment Projections³¹¹

	Base Year (2018) Employment Estimate	Projected Year (2028) Employment Estimate	Numeric Change	Percentage Change
Apparel Manufacturing (315)	28,000	17,200	-10,800	-38.60%
Cut and Sew Apparel Manufacturing (3152)	25,900	15,800	-10,100	-39%

³⁰⁹ US Census Bureau, "All Sectors: County Business Patterns, Including ZIP Code Business Patterns, by Legal Form of Organization and Employment Size Class for the U.S., States, and Selected Geographies: 2012-2019."

³¹⁰ California Employment Development Department (CA EDD), "Long-Term Industry Employment Projections," EDD Data Library, accessed October 9, 2021, <https://data.edd.ca.gov/Employment-Projections/Long-Term-Industry-Employment-Projections/sp6i-jezb>.

³¹¹ California Employment Development Department (CA EDD), "Long-Term Industry Employment Projections."

The COVID-19 pandemic has the potential to hasten that decline. Apparel manufacturers were initially deemed non-essential businesses during the height of the pandemic, requiring them to close their doors. Many establishments have since reopened, including some that shifted to producing masks,³¹² but given the slim margins many contractors operate on, it is possible that these closures and the resulting loss of revenue may put some of them out of business.

Seasonality

One interesting shift in employment patterns between the 1990s and present day is the change in seasonality. From 1990 until the early 2000s, there were distinct drops in employment in the month of July, with smaller drops in January (Figure 42, with red lines indicating July of each year). Examining the BLS data shows that in this time period, the average month to month decline in employment was 0.53%, whereas the average monthly decline from June to July was 3.07%, and the average drop from December to January was 1.61%.³¹³

Figure 42. Seasonal Dips in US Apparel Employment, 1990-2000 (emphasis added)³¹⁴



Examining the same trends from 2010 to 2020 shows that while there were still larger drops in July and January as compared to the average monthly declines, they were less dramatic than the drops between 1990 and 2000 (the drops were 0.35% on average, 1.74% in July, and 1.19% in January). In addition to being smaller percentage drops, these also reflect smaller absolute numbers, given the significant decline in total employees. One possible explanation for this is the change in apparel cycles from more traditionally seasonal lines to the onset of fast fashion, which produces new garments year round on an expedited timeline.

³¹² Vanessa Friedman and Jessica Testa, "Christian Siriano and Dov Charney Are Making Masks and Medical Supplies Now," *The New York Times*, March 22, 2020, sec. Style, <https://www.nytimes.com/2020/03/21/style/coronavirus-masks-dov-charney-christian-siriano.html>

³¹³ Bureau of Labor Statistics (BLS), "Employment, Hours, and Earnings from the Current Employment Statistics Survey (National)."

³¹⁴ FRED; U.S. Bureau of Labor Statistics, "CEU3231500001."

BLS Standard Occupational Classification (SOC) System Codes for Cut and Sew Apparel Manufacturing

As of May 2020, the cut and sew apparel manufacturing industry employs 73,630 individuals nationally.³¹⁵ Unsurprisingly, more than half (59.7%) of workers within the industry identify as women.³¹⁶ The Bureau of Labor Statistics (BLS) reports white workers as the largest racial group, even after accounting for Hispanic or Latino workers who make up 29.9% of the industry.³¹⁷ This observation runs contrary to our general observations and research about the sector, which consists primarily of Latinx and Korean workers.³¹⁸

This discrepancy most likely stems from the broad industry definition used by BLS that includes a wide variety of sectors included in the broader 315200 NAICS code. Luckily, the BLS Standard Occupational Classification (SOC) system consists of classification codes that break down occupations within the cut and sew apparel manufacturing industry into major groups. Cut and sew contractors fall into the "Production Occupations" group. Within the production occupations are 31 specialized occupations, ranging from first line supervisors to laundry and dry cleaning workers. Those most relevant to NAICS code 315210 include sewing machine operators; cutting workers; and pressers, textile, garment, and related materials. Table 11 provides the sector-relevant SOC codes and occupation definitions.

Table 11. SOC Codes for Cut and Sew Manufacturing Relevant Occupations³¹⁹

SOC Code		Occupation	Definition
51-000		Production Occupations	
	51-6000	Textile, Apparel, and Furnishings Workers	
	51-6021	Pressers, Textile, Garment, and Related Materials	Press or shape articles by hand or machine.
	51-6031	Sewing Machine Operators	Operate or tend sewing machines to join, reinforce, decorate, or perform related sewing operations in the

³¹⁵ Bureau of Labor Statistics, "May 2020 National Industry-Specific Occupational Employment and Wage Estimates. NAICS 315200 - Cut and Sew Apparel Manufacturing," 2020, https://www.bls.gov/oes/2020/may/naics4_315200.htm.

³¹⁶ Bureau of Labor Statistics, "Employed persons by detailed industry, sex, race, and Hispanic or Latino ethnicity," 2020, <https://www.bls.gov/cps/cpsaat18.htm>.

³¹⁷ *ibid.*

³¹⁸ Interview with Sonia Boutique. In Person. October 15, 2021.

³¹⁹ Bureau of Labor Statistics (BLS), "May 2020 Occupation Profiles," accessed October 29, 2021. https://www.bls.gov/oes/current/oes_stru.htm

			manufacture of garment or non-garment products.
	51-9000	Other Production Occupations	
	51-9030	Cutting Workers	
	51-9031	Cutters and Trimmers, Hand	Use hand tools or hand-held power tools to cut and trim a variety of manufactured items, such as carpet, fabric, stone, glass, or rubber.
	51-9032	Cutting and Slicing Machine Setters, Operators, and Tenders	Set up, operate, or tend machines that cut or slice materials, such as glass, stone, cork, rubber, tobacco, food, paper, or insulating material. Excludes "Cutting, Punching, and Press Machine Setters, Operators, and Tenders, Metal and Plastic" (51-4031), "Textile Cutting Machine Setters, Operators, and Tenders" (51-6062), and "Woodworking Machine Setters, Operators, and Tenders" (51-7040).

Primary Occupations within the Apparel Manufacturing Sector

Sewing Machine Operators

Code Overview & Breakdown

The largest occupation within the cut and sew apparel manufacturing industry is sewing machine operators, represented by SOC code 51-6031.³²⁰ Sewing machine operators make up 38.68% of the cut and sew manufacturing industry, at approximately 28,480 employees. These workers fall under the larger umbrella category of "textile, apparel, and furnishings" workers, who make up almost 50% of the industry according to BLS data — the remaining 50% is made up of a combination of office and administrative support, transportation and material moving, sales, and management occupations.³²¹ This is at odds with what was observed during a site visit to the Los Angeles Fashion District, where almost all workers appeared to be cutting or sewing (both of which

³²⁰ Bureau of Labor Statistics (BLS), "Cut and Sew Apparel Manufacturing - May 2020 OEWS Industry-Specific Occupational Employment and Wage Estimates," accessed October 30, 2021, https://www.bls.gov/oes/current/naics4_315200.htm.

³²¹ *ibid.*

would be contained within textile, apparel, and furnishings occupation codes.³²² This could be a reflection of the fact that BLS data only accounts for registered, legal workplaces and workers paid on official payroll, whereas the garment industry is known for unregistered workplaces and workers being paid under the table.^{323,324}

The Bureau of Labor Statistics defines sewing machine operators as workers who “operate or tend sewing machines to join, reinforce, decorate, or perform related sewing operations in the manufacture of garment or nongarment products.”³²⁵ Nationally, there were 131,000 sewing machine operators in 2020.³²⁶ While cut and sew apparel manufacturing makes up the largest portion of this SOC code, the code does also reflect workers in other industries - the next largest categories are other textile product mills and textile furnishing mills (Table 12).³²⁷ This represents a limitation of analyzing SOC codes, though for sewing machine operators it is perhaps a more minor limitation given the similarities across the top industries.

Table 12. Sewing Machine Operators by Industry³²⁸

Industry	Employment	Percent of industry employment
Cut & Sew Apparel Manufacturing	28,480	38.68%
Other Textile Product Mills	17,970	30.66%
Textile Furnishings Mills	7,730	17.70%
Furniture and Related Product Manufacturing (3371 and 3372 only)	6,610	2.00%

Examining the location quotient of sewing machine operators in conjunction with the location quotient of their relative industries provides interesting insights into the geographic distribution of workers (Table 13). While California has the highest location quotient of any state for cut and sew apparel contractors (industry), it does not have the highest location quotient for sewing machine operators (occupation) — that honor falls to Mississippi, with a location quotient of 2.49 for sewing machine operators, followed by North Carolina (2.54) and South Carolina (2.13).³²⁹ Mississippi does have an above average density of cut and sew apparel contractors with a location quotient of 1.51, but

³²² Site Visit to Los Angeles Fashion District., October 21, 2021.

³²³ CA Department of Industrial Relations, “California Labor Commissioner’s Office Cites Los Angeles Garment Manufacturers More Than \$370,000 for Labor Law Violations,” September 14, 2017, 2.

³²⁴ *ibid.*

³²⁵ Bureau of Labor Statistics (BLS), “Sewing Machine Operators,” accessed October 30, 2021, [https://www.bls.gov/oes/current/oes516031.htm#\(3\)](https://www.bls.gov/oes/current/oes516031.htm#(3)).

³²⁶ Bureau of Labor Statistics (BLS), “2020 Annual Averages - Employed Persons by Detailed Occupation and Age,” accessed October 30, 2021, <https://www.bls.gov/cps/cpsaat11b.htm>.

³²⁷ Bureau of Labor Statistics (BLS), “Sewing Machine Operators.”

³²⁸ *ibid.*

³²⁹ Bureau of Labor Statistics (BLS), “Sewing Machine Operators.”

North Carolina and South Carolina are likely reflective of other industries that employ sewing machine operators. Both states have high densities of textile product mills (NAICS Code 314) at 1.83 and 2.04 respectively, which as we saw above is the second largest employer of sewing machine operators.

Table 13. Comparison of Industry and Occupation Location Quotients^{330,331,332}

	Industry		Occupation
	Cut and Sew Apparel Contractors (315210)	Textile Product Mills (314000)	Sewing Machine Operators (SOC 51-6031)
California	3.99	0.65	1.27
Mississippi	1.51	1.08	2.97
North Carolina	0.35	1.83	2.54
South Carolina	0.88	2.04	2.13

Moving down in geographic scale, Los Angeles is the metropolitan area with the highest employment of sewing machine operators, by a significant margin: the region employs over 13,000 workers, compared to just 7,540 for the next highest region, the New York City metropolitan area (Table 14).³³³ The location quotient for the Los Angeles metropolitan area is 2.74, reflecting the area's dominance nationally.

Table 14. Sewing Machine Operator Employment by Metropolitan Area³³⁴

Metropolitan area	Employment	Location quotient
Los Angeles-Long Beach-Anaheim, CA	13,380	2.74
New York-Newark-Jersey City, NY-NJ-PA	7,540	1.02

³³⁰ "NAICS 315210 Cut and Sew Apparel Contractors, All States and U.S. 2019 First Quarter, All Establishment Sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics."

³³¹ "Private, NAICS 314 Textile Product Mills, All States and U.S. 2019 First Quarter, All Establishment Sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics."

³³² Bureau of Labor Statistics (BLS), "Sewing Machine Operators."

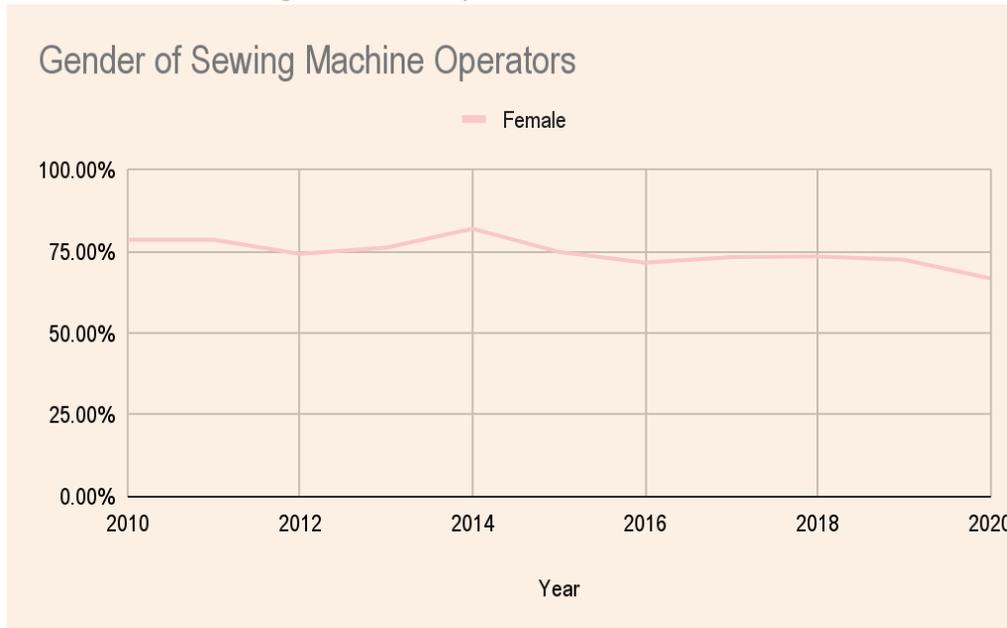
³³³ *ibid.*

³³⁴ *ibid.*

Demographics

Sewing machine operators, much like workers in the cut and sew garment manufacturing industry as a whole, overwhelmingly identify as female.³³⁵ In 2020, 66.7% of sewing machine operators were female, which represented a 10 year low (Figure 43). The average percentage over the last 10 years is approximately 75%.

Figure 43. Gender of Sewing Machine Operators³³⁶



The percentage of sewing machine operators who identify as white has remained largely consistent at approximately 72.5% for the past 4 years, which is as far back as BLS data tracks this specific question.³³⁷ Percentages for other racial and ethnic groups go back further, and while the exact percentages fluctuate somewhat year to year, the overall patterns have remained largely consistent (Figure 44). Note that workers who identify as Hispanic or Latinx can be of any race, so these percentages do not add up to 100% and should not be treated as mutually exclusive. Averaging annual trends for the past 10 years, approximately 40% of workers have identified as Hispanic or Latinx, 14% identified as Asian, and 10% identified as Black or African American. Those trends largely hold true in 2020, though Black/African American workers (12.6%) slightly outnumbered Asian workers (10.8%) after trailing for several years.³³⁸

The BLS data on race and ethnicity is at odds with much of what we have heard about the Los Angeles garment industry. Local experts have described the industry as being

³³⁵ Bureau of Labor Statistics (BLS), "2020 Annual Averages - Employed Persons by Detailed Occupation, Sex, Race, and Hispanic or Latino Ethnicity," accessed October 30, 2021, <https://www.bls.gov/cps/cpsaat11.htm>.

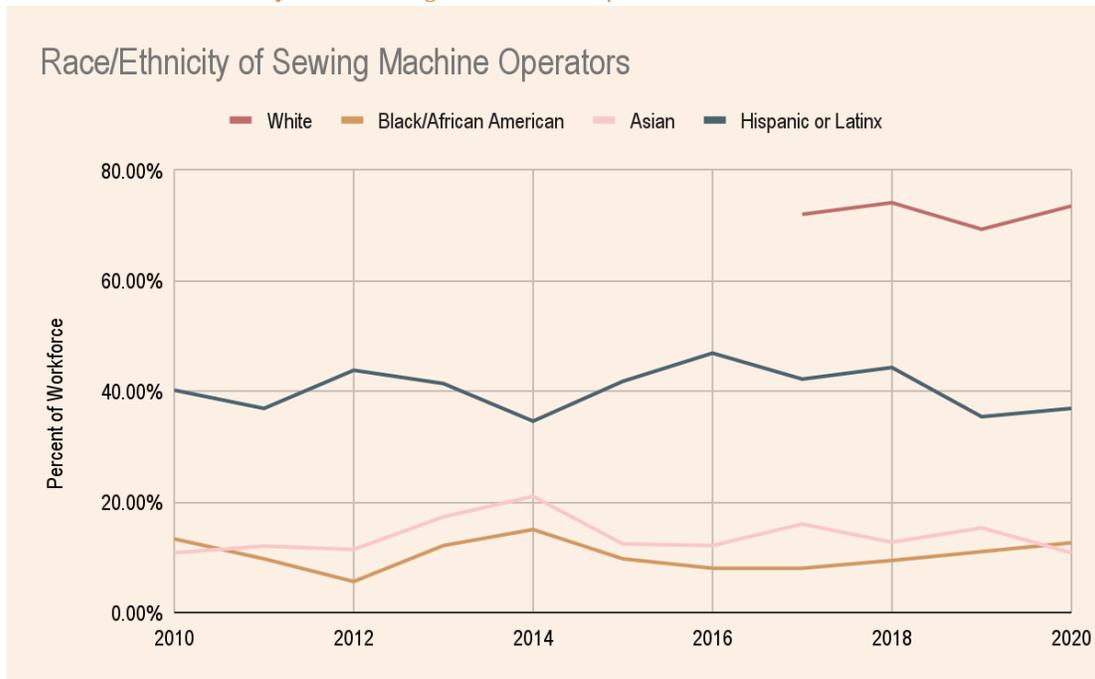
³³⁶ *ibid.*

³³⁷ Bureau of Labor Statistics (BLS), "2020 Annual Averages - Employed Persons by Detailed Occupation, Sex, Race, and Hispanic or Latino Ethnicity."

³³⁸ Bureau of Labor Statistics (BLS), "2020 Annual Averages - Employed Persons by Detailed Occupation, Sex, Race, and Hispanic or Latino Ethnicity."

primarily immigrants, most specifically Latinx women.³³⁹ There are two possible explanations for the discrepancy between BLS data and local knowledge. The first is regionality: the data for sewing machine operators is national, and is not available at smaller geographies. Therefore, demographics in other geographies could shift the national averages, even if the local industry is primarily Latinx. The second possible explanation returns to the question of who reports data to BLS. It is possible that the same workers who are paid under the table and/or work for unregistered employers who do not report to BLS are also primarily immigrants, and that therefore White workers are overrepresented in this official data.

Figure 44. Race/Ethnicity of Sewing Machine Operators³⁴⁰



The sewing machine operator workforce is older than the total US labor force: in 2020, the median age of a sewing machine operator was 48.8, compared to 42 for the total labor force.^{341,342} More than 45% of sewing machine operators were between 45 and 64, a number that rises to almost 60% if you look at all workers aged 45 and up (12.2% of workers are 65+).³⁴³

Figure 45 shows the percentage of sewing machine operators falling in each age bracket - while there is some fluctuation between years, the larger pattern of an older

³³⁹ Interview with Nayantara Banerjee, Garment Worker Center, October 6, 2021.

³⁴⁰ Bureau of Labor Statistics (BLS), "2020 Annual Averages - Employed Persons by Detailed Occupation, Sex, Race, and Hispanic or Latino Ethnicity."

³⁴¹ Bureau of Labor Statistics (BLS), "2020 Annual Averages - Employed Persons by Detailed Occupation and Age."

³⁴² "Median Age of the Labor Force, by Sex, Race, and Ethnicity: U.S. Bureau of Labor Statistics," accessed October 30, 2021, <https://www.bls.gov/emp/tables/median-age-labor-force.htm>.

³⁴³ Bureau of Labor Statistics (BLS), "2020 Annual Averages - Employed Persons by Detailed Occupation and Age."

workforce remains consistent.³⁴⁴ The percentage of workers aged 65+ appears to have increased from 2016 to 2020, countered by a decrease in workers aged 25-44.³⁴⁵ Table 15 shows the median age of workers each year, showing that from 2012 to 2016, the median age decreased, only for that trend to reverse between 2016 and 2020, returning to 2012 levels.

Figure 45. Age of Sewing Machine Operators³⁴⁶

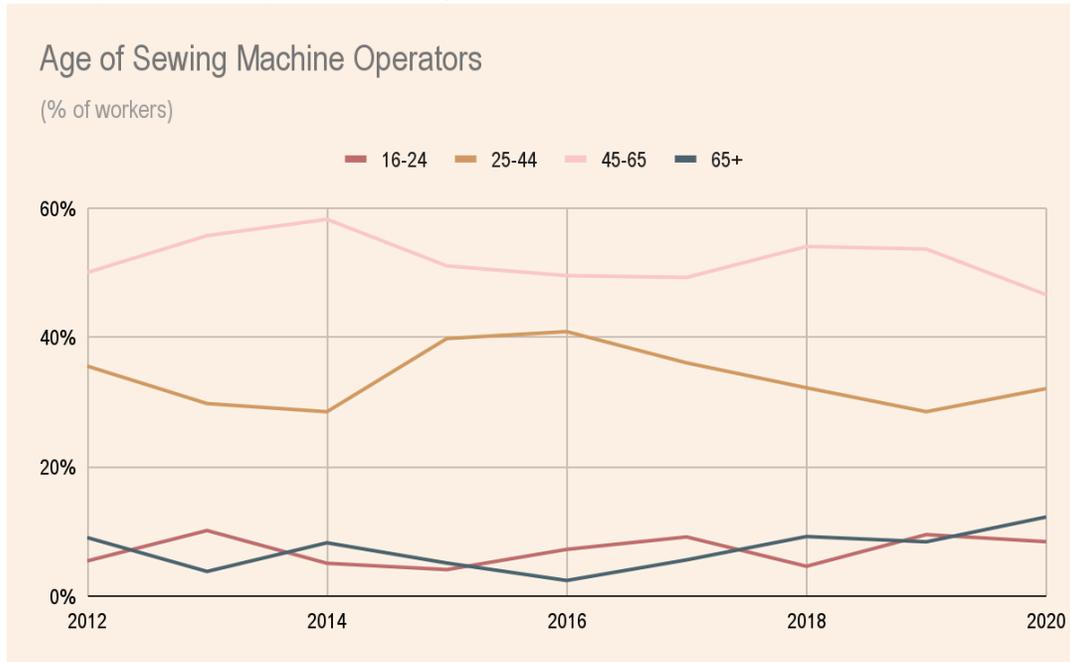


Table 15. Median Age of Sewing Machine Operators³⁴⁷

Year	16-24	25-44	45-65	65+	Median Age
2020	8%	32%	47%	12%	48.8
2019	9%	28%	54%	8%	49.0
2018	5%	32%	54%	9%	49.8
2017	9%	36%	49%	6%	47.1
2016	7%	41%	50%	2%	45.8
2015	4%	40%	51%	5%	47.4
2014	5%	28%	58%	8%	50.8
2013	10%	30%	56%	4%	48.0
2012	5%	36%	50%	9%	48.3

³⁴⁴ Bureau of Labor Statistics (BLS), "Labor Force Statistics from the Current Population Survey," accessed October 30, 2021, <https://www.bls.gov/cps/tables.htm#charemp>.

³⁴⁵ *ibid.*

³⁴⁶ *ibid.*

³⁴⁷ *ibid.*

If the median age of sewing machine operators continues to rise, this will present a challenge for the industry. However, given the year to year variations in percentages it is difficult to draw firm conclusions about the severity of this trend.

Wages

As seen in Table 16, the hourly mean wage for sewing machine operators within the cut and sew manufacturing industry is \$13.41.³⁴⁸ This is slightly lower than the hourly mean wage of roughly \$14 for sewing machine operators in the textile industry, and significantly lower than the hourly mean wage of over \$16 for sewing machine operators in the furniture manufacturing industry.

Table 16. Sewing Machine Operator Wage by Industry³⁴⁹

Industry	Hourly mean wage	Annual mean wage
Cut & Sew Apparel Manufacturing	\$13.41	\$27,890
Other Textile Product Mills	\$14.07	\$29,270
Textile Furnishings Mills	\$14.12	\$29,370
Furniture and Related Product Manufacturing (3371 and 3372 only)	\$16.11	\$33,500

The hourly mean wage for sewing machine operators across industries is \$14.14, and the 90th percentile hourly wage is \$19.13 (Table 17).³⁵⁰ The 10th and 90th percentiles give useful approximate bookends for wages in the industry, with most workers falling between \$9.74 an hour and \$19.13 an hour.

Table 17. Sewing Machine Operator Wage Percentiles³⁵¹

Percentile	10%	25%	50% (Median)	75%	90%
Hourly Wage	\$9.74	\$11.63	\$13.57	\$15.91	\$19.13
Annual Wage	\$20,270	\$24,190	\$28,230	\$33,080	\$39,790

CA Wages

The hourly mean wage for sewing machine operators within California is \$14.82, which reflects an annual wage of just over \$30,000.³⁵² Interestingly, California is not in the top states when it comes to hourly wage - the highest state mean is Washington, with an

³⁴⁸ *ibid.*

³⁴⁹ *ibid.*

³⁵⁰ *ibid.*

³⁵¹ *ibid.*

³⁵² *ibid.*

hourly wage of \$17.73. Figure 46 shows annual mean wages by state, with California falling in the second highest category (\$29,690-\$31,530). This is likely a reflection of the type of work being done by sewing machine operators in California. As discussed above, the hourly mean wage for sewing machine operators in the cut and sew industry is lower than for those doing the same work in other industries. Given California's extreme dominance in the cut and sew industry relative to other states, it is reasonable to conclude that most sewing machine operators in the state are employed in this industry, rather than other higher paying industries such as textile manufacturing (or Aerospace Parts and Product Manufacturing, one of the highest paid but very small volume industries reflected by the sewing machine operator SOC code).

Figure 46. Annual Mean Wages by State³⁵³

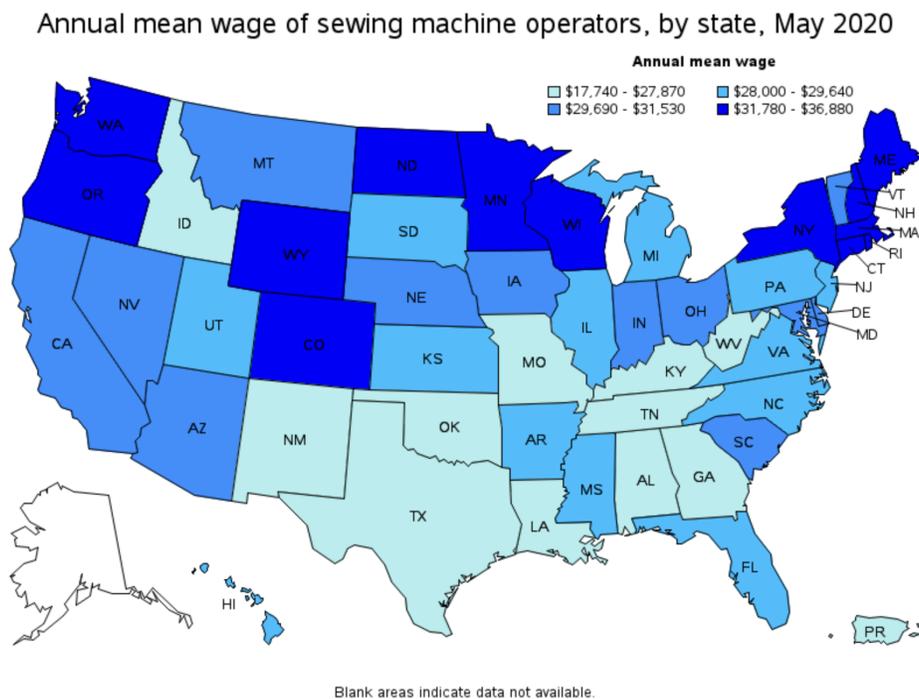


Table 18 shows the hourly mean wage for the Los Angeles metropolitan region. Interestingly, the hourly mean wage for the Los Angeles metropolitan area is \$14.49, and the median wage is \$13.76, both of which are below the Los Angeles County minimum wage of \$15 an hour (but are much higher than what industry experts say is actually paid to workers locally, reflecting a limitation of government data sources).³⁵⁴ Some of this is likely a reflection of geographies outside LA County that are part of the metropolitan area (such as Anaheim). However, some of it may also be a reflection of the industry's piece rate pay system, which was the norm until the recent passage of SB-62 which outlawed the practice in California.³⁵⁵

³⁵³ *ibid.*

³⁵⁴ Bureau of Labor Statistics (BLS), "Los Angeles-Long Beach-Anaheim, CA - May 2020 OEWS Metropolitan and Nonmetropolitan Area Occupational Employment and Wage Estimates," accessed October 30, 2021, https://www.bls.gov/oes/current/oes_31080.htm.

³⁵⁵ "Governor Newsom Signs Legislation Creating Nation-Leading Worker Protections for Garment Industry, Additional Measures to Combat Unfair Pay Practices and Improve Workplace Conditions," California Governor, September 27, 2021,

Table 18. Sewing Machine Operator Employment by Metropolitan Area³⁵⁶

Metropolitan area	Hourly Mean Wage	Hourly Median Wage
Los Angeles-Long Beach-Anaheim, CA	\$14.49	\$13.76

Skills and Training

Sewing machine operation, like most jobs in the garment manufacturing industry, is a skill largely learned on the job. While some workers may enter the industry with a base level of training, managers expect to have to train new employees. Francisco, a floor manager at a cut and sew contractor in the LA Fashion District, said that he has to train most of the workers in machine skills, noting that workers are typically trained on a variety of machines to assess strengths and skills.³⁵⁷ Fernando Sanchez, another worker in the LA Fashion District, said that he grew up in the industry: his grandparents and his father both sewed, so he entered the industry with training. However, he acknowledged that this was rare.³⁵⁸

When asked who provides training to new workers, Fernando said most people learn from coworkers - owners do sometimes know how to sew, but they are not the most skilled and focus mostly on the business side of training.³⁵⁹ Sewing training programs that do exist tend to focus on hobby sewing rather than professional garment manufacturing.

Cutting Workers

Code Overview & Breakdown

According to the BLS, there are 54,000 workers categorized as "cutting workers" nationally across all industries. Cutters in the cut and sew apparel manufacturing industry are included in the "cutting workers" categorization. However, within the broader "cutting workers" category, the BLS includes two specialized occupations: "cutters and trimmers, hand" and "cutting and slicing machine setters, operators, and tenders." According to our site visit observations, cutting methods among cut and sew contractors are a mix of hand-cutting and automated cutting via cutting machines. Vladimir, a fabric cutting contractor in LA's Fashion District, explains that his business relies heavily on automated cutting machines to cut large quantities of fabrics of the same size.³⁶⁰ On the other hand, hand cutting is more suitable for cutting thinner or

<https://www.gov.ca.gov/2021/09/27/governor-newsom-signs-legislation-creating-nation-leading-worker-protections-for-garment-industry-additional-measures-to-combat-unfair-pay-practices-and-improve-workplace-conditions/>.

³⁵⁶ *ibid.*

³⁵⁷ Interview with Francisco.

³⁵⁸ Interview with Fernando Sanchez.

³⁵⁹ *ibid.*

³⁶⁰ Interview with Vladimir.

smaller quantities of fabric. However, hand cutting requires much more steadiness and precision that comes with training and practice.³⁶¹

While both of BLS's cutting workers occupations may be suitable for purposes of understanding the cut and sew contracting sector, BLS's categorization of cutting and slicing machine setters, operators, and tenders seems to exclude the apparel manufacturing industry entirely. This occupation focuses more on the cutting of materials like glass, stone, cork, rubber, tobacco, food, paper, or insulating material. Another limitation to SOC codes is their aggregation of occupational data across multiple unrelated industries. For example, hand cutters and trimmers include those working in the furniture and plastics industries. Therefore, the demographic and wage data displayed via SOC codes is not representative of the cut and sew apparel manufacturing industry solely, but rather includes data collected on other industries as well. Despite these limitations, we will focus on hand cutters and trimmers as the primary occupation for cutting workers within the cut and sew contracting sector.

BLS data does not provide demographic data on hand cutters and trimmers specifically, but instead for the wider category of cutting workers. The demographic breakdown of employment among cutting workers is displayed in Table 19. According to BLS, women make up only 27% of cutting workers, and nearly 87% of workers are white. This demographic data should be critically assessed for multiple reasons. Firstly, the BLS categorization for "cutting workers" encompasses employees involved in cutting activities in industries outside of the apparel manufacturing industry. The inclusion of cutting workers in industries like furniture making and plastics might explain why we see this BLS data skewed in a way that does not represent the cut and sew apparel contracting sector. We know from our conversations that the cutters and sewers in LA's contracting industry are predominantly Latinx and Asian.

Secondly, and most relevant to the cut and sew contracting sector, BLS SOC data is employer-reported data on workers. This has two important consequences: 1) BLS fails to account for non-registered businesses, or businesses that might operate outside of the industry's legal and regulatory framework; and 2) BLS data overlooks any unregistered employees, even those that may be working for officially registered businesses. Workers who fall into the latter category include undocumented immigrant workers or workers who may be working under the table for other undisclosed reasons. The cut and sew manufacturing and contracting sectors, particularly those in Los Angeles, are infamous for operating in unofficial and unregulated settings, which means that they are oftentimes not represented in nationally collected data on the industry.³⁶² In fact, one report estimates that the Fashion District alone is home to nearly 4,600 unreported workers.³⁶³ Therefore, when using BLS data for occupations within the cut and sew contracting sector, it can be suspected that under reporting is taking place.

³⁶¹ "Methods of Fabric Cutting in Garment Industry," *The Carnegie Textile Co.*, March 20, 2019. <https://www.carnegietextile.com/methods-of-fabric-cutting-in-garment-industry/>

³⁶² Susan Ferriss and Joe Yerardi, "Wage theft hits immigrants – hard," *Associated Press (AP)*, October 14, 2021.

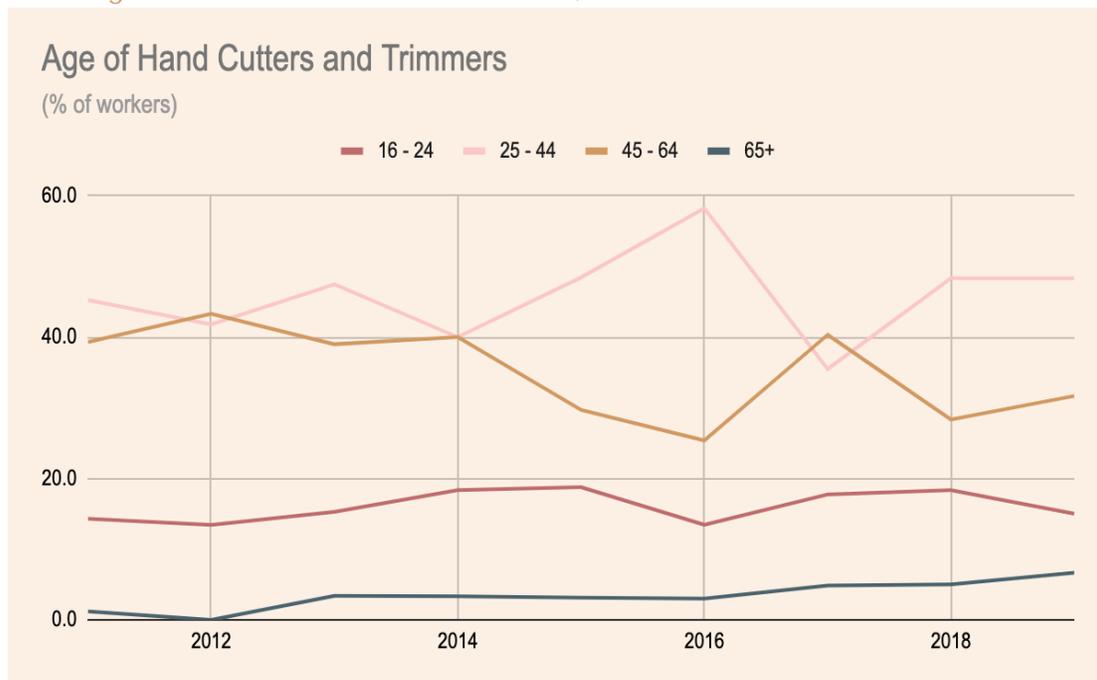
<https://apnews.com/article/immigration-coronavirus-pandemic-business-california-health-b6c9bd122e38bd72bc625369fa604a9c>

³⁶³ AECOM, "Market Analysis of the Los Angeles Fashion District."

Table 19. Gender and Racial Background of Cutting Workers (SOC 51-9030)³⁶⁴

Total Employed (thousands)	% of Women employed in 2020	% of Whites employed in 2020	% of Blacks employed in 2020	% of Asian employed in 2020	% of Hispanic or Latino employed in 2020
54	27.1	86.9	9.4	2.3	26.2

Figure 47. Age of Hand Cutters and Trimmers, 2011 - 2020³⁶⁵



Over time, the share of those aged 25-44 working as cutting workers has greatly fluctuated, with the same volatile patterns observed for those aged 45-64. However, for those 16-24 and 65+, numbers have slowly, yet steadily, increased overtime to represent a greater share of all cutting workers (Figure 47). Today, just over half of all cutting workers are between the ages of 35 and 64, with a median age of 49.3 years old.³⁶⁶ In the cut and sew manufacturing sector as a whole, workers aged 35 to 64 make up a larger proportion of workers, with 63% of workers falling into this age range.³⁶⁷ This data lines up with our own observations within LA's cut and sew contracting sector, where many workers are middle-aged. One possible explanation for this includes the lower physical intensity of cut and sew contracting work. While cutting and sewing has

³⁶⁴ Bureau of Labor Statistics (BLS), "Labor Force Statistics from the Current Population Survey," accessed October 30, 2021, <https://www.bls.gov/cps/tables.htm#charemp>.

³⁶⁵ *ibid.*

³⁶⁶ *ibid.*

³⁶⁷ *ibid.*

a manual labor component to it (in the absence of automation), it requires less physical strength, and thus attracts an older, less physically-abled population of workers.

Skills, Training, and Wages

Hand cutters and trimmers require no professional or prior training.³⁶⁸ The skills needed to perform hand cutting and sewing are typically learned on the job, like most skills in the cut and sew contracting sector. For Vladimir, he first learned his cutting skills working at a contracting firm as a garment worker. After refining his skills and gaining enough experience, Vladimir then decided to start his own cutting contracting firm.³⁶⁹ On the job learning is similar for sewing contractors as well. In conversation with Francisco, a floor manager at a sewing contractor in the Fashion District, he highlighted that many workers are trained on the job after they're hired. Francisco explained workers are trained on several different types of sewing machines, and are then assigned a specific sewing task based on their strengths.³⁷⁰

Skills and experience seem to be determinants of wage in the cut and sew apparel contracting sector. In interviews with both Francisco and Fernando Sanchez, a garment worker in LA's Fashion District, both mentioned that their years worth of experience have afforded them higher pay than others who are just starting out.^{371, 372} Sanchez gets paid \$20.00/hr, but says that this is unusually high for the sector and is because he grew up in the cut and sew industry and learned how to sew at an early age.³⁷³

For hand cutters and trimmers in the Los Angeles-Long Beach-Anaheim metropolitan area, the mean hourly wage is \$15.26/hr, which is higher than the mean national rate, but lower than the average rate for the state of California (Figure 48).³⁷⁴ Riverside-San Bernardino-Ontario and San Francisco-Oakland-Hayward metropolitan areas have average mean wages of \$17.62/hr and \$20.18/hr, respectively.³⁷⁵ The reported wages among cutters do not reflect the practice of wage theft that runs deep within cut and sew apparel contractors. The data also runs contrary to some of the unregulated compensation practices well-known to the apparel manufacturing industry, including piece rate. Therefore, we can assume that these average rates are inflated due to under reporting in wage data.

³⁶⁸ US Department of Labor, "51-9031.00 - Cutters and Trimmers, Hand," accessed October 29, 2021, <https://www.onetonline.org/link/summary/51-9031.00>.

³⁶⁹ Interview with Vladimir.

³⁷⁰ Interview with Francisco.

³⁷¹ *ibid.*

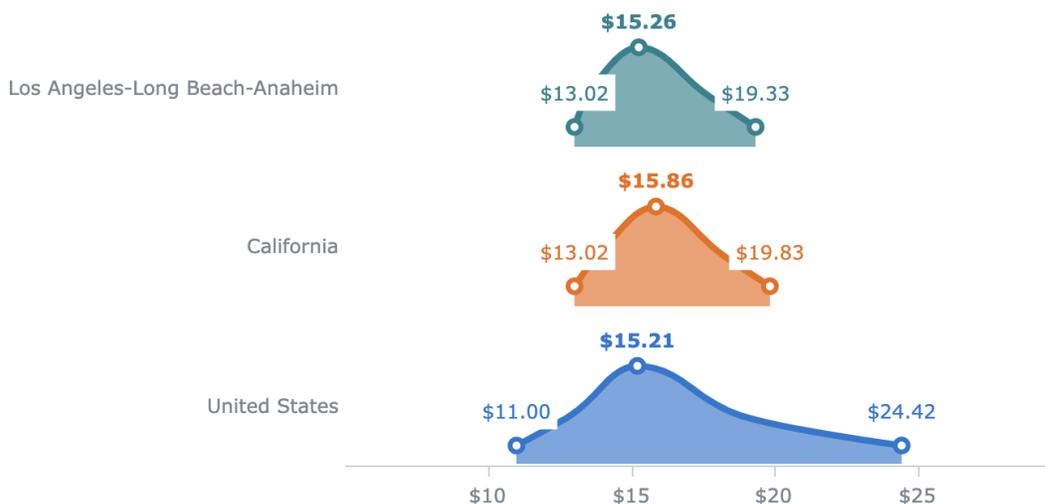
³⁷² Interview with Fernando Sanchez.

³⁷³ *ibid.*

³⁷⁴ US Department of Labor, "51-9031.00 - Cutters and Trimmers, Hand," accessed October 29, 2021, <https://www.onetonline.org/link/summary/51-9031.00>.

³⁷⁵ *ibid.*

Figure 48. Average hourly wage for cutting workers in Los Angeles-Long Beach-Anaheim, CA metropolitan area³⁷⁶



Pressers, Textile, Garment, and Related Materials (SIC Code 51-6021)

Within the Cut and Sew Apparel Manufacturing industry (NAICS Code 315200), those engaged in occupations categorized as Pressers, Textile, Garment, and Related Materials (SIC Code 51-6021) make up 1,210 workers annually.³⁷⁷ This accounts for 1.65% of total employment in the Cut and Sew Apparel Manufacturing industry.³⁷⁸ While this makes up a low percentage of the total apparel manufacturing workforce, this job is still relevant for understanding the garment manufacturing industry, particularly in Los Angeles, where there is a higher concentration of people categorized as pressers, textile, garment, and related materials workers in the state.³⁷⁹ When analyzing the nation-wide numbers, it's important to understand that these numbers are reflective of the occupation at large rather than workers employed in the Cut and Sew Apparel Manufacturing industry (NAICS Code 3152). Pressers, textile, garment, and related materials workers also work in industries such as drycleaning and laundry services, apparel accessories and other manufacturing, apparel knitting mills, and textile and fabric finishing and fabric coating mills.³⁸⁰ While Figure 49 shows that California is one of the highest employers of non-industry specific pressers, we assume the percentage of pressers working in the apparel manufacturing industry is quite high given the large concentration of this industry in California. Figure 50 and Table 20 verify that a large portion of the pressers, textile, garment, and related materials work takes place around Los Angeles as well, offering further support for the likely connections to the cut and sew apparel manufacturing industry.

³⁷⁶ US Department of Labor, "51-9031.00 - Cutters and Trimmers, Hand," accessed October 29, 2021, <https://www.onetonline.org/link/summary/51-9031.00>.

³⁷⁷ "Cut and Sew Apparel Manufacturing - May 2020 OEWS Industry-Specific Occupational Employment and Wage Estimates." https://www.bls.gov/oes/current/naics4_315200.htm.

³⁷⁸ *ibid.*

³⁷⁹ *ibid.*

³⁸⁰ *ibid.*

Figure 49. Employment of pressers, textile, garment, and related materials, by state as of May 2020.³⁸¹

Employment of pressers, textile, garment, and related materials, by state, May 2020

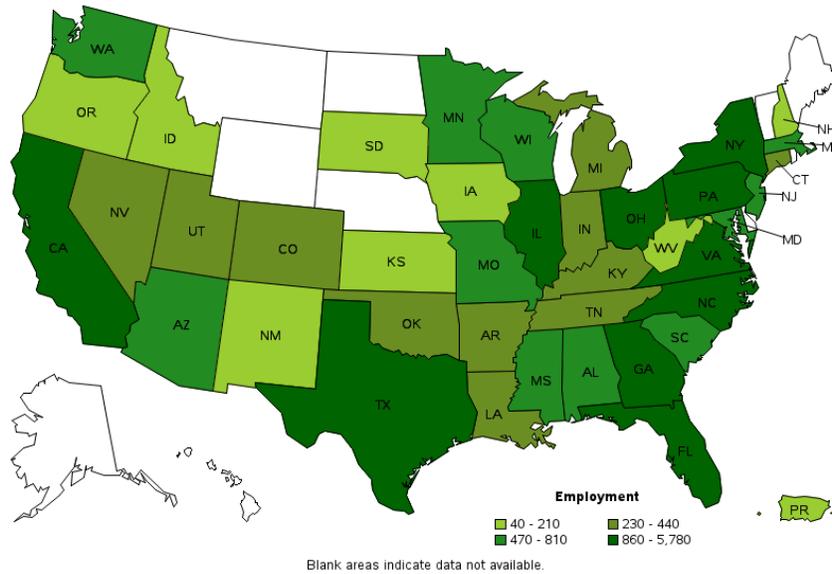
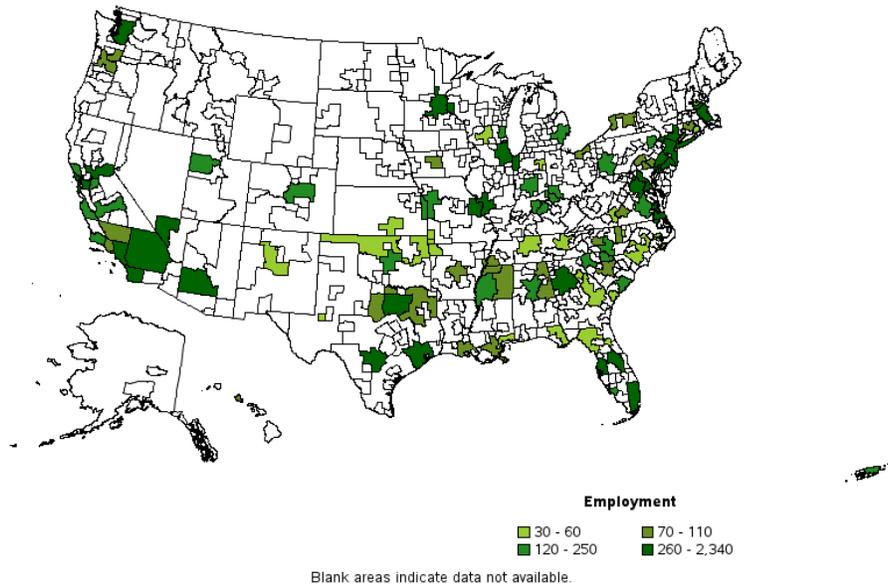


Figure 50. Employment of pressers, textile, garment, and related materials, by metropolitan area as of May 2020.³⁸²

Employment of pressers, textile, garment, and related materials, by area, May 2020



³⁸¹"Occupational Employment and Wage Statistics". U.S. Bureau of Labor Statistics. [https://www.bls.gov/oes/current/oesaterials."516021.htm#nat](https://www.bls.gov/oes/current/oesaterials.).

³⁸² *ibid.*

Who Does the Work?

According to the U.S. Bureau of Labor Statistics, the majority of pressers, textile, garment, and related materials workers in the US are between the ages of 35-54 years old.³⁸³ While this reflects the general age demographics of the apparel manufacturing industry, pressers, textile, garment, and related material workers typically exit the occupation over the age of 54, while sewing machine operators more commonly work into their 60's and sometimes even older.³⁸⁴ This is likely due to the nature of the work as press work demands that workers control and handle hot machinery while standing. Sewing machine operators, on the other hand, can sit down while they work which is often more comfortable for people of older ages. As the press, textile, garment, and related materials occupation is much smaller than than sewing machine operators occupation, it's likely that the jobs available are taken up by laborers who are more dexterous and nimble, favoring those who are a bit younger in the workforce.

Table 20. Metropolitan areas with the highest employment level in Pressers, Textile, Garment, and Related Materials³⁸⁵

Metropolitan area	Employment	Employment per thousand jobs	Location quotient	Hourly mean wage	Annual mean wage
Los Angeles-Long Beach-Anaheim, CA	2,340	0.40	1.75	\$ 14.34	\$ 29,830
New York-Newark-Jersey City, NY-NJ-PA	1,400	0.16	0.69	\$ 14.17	\$ 29,480
Dallas-Fort Worth-Arlington, TX	1,140	0.32	1.38	\$ 11.23	\$ 23,360

Wages

National average wages for Pressers, Textile, Garment, and Related Materials workers fall below the average and median wage for the apparel manufacturing industry, as seen in Table 21. Pressers, Textile, Garment, and Related Materials workers make an annual income that is \$15,000 less than the national industry standard, on average.³⁸⁶ Figure 51 shows that California and Los Angeles laborers in this occupation earn greater wages than the national average. This is likely due to California's higher minimum wage as well as the high concentration of the workers in the area, likely bringing the wage up slightly due to competition. Concerningly, Figure 52 shows how the Pressers, Textile, Garment, and Related Materials workforce is expected to decline nationally by 11% by 2030. This aligns with decline predictions for the garment industry at large which continues to shrink due to fast fashion's heavily globalizing market. In Los Angeles, the decline

³⁸³ *ibid.*

³⁸⁴ *ibid.*

³⁸⁵ *ibid.*

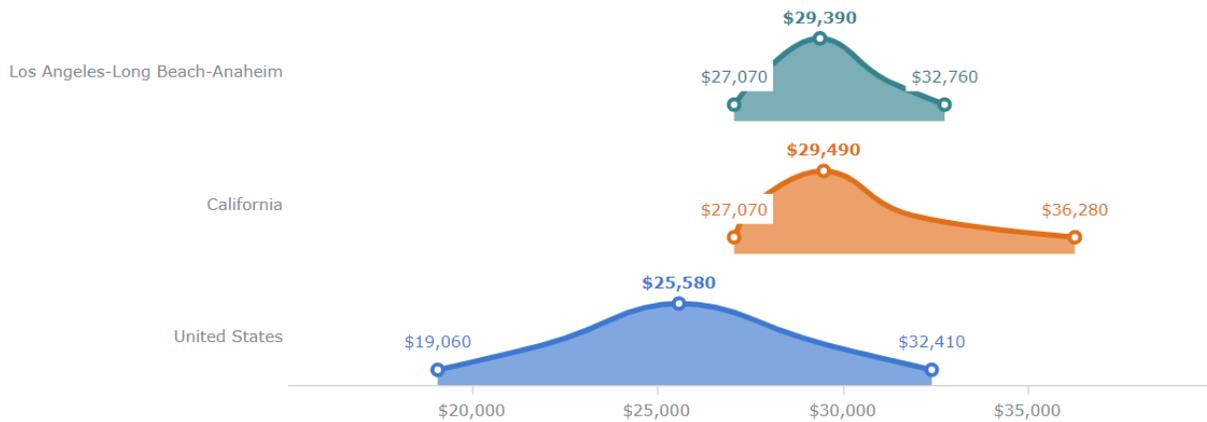
³⁸⁶ *ibid.*

predictions are even stronger. According to data from O*NET, jobs may fall by 22% locally by 2030.³⁸⁷

Table 21. National Hourly Wages by Occupation³⁸⁸

Occupation Title	Employment	Median Hourly Wage	Mean Hourly Wage	Annual Mean Wage
All cut and sew apparel manufacturing	73,630	\$14.92	\$20.76	\$43,180
Pressers, Textile, Garment, and Related Materials	1,210	\$13.23	\$13.18	\$27,410

Figure 51. California Wages for: 51-6021.00 - Pressers, Textile, Garment, and Related Materials³⁸⁹



³⁸⁷ "California Employment Trends: 51-6021.00 - Pressers, Textile, Garment, and Related Materials." <https://www.onetonline.org/link/localtrends/51-6021.00?st=CA&g=Go>.

³⁸⁸ "Occupational Employment and Wage Statistics". U.S. Bureau of Labor Statistics.

³⁸⁹ "California Wages: 51-6021.00 - Pressers, Textile, Garment, and Related Materials."

Figure 52. California Employment Trends³⁹⁰

California Employment Trends for:

51-6021.00 - Pressers, Textile, Garment, and Related Materials

View trends for state:

California

Employment (2018)	Projected employment (2028)	Projected growth (2018-2028)	Projected annual job openings (2018-2028)
6,800 employees	5,300 employees	-22%	560

United States

Employment (2020)	Projected employment (2030)	Projected growth (2020-2030)	Projected annual job openings (2020-2030)
30,300 employees	27,000 employees	-11% (decline)	2,600

Skills and Training

The Pressers, Textile, Garment, and Related Materials occupation emphasizes the need for skills pertaining to bodily coordination, dexterity, and nimble machinery control.³⁹¹ These abilities reflect the manual nature of both the presser, textile, garment, and related materials occupation and the apparel manufacturing industry at large. Unlike other aspects of the industry, such as sewing machine operators, the majority of this work is done standing, often continuously, or almost continuously.³⁹² The work requires manual and visual attention while operating heavy machinery that can crease or damage the fabrics if done incorrectly. 52% of workers responded that the pace of the work is determined by the speed of the equipment meaning that workers need to operate machinery in a way that enables them to maintain control while keeping pace with the rhythm of the machinery.³⁹³

Like most other work in the apparel manufacturing industry, skills are typically learned on the job with little to no preparation needed in advance of hiring. 59% of workers have less than a high school diploma, making this work accessible to those without formal academic education or those with little to english language comprehension.³⁹⁴ Workers typically train one another and as the work is very repetitive, it's easy to pick up and master quickly.

Wages by NAICS Code

When looking at the entirety of wages in the NAICS code 31521, as opposed to specific SOC codes, it shows that the wages continue to fall within a close range between \$27,070 and \$35,627.³⁹⁵ The Los Angeles County wages for the SOC code 51-6021.00 are significantly higher than the national average. This is also true for the NAICS code, which shows the overall wages in this industry, not specific to an occupation. Table 22 shows the annual average specific to Los Angeles County, CA. According to the Bureau

³⁹⁰ "California Employment Trends: 51-6021.00 - Pressers, Textile, Garment, and Related Materials." <https://www.onetonline.org/link/localtrends/51-6021.00?st=CA&g=Go>.

³⁹¹ "Summary Report for: 51-6021.00 - Pressers, Textile, Garment, and Related Materials." <https://www.onetonline.org/link/summary/51-6021.00>.

³⁹² *ibid.*

³⁹³ *ibid.*

³⁹⁴ "Summary Report for: 51-6021.00 - Pressers, Textile, Garment, and Related Materials."

³⁹⁵ "California Wages: 51-6021.00 - Pressers, Textile, Garment, and Related Materials."

of Labor Statistics data, there are other counties that have higher annual average wages, but Los Angeles County has the highest annual average employment.³⁹⁶ Los Angeles County makes up 38% of the U.S. total annual employment in 2019.

Table 22. 2019 Annual Averages for NAICS Code 31521, Cut and sew Apparel Contractors³⁹⁷

County	Annual Establishments	Annual Average Employment	Total Annual Wages	Annual Average Weekly Wage	Annual Wages per Employee
Los Angeles County, CA	1,446	12,053	\$429,424,688	\$685	\$35,627
U.S. Total	2,997	31,113	\$1,154,050,360	\$713	\$37,093

When analyzing wage data in this sector, it is important to take into consideration that the labor force is made up of predominantly immigrant workers, who may not all have the legal documentation to work 'on the record'. This means that the data we are accessing may be under-reported, but does not drastically change the conclusions from our analysis. In an interview with factory owner Vladimir, he shared his perspective as a cutting manufacturer. Vladimir explained that the way he gets paid, as well as how he pays his employees, is mainly under the table. This is to avoid the regulation from the labor commission, California registration for his business, and to avoid a payroll regulation.³⁹⁸ This unregulated environment with a lack of contracts or written documentation of the pay agreed to is the perfect condition for wage theft to occur.

Safety, Struggle, and Solidarity

Health and Safety in the Garment Industry

From our conversations with garment employees and industry experts, we know that there is a health and safety risk in this sector due to working with automated machinery such as sewing machines, and sharp objects like needles and scissors. The work is also very repetitive, with 84% of workers responding that "continuously or almost continuously" use their hands to handle and control objects (fabric) and tools (sewing machines).³⁹⁹ A 2016 study from the UCLA Labor Center and the Garment Worker Center articulated the demanding nature of the job, finding that workers perform

³⁹⁶ "Private, NAICS 31521 Cut and Sew Apparel Contractors, All Counties 2019 Annual Averages, All Establishment Sizes Source: Quarterly Census of Employment and Wages - Bureau of Labor Statistics," n.d.
https://data.bls.gov/cew/apps/table_maker/v4/table_maker.htm#type=1&year=2019&qtr=A&own=5&ind=31521&supp=0.

³⁹⁷ *ibid.*

³⁹⁸ Interview with Vladimir.

³⁹⁹ *ibid.*

"precise and repetitious tasks, frequently for 10-12 hours a day, and for 6 days a week."⁴⁰⁰ Workers must work rapidly on visually demanding tasks in facilities with varying quality of lighting, and frequently report eye strain and vision impacts.

Fernando Sanchez, a garment worker we interviewed, stated that most workers take caution for their own well-being. Since a majority of the work is done 'under the table' in this industry, there is no accessibility to a direct human resources department in firms to support employee's health and safety, so it is in the best interest of garment workers to ensure their own safety in order to continue to work and make an income for themselves.⁴⁰¹ Some of the more serious incidents Fernando was aware of included the garment worker's thumb getting caught in the sewing machine or a needle from a sewing machine shooting out and stabbing the eye. This horrific situation occurs when the fabric is too thick, so the needle breaks and flies out. Fernando assured us these were rare occurrences.⁴⁰² Vladimir, a cutting manufacturer we interviewed, also shared health and safety risks that can occur specific to the cutting sector. For instance, if a cutter makes a mistake, they risk cutting a finger with the sharp automated machinery. Vladimir's concern for his workers is evident, but as a manufacturer, he has chosen to prioritize protecting his firm from the labor commission, inspection, and fines. Deciding to operate this way evades regulatory standards of a fully licensed firm, but it is also important to acknowledge that the practices he described are unlawful and unethical. Decisions like this lead to more unrecorded health and safety concerns and cases, as well as more pressure on the employees to practice caution for their own well-being and for their ability to continue to make money during trying times.

Jobs in the cut and sew sector can be dangerous because of the close work with automated machinery, but risks in this industry were exacerbated when the COVID-19 virus hit the United States in March 2020. "Every discussion of health and safety in the garment industry was exacerbated by COVID-19, including evident issues such as no ventilation or windows, no doors, not enough walkway space, no working fans, and inhalation of dust that comes from clothing or chemicals in clothing dye." said Kathryn Melendez, Health and Safety Organizer with the Garment Worker Center.⁴⁰³ These health code violations led to severe spreads of COVID-19, and in the most hazardous environments, even death. Employers continued to push garment workers to come to work without consideration for their well-being.⁴⁰⁴ Melendez mentioned that if garment workers expressed their concerns with employers, they risked losing their job, even if there was a known infection that occurred in the workplace.⁴⁰⁵ Workers were still expected to go to work even if they were at risk of infection or infected, speeding up the spread of COVID-19 in the workplace.⁴⁰⁶

⁴⁰⁰ Shadduck-Hernández et al., "Dirty Threads, Dangerous Factories: Health and Safety in Los Angeles' Fashion Industry."

⁴⁰¹ Interview with Fernando Sanchez.

⁴⁰² Ibid.

⁴⁰³ Interview with Kathryn Melendez.

⁴⁰⁴ Ibid.

⁴⁰⁵ Ibid.

⁴⁰⁶ Ibid.

Government Intervention During the COVID-19 Pandemic

In order to provide support and guidance amidst the COVID-19 pandemic, Cal/OSHA implemented California-wide industry guidance for employers and employees working throughout the pandemic.⁴⁰⁷ These guidelines consider vaccinated and unvaccinated workers, and include benefits for workers impacted by COVID-19. Regardless of immigration status, Cal/OSHA mandates that all workers have the right to a safe workplace and to take paid time off from work if they contract the COVID-19 virus.⁴⁰⁸

Employees are required to share a list of benefits with their workers as of March 29, 2021.⁴⁰⁹ Some of these benefits include unemployment insurance, Local Government Supplemental Paid Sick Leave for COVID-19, and workers' compensation.⁴¹⁰ However, as mentioned previously, many firms in the cut and sew industry are not up to regulation standards. Even when there are government guidelines or regulations in place, employers do not always choose to follow them. This is why it is important for employees to be aware of their rights and to communicate with departments such as Cal/OSHA and the Department of Industrial Relations in order to report violations and concerns for their own well-being and safety.

Health & Safety Case Study: Los Angeles Apparel

Company Description

Los Angeles Apparel is a vertically integrated retail brand that controls its manufacturing from start to finish, where their final products focus on a minimalistic aesthetic provided in several colors. Founded in 2016, this company took several aspects from its predecessor sister company, American Apparel, which was highly successful before its downfall in 2016.⁴¹¹ The current CEO of Los Angeles Apparel, Dov Charney, was also the CEO of American Apparel, and the two companies followed the same aesthetic and vertically integrated business model. Even the logo of the firm, shown in Figure 53, takes inspiration from the previous company.

Los Angeles Apparel is committed to several mission statements, including fair wages for their over 1,800 employees and being sweatshop free in a predominantly sweatshop industry. The employees are also highly trained cut and sew workers who have worked with the Chief Executive Officer (CEO) Dov Charney for over a decade.⁴¹²

⁴⁰⁷ Department of Industrial Relations- California. "Cal/OSHA and Statewide Industry Guidance on COVID-19," August 2021. <https://www.dir.ca.gov/dosh/coronavirus/Guidance-by-Industry.html>.

⁴⁰⁸ Department of Industrial Relations- California. "COVID-19 Guidance and Resources," n.d. <https://www.dir.ca.gov/covid/>.

⁴⁰⁹ Labor & Workforce Development Agency. "Benefits for Workers Impacted by COVID-19," March 29, 2021. <https://www.labor.ca.gov/coronavirus2019/#chart>.

⁴¹⁰ *ibid.*

⁴¹¹ Deborah Belgum. "American Apparel and Los Angeles Apparel: A Tale of Two Labels Starting From Ground Zero," April 13, 2017. <https://www.apparelnews.net/news/2017/apr/13/american-apparel-and-los-angeles-apparel-tale-two-/>.

⁴¹² Los Angeles Apparel. "Los Angeles Apparel - Our Values," n.d. <https://losangelesapparel.net/pages/our-values>.

Figure 53. Los Angeles Apparel logo

**LOS
ANGELES
APPAREL**

Company Financials

Since LA Apparel is a private company, there is not full accessibility to the company financials as one would have for a publicly traded firm. However, according to available data, the total assets of this firm are \$9,786,530.⁴¹³ The firm reinvests any profits in its operations, and all of the work is done 'in house' following the vertically integrated business model. The commodity chain of manufacturer-owned brands such as Los Angeles Apparel typically have product development, production and distribution vertically integrated into the firm's internal organizational structure.⁴¹⁴ This allows for the CEO to oversee all processes, including the retail marketing. Featured in Figure 54, Charney is involved in a photography session modeling Los Angeles Apparel's minimalist style.

⁴¹³Mergent Online. "Los Angeles Apparel, Inc.," n.d. <https://www.mergentonline.com/privatecompanyfinancials.php?dunsnumber=080385000>.

⁴¹⁴ Hassler, "The Global Clothing Production System: Commodity Chains and Business Networks."

Figure 54. Los Angeles Apparel Photography⁴¹⁵



The majority of work is done at the company headquarters location on 59th street, but the company also outsources to other locations that they own throughout the greater Los Angeles area, along with their support in embroidery and screen printing through their partnership with TSC Apparel.⁴¹⁶ TSC was also a partner with Charney's previous firm, American Apparel, so the president of TSC, Bob Winget, said "We dealt with that company [American Apparel] for 20 years, and we had a lot of success with them."⁴¹⁷

COVID-19 Violations in the Workplace

In March of 2021, Cal/OSHA, the California Division of Occupational Safety and Health Administration, cited Los Angeles Apparel after learning about several violations including fatalities and illnesses and receiving complaints from employees in the industry.⁴¹⁸ The inspection that occurred at the Los Angeles Apparel factory at 1020 E. 59th Street Los Angeles, CA 90001 was motivated by speculation of an outbreak that eventually led to six deaths from COVID-19 complications.⁴¹⁹ Cal/OSHA concluded that Los Angeles Apparel intentionally did not report the COVID-19 outbreak or fatalities that their employees were experiencing. Therefore, following the investigation, Cal/OSHA cited Los Angeles Apparel for six serious, one willful-regulatory, three

⁴¹⁵ "Los Angeles Apparel - Our Values."

⁴¹⁶ TSC Apparel. "TSC Apparel Launches Los Angeles Apparel," April 5, 2017. https://www.tscapparel.com/cgi-bin/live/wam_tmpl/marketing.p?site=BASE&layout=Base&page=PR_Los_Angeles_Apparel.

⁴¹⁷ Belgum, "American Apparel and Los Angeles Apparel: A Tale of Two Labels Starting From Ground Zero."

⁴¹⁸ Department of Industrial Relations- California. "Cal/OSHA Issues Citations to Multiple Employers for COVID-19 Violations." Accessed November 5, 2021. <https://www.dir.ca.gov/DIRNews/2021/2021-25.html>.

⁴¹⁹ *ibid.*

regulatory, and seven general violations (Table 23).⁴²⁰ The serious violations included failure to evaluate COVID-19 hazards, such as the lack of physical distancing or barriers to separate employees operating sewing machines. Another serious violation was the lack of employee training on preventing COVID-19 infection in the workplace.⁴²¹

Table 23. Los Angeles Apparel Cal/OSHA Violations⁴²²

Citation Code	Type of Violation	Proposed Citation Penalty
Citation 1 Item 1: T8 CCR 461. Permits to Operate	Regulatory	\$450.00
Citation 1 Item 2: T8 CCR 14300.4. Recording Criteria	Regulatory	\$450.00
Citation 1 Item 3: T8 CCR 14300.40(a). Providing Records to Government Representatives	Regulatory	\$450.00
Citation 1 Item 4: T8 CCR 2340.16(a). Work Space About Electric Equipment	General	\$335.00
Citation 1 Item 5: T8 CCR 2340.24. Discontinued Circuits	General	\$335.00
Citation 1 Item 6: T8 CCR 2473.1(b). Conductors Entering Boxes, Cabinets, or Fittings	General	\$335.00
Citation 1 Item 7: T8 CCR 2510.4 Live Parts	General	\$675.00
Citation 1 Item 8: T8 CCR 3203(a)(I). Injury and Illness Prevention Program	General	\$335.00
Citation 1 Item 9: T8 CCR 3203(a)(8). Injury and Illness Prevention Program	General	\$335.00
Citation 1 Item 10: T8 CCR	General	\$1,350.00

⁴²⁰ *ibid.*

⁴²¹ *ibid.*

⁴²² State of California, Department of Industrial Relations, and Division of Occupational Safety and Health. "Citations and Notification of Penalty, Los Angeles Apparel, Inc.," n.d. https://www.dir.ca.gov/dosh/Coronavirus/Citations/02.05.2021-LA-Apparel-Inc_1489025.pdf.

3668(d)(2). Powered Industrial Truck Operator Training		
Citation 2 Item 1: T8 CCR 3203(a). Injury and Illness Prevention Program	Serious	\$25,000.00
Citation 3 Item 1: T8 CCR 3203. Injury and Illness Prevention Program	Serious	\$25,000.00
Citation 4 Item 1: T8 CCR 4070(a). Guarding	Serious	\$6,750.00
Citation 5 Item 1: T8 CCR 4075. Gears and Sprockets	Serious	\$6,750.00
Citation 6 Item 1: T8 CCR 4475(a). Commercial Sewing Machines	Serious	\$4,500.00
Citation 7 Item 1: T8 CCR 5185(n). Changing and Charging Storage Batteries	Serious	\$4,500.00
Citation 8 Item 1: T8 CCR 342(a). Reporting Work-Connected Fatalities and Serious Injuries	Willful Regulatory	\$25,000.00
	Total Penalties:	\$102,550.00

The citations to be paid by Los Angeles Apparel were \$102,550, with the highest citations being Citation 2 Item 1, \$25,000, Citation 3 Item 1, \$25,000, and Citation 8 Item 1, \$25,000.⁴²³ Citation 2 Item 1 was a serious violation where Los Angeles Apparel failed to establish, implement, and maintain an effective injury and illness prevention program.⁴²⁴ The employer failed to effectively identify or evaluate workplace hazards relating to COVID-19, including lack of social distancing between sewing machines, lack of physical barriers, and lack of social distancing between employees who were packing final products.⁴²⁵ Citation 3 Item 1 was another serious violation with high penalty amount due to Los Angeles Apparel's lack of effective training and instruction on COVID-19, including prevention, reducing the spread, virus symptoms, and the company's plan to control COVID-19 infections.⁴²⁶ Lastly, Citation 8 Item 1 was a willful

⁴²³ State of California, Department of Industrial Relations, and Division of Occupational Safety and Health. "Citations and Notification of Penalty, Los Angeles Apparel, Inc.," n.d. https://www.dir.ca.gov/dosh/Coronavirus/Citations/02.05.2021-LA-Apparel-Inc_1489025.pdf.

⁴²⁴ *ibid.*

⁴²⁵ *ibid.*

⁴²⁶ *ibid.*

regulatory violation, where Los Angeles Apparel failed to report work-related fatalities and serious injuries. The company failed to report six deaths that occurred prior to the inspection date on July 29, 2020.⁴²⁷ On July 10, 2020 LA County Department of Public Health informed the company to report employee deaths to Cal/OSHA. The Department of Public Health followed up with an email to the company, where they responded on July 13th that four employees had died due to COVID-19 complications. On July 23, 2021, Cal/OSHA received a complaint from LA County Public Health noting that there had been a fifth death in the company. This incited a Cal/OSHA inspection, where Cal/OSHA was finally informed of a sixth employee death, which went unreported for another month.⁴²⁸ These are the three most serious citations from the Los Angeles Apparel investigation, which totaled to \$75,000. The rest of the violations were still serious, but led to smaller penalty charges. The other violations found at Los Angeles Apparel included a lack of recording criteria, failure to provide Cal/OSHA forms, exposure to electrical hazards, and use of commercial sewing machines with unguarded pulley nip points, which are required to be guarded for employee safety.⁴²⁹

Los Angeles Apparel would likely have continued with their business as usual, violating workplace safety, if employees had not spoken up and filed complaints, which started an investigation by Cal/OHSA. After the investigation and citations, Los Angeles Apparel eventually took steps to follow the government guidelines and to provide support to their employees. The company owner, Dov Charney, met with employees after the Cal/OSHA inspection and brief closure, and discussed best practices, including social distancing when working.⁴³⁰ The company also implemented use of disinfectant to ensure a decrease in the spread of COVID-19.⁴³¹

⁴²⁷ *ibid.*

⁴²⁸ *ibid.*

⁴²⁹ *ibid.*

⁴³⁰ Leila Miller, "Workers Vanished as Coronavirus Swept through L.A. Apparel. Colleagues Struggled for Answers." *Los Angeles Times*. July 17, 2020. <https://www.latimes.com/california/story/2020-07-17/la-me-la-apparel-outbreak-safety-protection>

S.

⁴³¹ *ibid.*

Figure 55. Los Angeles Apparel employees attending a COVID-19 safety training on-site.⁴³²



Charney also shared that Los Angeles Apparel included other building upgrades to support a safer work environment, including touchless faucets, better ventilation, more robust screening for symptoms and improved training for cleaning staff.⁴³³ There was also an improvement in testing for employees prior to returning to work after the inspection closure.⁴³⁴ Safety training sessions were implemented for employees on-site at the factory, both in English and Spanish (Figure 55). Masks were required to be worn during the training, along with social distancing, and hand sanitizer and gloves were provided as an extra precaution.⁴³⁵

Trafficking and the Intricacies of Un/free Labor

2020 marked the 25th anniversary of the El Monte sweatshop case, where 72 trafficked Thai workers were found in a high security garment sweatshop in El Monte, California which had been operating under this capacity since 1988.⁴³⁶ The workers initially came to El Monte under tourist visas, enticed by opportunities to improve their financial circumstances and support their families in rural Thailand. Upon arrival, their traffickers took their passports and required them to work off their recruitment debt of roughly \$5000, which included transportation, plane tickets, and processing fees.⁴³⁷ They were forced to sew clothing for twenty hours a day on average and were not allowed contact with people outside the site. Communication with family members in Thailand via letters were permitted, but were heavily censored and confiscated by the traffickers if they indicated anything but happiness.⁴³⁸ When federal agents alongside local police and state officials raided the El Monte sweatshop in 1995, the workers were first taken immediately into custody by immigration officials as they were seen as illegal

⁴³² *ibid.*

⁴³³ *ibid.*

⁴³⁴ *ibid.*

⁴³⁵ *ibid.*

⁴³⁶ "El Monte Sweatshop: Operation, Raid, and Legacy," Smithsonian Institution, accessed November 6, 2021, <https://www.si.edu/spotlight/el-monte-sweatshop/legacy>.

⁴³⁷ *ibid.*

⁴³⁸ *ibid.*

immigrants under the law. At the time, no such organization existed to advocate for garment workers in California.⁴³⁹ It was due to the organizing and advocacy efforts of labor and immigration organizers that the Thai garment worker survivors were able to get visas to remain in the country and support their transition. As a result, the Garment Workers Center was founded in 2001 to center on uplifting low-wage workers in the garment sector.⁴⁴⁰

For many, the El Monte case stands as the first recognizable case of modern day slavery since the abolition of slavery in 1865. However, the realities of trafficking and modern slavery are complicated and have arguably never truly ended, given the legal slavery of incarcerated people that is written into the constitution under the 13th amendment. The El Monte case stands at the extreme side of the spectrum, but for many laborers in the garment sector, the lines between free and unfree labor are much blurrier — existing simultaneously, and susceptible to change. Forced labor typically exists in a more nuanced and less sensationalized capacity than the El Monte case and it's important to understand the intricacies of trafficking and how this plays out within the garment industry. In reality, it is difficult to isolate forced labor from lesser forms of labor exploitation and there is often considerable porosity and overlap between free and unfree labor.⁴⁴¹ Poverty and other forms of oppression such as work precarity, gender, racial, and ethnic discrimination compound and intensify, pushing people to situations whereby which their options are extremely limited. When operating in a space that can be understood as systemic coercion, freedom takes on an innately complex character. Further, global supply chains have been shaped by histories and legacies of colonization. Decades of colonization across the world contributed to unequal development of global supply chain participation due to political instability, violence, and economic strangling. As shared in the recent report, *The Unequal Impacts of COVID-19 on Global Garment Supply Chains*:

*"While capital and goods can travel freely across borders, people and many smaller supplier firms cannot. This facilitates 'global labour arbitrage', wherein [multinational corporations] comparison shop for goods in places where labour costs are lowest and accrue profits by exerting near monopolistic control over the labour market of key sectors. As such, they have the power and resources to push suppliers to produce at labour costs below legal limits and the prevailing supply chain model gives them the ability to insulate themselves from any legal consequences. Workers in global garment supply chains are overwhelmingly women, tend to come from economically deprived backgrounds and typically lack the resources, education, and skills necessary to achieve significant labour market mobility. Thus, even where jobs are poorly paid and involve coercion, they may be the only available option for workers to obtain the basic necessities of life for themselves and their families"*⁴⁴²

Given this framework, we can begin to understand the intricacies of trafficking and how this unravels in the garment industry. While no trafficking instances as severe as the El Monte case have been identified since, it is important to complicate the notions of

⁴³⁹ "What the El Monte Sweatshop Case Means to Me | U.S. Department of Labor Blog."

⁴⁴⁰ "About." Garment Workers Center.

⁴⁴¹ LeBaron et al., "The Unequal Impacts of COVID-19 on Global Garment Supply Chains."

⁴⁴² *ibid.*

freedom and coercion as workers in the sector face undeniable systemic coercion linked to poverty, colonization, imperialism, and immigration. MNCs and US immigration policies are both inherently connected to the conditions in which exploitation in the garment sector occurs at various scales. To address human trafficking via increased policing and raids is to neglect the deep systemic entanglements that are seeded in this issue. Worker vulnerability in this industry remains high and if COVID-19 has proved anything in this sector, it is that it was only being held on by a thread.

Union Relations in the Garment Industry

Although the garment industry has a robust history of union activity, in recent decades the domestic industry has witnessed the near complete elimination of unions. The history of unionization within the US garment industry is characterized by the merging and splitting of various unions over time. This rather tumultuous path for unions intersected with the increasing liberalization of global trade that placed pressure on the apparel industry workforce, resulting in a much smaller base for existing apparel unions. Nevertheless, while unions are essentially inactive in the apparel manufacturing industry, understanding the history and the remnants of unionization within the sector is critical to assessing the industry's existing workplace conditions and dynamics today.

History

Perhaps the most prominent union to rise out of the apparel industry was the International Ladies Garment Workers Union (ILGWU). The ILGWU was founded in 1900 by seven local East Coast unions, with its first local chapter established in Los Angeles in 1907.⁴⁴³ However, the LA local only lasted a few months before dissolving. The ILGWU did not gain national attention until its organizing efforts following the Triangle Shirtwaist Factory tragedy in 1911. This factory fire killed nearly 150 garment workers after employers illegally locked factory doors, keeping female workers from being able to exit the blazing building.⁴⁴⁴ These doors were kept locked by skeptical factory owners due to concerns that workers may attempt to steal shirtwaists or take unacceptable breaks from work during the day.⁴⁴⁵ In response to the fire at the Triangle Shirtwaist Factory, the ILGWU came to the forefront as the lead union advocating on behalf of garment workers.

Prior to the Triangle Shirtwaist Factory fire, unionizing efforts in the garment industry were disorganized and only mildly successful. The struggle to unionize was in part due to the fear that many workers, mostly immigrant women, had about repercussions from

⁴⁴³ MSS 061, "International Ladies Garment Workers Union (ILGWU) Project Files, Southern California Library for Social Studies and Research," Los Angeles, California

⁴⁴⁴ Section 80 of the Labor Law at the time stated: "all doors leading in or to any such factory shall be so constructed as to open outwardly where practicable, and shall not be locked, bolted or fastened during work hours"

(<https://www.emerald.com/insight/content/doi/10.1108/00251740310468135/full/html>)

⁴⁴⁵ Lanier Pence, P., Phillips Carson, P., Carson, K.D., Hamilton, J.B. and Birkenmeier, B., "And all who jumped died: the Triangle Shirtwaist factory fire", *Management Decision*, Vol. 41 No. 4 (2003): 407-421. <https://doi.org/10.1108/00251740310468135>

employers.⁴⁴⁶ In Los Angeles, there were a unique set of challenges that made unionizing in the region particularly difficult. In 1933, ILGWU president David Dubinsky sent representatives of the union to Los Angeles to organize the local dressmaking workforce.⁴⁴⁷ During this time, the ILGWU was active in cities across the country, with its largest membership base in New York City (Figure 56). However, from the 1970s onwards an increasing number of immigrant workers, growing resistance from employers, increasing raids by the Immigration and Naturalization Service (now Immigration and Customs Enforcement), and the beginnings of offshoring withered the success of organizing efforts⁴⁴⁸. The ILGWU went from representing 19,000 Los Angeles workers in 1950 to only 3,700 in 1979, despite a growth in the overall apparel workforce.⁴⁴⁹ By the 90s, similar patterns were seen across garment industries in the US, particularly New York City which was once the country's garment capital. However, by this time Los Angeles had overtaken New York City as the country's apparel manufacturing hub for a number of reasons, including weaker unions, more relaxed regulations, and a greater population of low-cost migrant workers.⁴⁵⁰

⁴⁴⁶ Marcia L. McCormick, "Consensus, Dissensus, and Enforcement: Legal Protection of Working Women from the Time of the Triangle Shirtwaist Factory Fire to Today," *New York University Journal of Legislation and Public Policy* 14, no. 3 (2011): 645-696.

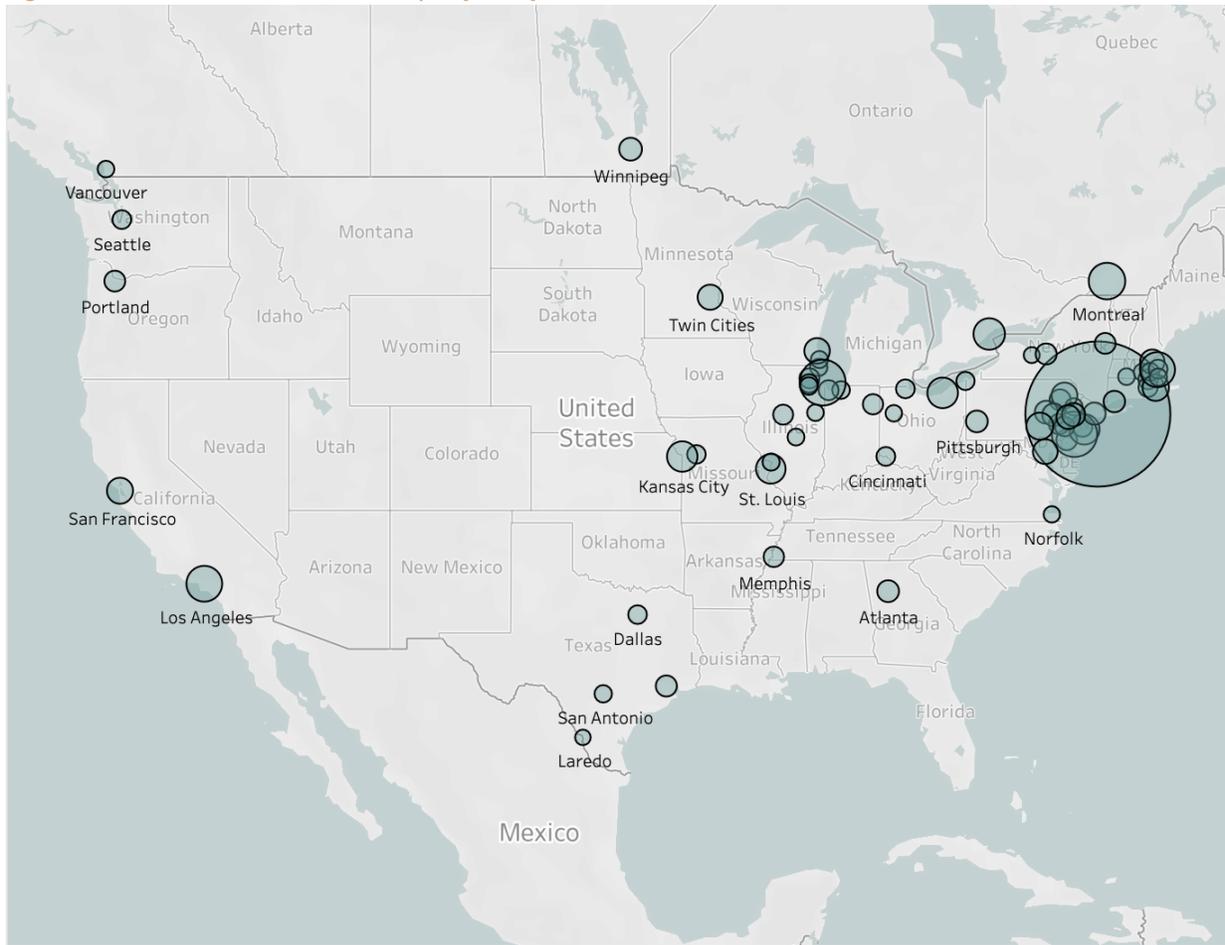
⁴⁴⁷ MSS 061, International Ladies Garment Workers Union (ILGWU) Project Files.

⁴⁴⁸ *ibid.*

⁴⁴⁹ Justin McBride. "Guess Again: Revisiting the Last Major US Apparel Union Campaign at 25", *Journal of Labor and Society* 24, 2 (2021): 304-337, doi: <https://doi.org/10.1163/24714607-bja10008>

⁴⁵⁰ Victor Narro, "Si Se Puede - Immigrant Workers and the Transformation of the Los Angeles Labor and Worker Center Movements," *Los Angeles Public Interest Law Journal* 1 (2008-2009): 65-106.

Figure 56. ILGWU Membership by City 1937-1947⁴⁵¹



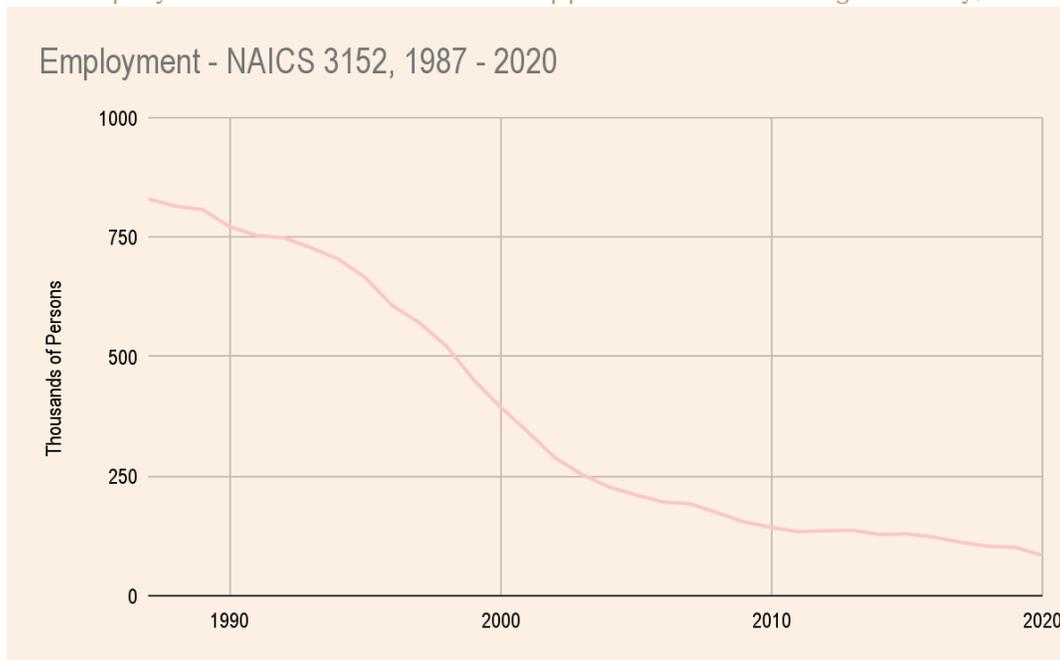
By 1995, a year after the enactment of the North American Free Trade Agreement (NAFTA), the garment industry had experienced a significant decline. Figure 57 shows that 1995 marked the start of a dramatic drop in the total number of individuals employed in the cut and sew apparel manufacturing sector, likely due to the relocation of factories abroad and reliance on foreign labor. In order to maintain its strength, the ILGWU merged with the Amalgamated Clothing and Textile Workers Union (ACTWU) to form the Union of Needletrades, Industrial and Textile Employees (UNITE).⁴⁵² Personal relationships and organizing collaboration led to UNITE merging with the Hotel Employees and Restaurant Employees Union (HERE) in 2004 to form UNITE HERE. Internal struggles and differences created a short life for UNITE HERE. In 2009, then president of UNITE HERE and former President of UNITE, Bruce Raynor, led close to 150,000 workers, mostly garment workers, out of UNITE HERE to form a separate union called Workers United (WU). WU is now affiliated with the Service Employees International Union (SEIU). Since the creation of WU, the number of apparel workers

⁴⁵¹ Cameron Molyneux, "International Ladies Garment Workers Union (ILGWU) locals 1934-1947," *Mapping American Social Movements Through the 20th Century*. Retrieved November 6, 2021 from https://depts.washington.edu/moves/CIO_ILGWU_locals.shtml.

⁴⁵² "History of the ILGWU," *Cornell University IRL School*. Accessed November 6, 2021. <https://ilgwu.ilr.cornell.edu/history/merger.html>.

represented has dwindled. WU now represents thousands of laundry workers across the country, the closest remnant of unionized apparel manufacturing workers. UNITE HERE no longer represents garment workers, and instead most of their members work in the hotel industry.

Figure 57. Employment in the Cut and Sew Apparel Manufacturing Industry, 1987-2020⁴⁵³



Key Campaigns

In its roughly 110 year history, union activity within the garment industry has set out on a number of key campaigns that left lasting impacts on the industry. Two of these key campaigns include the campaign for jobber agreements and the campaign against Guess apparel.

Jobber Agreements

The growth and success of the ILGWU following the Triangle Shirtwaist Factory fire led the industry as a whole shifted towards a model of subcontracting relationships. Instead of manufacturers creating their garments in-house, many began subcontracting this work out to smaller factories, allowing them to avoid union contracts.⁴⁵⁴ This resulted in an influx of smaller, independent, non-union sewing companies in the industry and the shrinking of manufacturing firms.⁴⁵⁵ This dynamic ultimately created the "jobber," or an entity that does not create apparel, but rather procures the production and sells the final product to a retailer. With this change in the supply chain structure, the ILGWU

⁴⁵³ U.S. Bureau of Labor Statistics, "Employment for Manufacturing: Cut and Sew Apparel Manufacturing (NAICS 3152) in the United States [IPUEN3152W200000000]," retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/IPUEN3152W200000000>, November 7, 2021.

⁴⁵⁴ Mark Anner, Jennifer Bair and Jeremy Blasi, "Buyer Power, Pricing Practices, and Labor Outcomes in Global Supply Chains," *Institute of Behavioral Science, University of Colorado at Boulder*, August 2012. <https://wsr-network.org/wp-content/uploads/2018/02/inst2012-0011.pdf>.

⁴⁵⁵ *ibid.*

continued to set out on its mission to organize garment workers, but instead adopted a new mechanism of doing so. Believing that the condition and treatment of garment workers working for contractors was predicated on the price that jobbers paid contractors, rather than contractors themselves, the ILGWU created what are now called "jobber agreements."⁴⁵⁶

Jobber agreements, also known as Hazantown agreements, are collective bargaining agreements between unions and jobbers in which the union represents workers of a contractor that produces the apparel for the jobber.⁴⁵⁷ The agreement binds jobbers to working exclusively with unionized contractors and to pay contractors an appropriate price that accounts for the fair wages of contractor employees. The first jobber agreement was signed in 1922.⁴⁵⁸ Jobber agreements signed thereon after would greatly contribute to the decline in sweatshop conditions among US garment factories during the mid-20th century.⁴⁵⁹

The US legally recognized jobber agreements in 1959 with an amendment to the National Labor Relations Act (NLRA) that added the garment industry proviso.⁴⁶⁰ This sector specific proviso included a legal condition that exempts the garment industry from requiring majority verification, or at least 50% employee support, to form a union and legally require an employer to negotiate with the union. The proviso is particularly salient for industries like the apparel industry where supply chain interactions are tightly integrated between manufacturers and contractors. So when manufacturers work with contractors, instead of going through the time-consuming process of ensuring that contractors hire union labor, manufacturers are only responsible for ensuring that contractors pay union wages. The proviso upholds what is called "joint liability," or the idea that not only the contractor is responsible for paying union wages, but that the manufacturer is also responsible for paying the contractor a price that allows them to pay their workers union wages. While jobber agreements were largely successful prior to the garment industry's domestic decline, their use and purpose were eventually rendered obsolete as brands and labels looked abroad for their manufacturing.

Guess Campaign

Just as the ILGWU and ACTU came together to form UNITE, a massive union campaign against apparel giant Guess launched. Beginning in 1994, UNITE organized workers across Guess-employed contractors in an effort to expose and rectify the rampant practices of wage theft and over-working that Guess relied on to prop itself up as the world's premiere luxury denim jean brand. Although Guess had signed onto the Department of Labor's responsible label program, organizers at UNITE had reason to believe that the firm was still engaging in illegal labor practices. UNITE organized a number of actions as part of this campaign, including picketing at plants and outside of key Guess events, crashing a Guess investor event with news on a California Department of Labor Standards Enforcement (DLSE) investigation on Guess, and

⁴⁵⁶ *ibid.*

⁴⁵⁷ *ibid.*

⁴⁵⁸ *ibid.*

⁴⁵⁹ *ibid.*

⁴⁶⁰ *ibid.*

perhaps most famously filing a lawsuit against the firm for millions of dollars worth of wage theft at 16 different Southern California-based contractors.⁴⁶¹

While UNITE's series of actions was successful in organizing hundreds of Guess workers and in bruising the firm's public ego ahead of its highly anticipated public offering, the Guess campaign ended as an ultimate loss for the union. Guess ultimately announced, in a series of legally dubious actions, that they would heavily scale back their production activities in LA and instead relocate these activities to Mexico.⁴⁶² Guess's announcement powerfully gestured that forceful union campaigns could result in the loss of American jobs and further accelerate the offshoring trend that much of the US manufacturing industry was experiencing at this time.⁴⁶³ The Guess campaign was the last major organizing drive in the apparel industry, ending a nearly century-long run for union organizing among apparel workers.

Organizing Today

Despite the end of formal union efforts within the apparel industry, organizing movements continue in the US. In 1995, as the Guess campaign was coming to a head, a coalition of immigrant and workers' rights organizations came together to fight on behalf of Thai workers who were trafficked and forced into slave-like conditions at a sewing factory in El Monte, California. The carceral conditions in which these workers were held for nearly seven years unveiled the cruel realities that still existed in the industry despite the years worth of industry-wide organizing a reality that was especially true for immigrant workers.⁴⁶⁴ What's more, the Thai slavery case affirmed that as firms continued to offshore apparel manufacturing activities, local production facilities replicated the wages and conditions oftentimes seen in factories abroad.

While the Garment Workers Center (GWC) is the only active entity organizing apparel workers in the US today, there is a stronger union presence in garment factories across the world. IndustriALL is by far the largest of these unions, representing over 50 million workers globally across several industries. IndustriALL affiliate unions organize and bargain on behalf of garment workers in multiple countries including Bangladesh, Cambodia, Egypt, and Nicaragua.⁴⁶⁵ While IndustriALL is the largest international union representing garment workers, many countries have large internationals with several affiliated locals. A sample of these organizations can be found in Table 24.

⁴⁶¹ McBride, "Guess Again: Revisiting the Last Major US Apparel Union Campaign at 25."

⁴⁶² Victor Narro. "Si Se Puede - Immigrant Workers and the Transformation of the Los Angeles Labor and Worker Center Movements." *Los Angeles Public Interest Law Journal* 1 (2008-2009): 65-106.

⁴⁶³ *ibid.*

⁴⁶⁴ Julie A. Su, "Making the Invisible Visible: The Garment Industry's Dirty Laundry," *Journal of Gender, Race and Justice* 1, no. 2 (Spring 1998): 405-418.
https://heinonline.org/HOL/Page?handle=hein.journals/jgrj1&div=22&g_sent=1&casa_token=&collection=journals.

⁴⁶⁵ "Affiliates," *IndustriALL*, <http://www.industriall-union.org/affiliates/india>.

Table 24. International Apparel Workers Unions

Organization Name	Country
Bangladesh Garment Workers Trade Union Centre	Bangladesh
The Egyptian Federation of Garment and Textile Industries Workers	Egypt
Federación Nacional de Sindicatos Textil, Vestuario, Piel y Calzado (FESITEX)	Nicaragua
Indian National Garment & Leather Workers' Federation (INGLWF)	India
National Textile, Garment & Leather Workers' Federation (NTGLWF)	India
Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU)	Cambodia
Industrial Federation of Textile, Leather and Garment Workers' Trade Unions (IFTLGWTU)	Ethiopia
Uganda Textile, Garment, Leather and Allied Workers' Union (UTGLAWU)	Uganda

In Los Angeles, the GWC remains heavily active in organizing apparel workers, catering specifically to immigrant and latinx workers. In conversation with one such worker in LA's Fashion District, we found that organizing among workers is not very common. Instead, should workers have concerns, a third-party individual steps in to resolve the situation between management and workers. This third-party individual is brought in by management, rather than stepping in and representing workers.⁴⁶⁶ Examples like this show that there exists no real replacement to the robust unionizing efforts that the apparel industry benefited from during the early- to mid-1900s. While GWC fills some very large gaps in the organizing space, the structure of a workers center leaves other holes that are traditionally filled by a formal union. Workers centers are not recognized and protected by the American legal system, and therefore hold less leverage when up against employers. Nevertheless, the GWC plays an important role in keeping the spirit of organizing alive within the domestic apparel manufacturing industry.

⁴⁶⁶ Francisco. Interview with Francisco, Floor Manager, Phone, October 26, 2021.

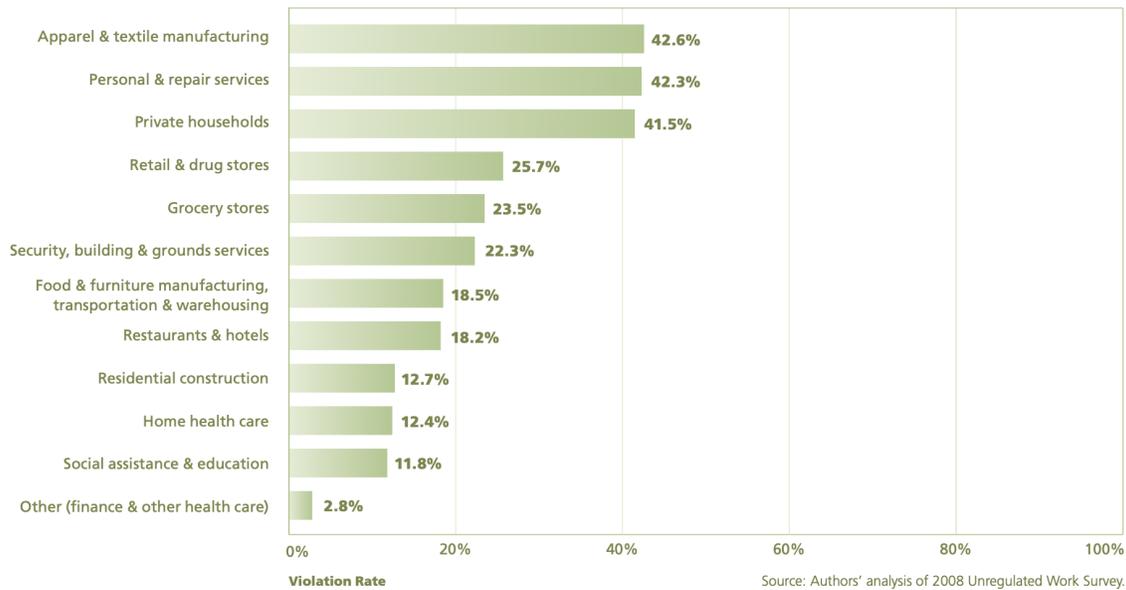
Wage Theft in the Garment Industry

An Industry Reliant on Wage Theft

Wage theft is rampant in the garment manufacturing industry - there are task forces, special funds, legislative campaigns, and investigative journalism all dedicated to unearthing and recovering stolen wages. A 2008 study of workers in low wage industries in Chicago, New York, and Los Angeles found that the garment and textile industry had the highest violation rate across all three cities, at 42.6% (Figure 58).⁴⁶⁷

Figure 58. Minimum Wage Violation Rates by Industry⁴⁶⁸

Figure 4.1: Minimum Wage Violation Rates by Industry



Data from the same study showed that within Los Angeles County, the prevalence of violations in the garment industry, as well as the gap between the garment industry and other low wage industries, is even higher at 57.8% (Figure 59).⁴⁶⁹

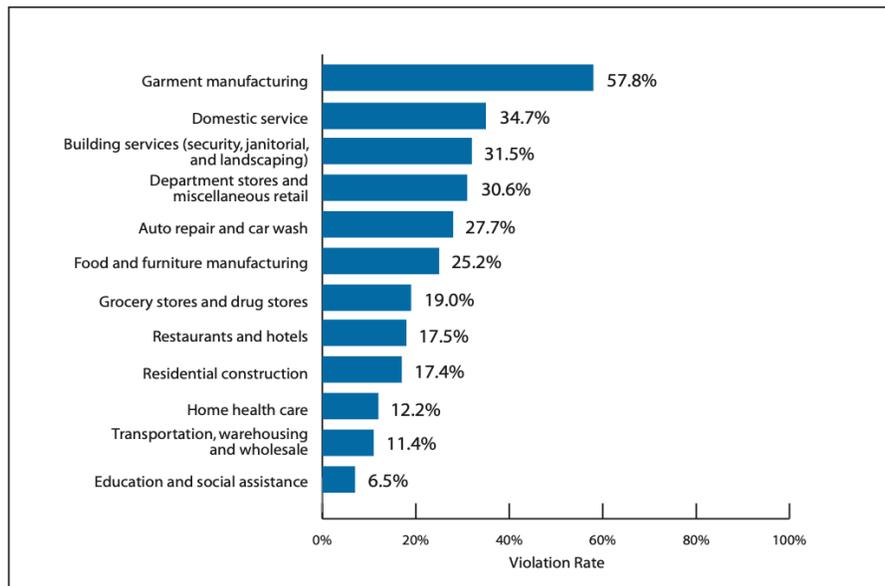
⁴⁶⁷ Annette Bernhardt, Ruth Milkman, and Nik Theodore, "Broken Laws, Unprotected Workers," *National Employment Law Project*, September 21, 2009, 72.

⁴⁶⁸ *ibid.*

⁴⁶⁹ Ruth Milkman, Ana Luz González, and Victor Narro, "Wage Theft and Workplace Violations in Los Angeles: The Failure of Employment and Labor Law for Low-Wage Workers," 2010, <https://escholarship.org/uc/item/5jt7n9gx>.

Figure 59. Minimum Wage Violation Rates by Industry, LA County, 2008⁴⁷⁰

MINIMUM WAGE VIOLATION RATES BY INDUSTRY, LOS ANGELES COUNTY, 2008



There are multiple factors exacerbating the prevalence of wage theft within the garment industry, but two significant components are the existence of piece rate pay and the demographics of the workforce. Piece rate pay, in which workers are paid per seam or per garment, is the norm in the garment industry, and is strongly associated with higher minimum wage violations.⁴⁷¹

The second compounding factor is the demographics of the Los Angeles Garment industry workforce. The garment industry in Los Angeles is heavily reliant on women and immigrant workers, particularly Latina women, for its labor force - groups that are at higher likelihood of having overtime violations.⁴⁷² A 2010 study of wage theft and workplace violations in Los Angeles found that women were almost 70% more likely to experience minimum wage violations than men (36.3% vs. 21.4%), and that Latinx respondents were almost four times more likely to experience violations compared to white respondents (38.3% vs 10.3%).⁴⁷³ Foreign born workers were more than twice as likely to experience violations compared to US-born workers. Figure 60 shows the full breakdown of violation frequency by worker characteristics. While this study did not specifically track violation rates among undocumented immigrants, it did find that almost 30% of LA respondents were unaware that undocumented workers have the same rights and protections with regard to minimum wage laws as other workers.⁴⁷⁴

⁴⁷⁰ *ibid.*

⁴⁷¹ Bernhardt, Milkman, and Theodore, "Broken Laws, Unprotected Workers."

⁴⁷² Milkman, González, and Narro, "Wage Theft and Workplace Violations in Los Angeles."

⁴⁷³ *ibid.*

⁴⁷⁴ *ibid.*

Figure 60. Minimum Wage Violation Rates by Worker Characteristics⁴⁷⁵

MINIMUM WAGE VIOLATION RATES BY WORKER CHARACTERISTICS, LOS ANGELES COUNTY, 2008

	Percentage of Respondents with Violations		
	<i>All respondents</i>	<i>U.S.-born</i>	<i>Foreign-born</i>
All Respondents	29.7	15.5	35.8
<i>Gender</i>			
Male	21.4	16.4	23.6
Female	36.3	14.3	45.7
<i>Race/Ethnicity</i>			
Latino	38.3	18.4	39.3
Black	19.9	19.8	NA
Asian	13.6	NA	14.7
White/Other	10.3	11.5	NA
<i>Education</i>			
Less than high school, no GED	34.6	28.5	37.2
High school graduate or GED	27.1	12.5	33.4
Some college or higher	23.3	10.2	28.9
<i>Age</i>			
18–25	34.7	22.8	39.8
26–35	23.8	5.7	31.6
36–45	27.5	16.2	32.4
46+	30.5	10.2	39.2
<i>Vocational training</i>			
None	30.6	17.9	36.0
Completed training program	27.4	10.3	34.7
<i>Job tenure</i>			
Fewer than 3 years	31.4	15.7	38.1
3-4 years	28.4	17.7	33.0
5+ years	17.3	11.7	19.8

The business model of the fashion industry now depends entirely on wage theft to offer its core product: cheap retail prices that mask the true cost of creating the garment. This manifests as a supply-chain-wide problem of underpayment and cost cutting. Multiple investigations that have unearthed wage theft at the contractor level have also shown that the contractor was not paid enough by the manufacturer to pay their workers a minimum wage, a trend that continues all the way up to the brands.^{476,477}

In 2016, a US Department of Labor investigation found that YN Apparel, a manufacturer for discount clothing store Ross Stores, owed 270 workers \$212,000 in back wages.⁴⁷⁸ This judgment arose from a California Wage and Hour District Office investigation into 13 cut and sew contractors working for YN Apparel, which found widespread violations

⁴⁷⁵ *ibid.*

⁴⁷⁶ Natalie Kitroeff and Victoria Kim, "Behind a \$13 Shirt, a \$6-an-Hour Worker," *www.latimes.com*, August 31, 2017, <http://www.latimes.com/projects/la-fi-forever-21-factory-workers/>.

⁴⁷⁷ US Department of Labor, "Department of Labor's Wage and Hour Division Continues Fight against Worker Abuse in LA Garment Industry," accessed November 5, 2021, <https://www.dol.gov/newsroom/releases/whd/whd20160224-0>.

⁴⁷⁸ *ibid.*

of both state and federal laws. A USDOL analysis found that the prices YN paid its contractors were insufficient to enable contractors to pay employees minimum wage: prices would have needed to be at least three times higher. Moving up the chain, the analysis also found that the amount Ross paid YN was insufficient - Ross would have needed to pay double the price in order to enable YN to pay the contractors sufficiently.⁴⁷⁹ In comparison, the Ross Stores 2017 annual report shows that their 2016 net earnings were over \$1 billion, a profit margin of almost 9%.⁴⁸⁰ The \$212,000 in back wages owed to workers barely registers as a rounding error in the full picture of Ross Stores' financial performance, illustrating just how unequal the distribution of power and money is in this industry.

A Los Angeles Times investigation in 2017 found the same pattern with Forever 21. The final retail price of a dress made in an LA factory was \$24.90, but the garment would need to cost \$30.43 if workers were paid the federal minimum wage of \$7.25.⁴⁸¹ The price would have been even higher if workers were paid the Los Angeles minimum wage at the time, which was \$12. The investigation quoted an unpublished Labor Department report which found that Forever 21 would have had to pay 50% more for their sewing contractors to be able to pay workers the federal minimum wage.⁴⁸² These labor violations are the high cost of cheap clothing, creating downward pressure at all stages of production.

Quantifying the Scale of the Problem

Quantifying wage theft is inherently difficult. However, piecing together stories from workers, reports from local experts and advocacy groups, and wage claims processed through the state or federal government provides a rough outline of the scale of the problem. A 2016 Department of Labor report said that over the previous five years (2011-2016), Southern California Wage and Hour division officials did over 1,000 investigations in the garment industry that resulted in more than \$11.7 million in back wages.⁴⁸³ Also in 2016, a study from the Garment Worker Center (GWC) and the UCLA Labor Center found that garment workers in LA earned an average of \$5.15/hr, about half the minimum wage of \$10/hr at the time.⁴⁸⁴ The \$5.15 hourly wage found in 2016 is equivalent to \$5.54 in 2020 dollars,⁴⁸⁵ which is a far cry from BLS's reported hourly mean wage of \$14.49 for sewing machine operators in Los Angeles in 2020.⁴⁸⁶ This discrepancy highlights the difference between reality on the ground, and "official" numbers from registered employers reflected in government data.

⁴⁷⁹ *ibid.*

⁴⁸⁰ "Bargains, Growth, Results: Ross Stores 2017 Annual Report," 2017, <https://investors.rossstores.com/static-files/2ef9505b-db94-4051-9fel-58c1a0fc5d39>.

⁴⁸¹ Kitroeff and Kim, "Behind a \$13 Shirt, a \$6-an-Hour Worker."

⁴⁸² *ibid.*

⁴⁸³ US Department of Labor, "Department of Labor's Wage and Hour Division Continues Fight against Worker Abuse in LA Garment Industry."

⁴⁸⁴ Shadduck-Hernández et al., "Dirty Threads, Dangerous Factories: Health and Safety in Los Angeles' Fashion Industry."

⁴⁸⁵ "Inflation Calculator | Federal Reserve Bank of Minneapolis," accessed November 7, 2021, <https://www.minneapolisfed.org:443/about-us/monetary-policy/inflation-calculator>.

⁴⁸⁶ Bureau of Labor Statistics (BLS), "Sewing Machine Operators," accessed October 30, 2021, [https://www.bls.gov/oes/current/oes516031.htm#\(3\)](https://www.bls.gov/oes/current/oes516031.htm#(3)).

Data from the California Department of Industrial Relations (DIR), which houses the Division of Labor Standards and Enforcement (DLSE), paints a picture of the scale of the problem but lacks critical information on the dollar volume. From 2016 to 2020, DLSE reports 98 unique case numbers representing 253 defenders (a case can have multiple defenders, and some defenders are repeat offenders), all within NAICS Code 315210.⁴⁸⁷ Widening the NAICS Code to 315, which reflects all apparel manufacturing, yields too many cases for the state database to display them (the limit is 2,000). While this data is useful for understanding how common wage theft cases are, it is severely limited in helping us understand the problem. DIR does not provide any context on the cases, or even the dollar amount on any judgements. However, we can begin to see some of the "repeat offenders."

Fashion Nova, a fast fashion company based in Los Angeles, appears the most frequently, with 24 violations between 2016 and 2020. Fashion Nova always appears as a Guarantor, as they do not have factories of their own. Fashion Nova is a particularly notorious violator, profiled by the New York Times in 2019.⁴⁸⁸ The New York Times investigation found that between 2016 and 2019, Fashion Nova clothes were made in dozens of factories that owed a cumulative \$3.8 million in back wages to hundreds of workers. The factories paid sewers as little as \$2.77 an hour.⁴⁸⁹ Fashion Nova vociferously denied responsibility, saying "any suggestion that Fashion Nova is responsible for underpaying anyone working on our brand is categorically false," but enforcement records clearly indicate otherwise. The New York Times also highlights the fragmented nature of the manufacturing process, explaining the network of manufacturers and contractors buffering Fashion Nova from responsibilities.

In addition to the prevalence of wage theft in the garment industry more broadly, Los Angeles has been called the "wage theft capital" of the country. A 2014 study conducted by Human Interest Partners and the UCLA Labor Center found that each week, an estimated 655,000 workers in Los Angeles County experience at least one pay violation.⁴⁹⁰ That adds up to low wage workers in Los Angeles losing more than \$26.2 million per week as a result of wage theft violations, or \$1.4 billion annually.

Types of Wage Theft

Wage theft in the garment industry happens in multiple ways. One of the primary mechanisms is through abuse of the piece rate system.⁴⁹¹ Piece rate pay, while not inherently illegal (until the passage of SB 62, discussed below), is strongly associated with minimum wage violations. The system prioritizes speed above all else, and employers often force workers to work at impossibly fast paces in order to even

⁴⁸⁷ "Department of Industrial Relations Wage Claim Search: NAICS 315210," accessed November 7, 2021, <https://mycadir.force.com/wcsearch/s/>.

⁴⁸⁸ Natalie Kitroeff, "Fashion Nova's Secret: Underpaid Workers in Los Angeles Factories," *The New York Times*, December 16, 2019, sec. Business, <https://www.nytimes.com/2019/12/16/business/fashion-nova-underpaid-workers.html>.

⁴⁸⁹ *ibid.*

⁴⁹⁰ Human Impact Partners, "Health Impact Assessment of the Proposed Los Angeles Wage Theft Ordinance," June 2014, https://www.labor.ucla.edu/wp-content/uploads/downloads/2014/08/wage_theft_report_082514_KF.pdf.

⁴⁹¹ Shadduck-Hernández et al., "Dirty Threads, Dangerous Factories: Health and Safety in Los Angeles' Fashion Industry."

potentially earn minimum wage.^{492,493} For instance, a worker earning \$0.05 per seam would need to sew 300 seams per hour to earn the LA minimum wage of \$15. Theoretically, employers are supposed to “make whole” any difference between the piece rate and the minimum wage, but that is rare. Liz Limeta, a Case Manager for the Garment Worker Center who specializes in wage theft cases, said that the bulk of the wage theft claims GWC supports are situations where a worker was paid a piece rate that did not equal the minimum wage.⁴⁹⁴

Other common wage theft mechanisms include overtime violations, illegal break withholding, and check cashing schemes. Limeta said it was common for workers to work 50+ hours a week and not get paid the legally mandated overtime rate of 1.5 times their hourly rate, or for workers to be denied legally mandated breaks during long shifts. While pay stubs are not a given in the industry, when employers do provide pay stubs, they are sometimes falsified - the pay stub will show an artificially low number of hours worked, in order to make it seem like the worker received minimum wage. For instance, a paycheck might show that a worker received \$15 an hour for 40 hours, rather than \$10 an hour for 60 hours. Another nefarious mechanism is essentially a check cashing scheme - an employer will provide a “check” that can only be cashed by the employer themselves, at which point a 1-2% fee is deducted from their pay.⁴⁹⁵

One challenge in tracking wage theft is that garment manufacturers are likely to “cut and run” if a wage theft claim is levied against them. Victor Narro, a UCLA Law Professor specializing in labor, argues that it is very difficult to hold subcontractors accountable, because “these operators are very ‘fly by night’” - they hire workers, engage in wage theft, and then disappear.⁴⁹⁶ Underscoring this is a story from a group of workers who participated in a focus group on wage theft: after filing wage theft complaints, they arrived at their workplace to find that the doors were locked and all the equipment had been removed.⁴⁹⁷ The New York Times article profiling Fashion Nova also illustrates this challenge: one worker in a factory producing clothing for Fashion Nova said her company changed its name 4 times between 2014 and 2017.⁴⁹⁸

With no way to locate their employers, many workers are never paid for stolen wages, or rely on state restitution funds to receive their owed wages. These state funds are not without challenges, though - as discussed below, the process is still lengthy and the funds often run out of money.

⁴⁹² Milkman, González, and Narro, “Wage Theft and Workplace Violations in Los Angeles.”

⁴⁹³ Bernhardt, Milkman, and Theodore, “Broken Laws, Unprotected Workers.”

⁴⁹⁴ Liz Limeta, Wage Theft in the Garment Industry in Los Angeles: An Interview with Liz Limeta, Zoom, November 4, 2021.

⁴⁹⁵ *ibid.*

⁴⁹⁶ Suhauna Hussain and Brittany Mejia, “Wage Theft Is a Problem for L.A. Garment Workers. A California Bill Aims to Fix It. Again,” Los Angeles Times, September 3, 2021, <https://www.latimes.com/business/story/2021-09-03/sb-62-wage-theft-garment-industry-heads-to-vote>.

⁴⁹⁷ Human Impact Partners, “Health Impact Assessment of the Proposed Los Angeles Wage Theft Ordinance.”

⁴⁹⁸ Kitroeff, “Fashion Nova's Secret.”

Limitations in Addressing Wage Theft

One major challenge with the current system is that the efficacy of wage theft complaints is very low. As discussed above, contractors commonly “cut and run” if found guilty of wage theft, making it very difficult to hold them accountable. Even if they do not close their business, a wage theft judgment doesn't magically procure lost wages - a worker is often left responsible for chasing down their employer and convincing them to pay the back wages.⁴⁹⁹ In an effort to increase the number of workers who receive the pay they are owed, a Garment Worker Restitution Fund was established, creating a pool of money from which workers could be repaid. Liz Limeta, the case worker with GWC, said that in almost all of the cases she has worked on the employer is not swayed by the judgment and does not pay the wages stolen - instead, the worker gets their wages from the restitution fund (which is itself a long process). Limeta described a process that can take anywhere from months to a year, an incredible hardship on workers who are already financially precarious.⁵⁰⁰

However, the fund is frequently insolvent. Notes from Senate Subcommittee meetings show that the fund has been insolvent since at least 2015, because the amount of new claims is greater than the revenue for the account (The account is funded with a portion of registration fees from garment manufacturers, with \$75 from each registration going towards the fund).^{501,502} According to the Senate Subcommittee report, this is due to several factors, including “more effective labor law enforcement, a decline in the number of garment manufacturers registration, and increased claims.”⁵⁰³ The Fund received an average of \$300,000 each year from fees, but unpaid wage claims ranged from \$800,000 to \$1.5 million. In 2019, in an effort to address this issue, \$9 million was transferred from a broader Unpaid Wages Fund (UWF) and \$7.3 million was allocated from the state's General Fund.^{504,505} However, even that was insufficient - from July 2019 to June 2020, the department paid 567 claims for a total of \$16.2 million, but there were another 270 claims totalling \$8.9 million that were unpaid (money was transferred from the broader UWF to pay these claims). As of February 2021, there were \$7.3 million in claims pending review, versus only \$1.4 million in the Fund - once again funds will be transferred from elsewhere to accommodate these claims. The Senate Subcommittee is reportedly looking into structural changes to the Fund to avoid these issues moving forward.⁵⁰⁶

⁴⁹⁹ Limeta, Wage Theft in the Garment Industry in Los Angeles: An Interview with Liz Limeta.

⁵⁰⁰ *ibid.*

⁵⁰¹ “Bill Text - SB-62 Employment: Garment Manufacturing,,” accessed November 7, 2021, https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202120220SB62.

⁵⁰² “Senate Budget and Fiscal Review, Subcommittee No. 5 | Issue 14: Garment Manufacturer's Special Account,” § Senate Budget and Fiscal Review (2021).

⁵⁰³ *ibid.*

⁵⁰⁴ *ibid.*

⁵⁰⁵ Andrew Asch, September 5, and 2019, “Garment Restitution Fund for Workers Receives \$16.3 Million,” September 5, 2019, <http://www.apparelnews.net/news/2019/sep/05/garment-workers-fund-gets-163-million/>.

⁵⁰⁶ Senate Budget and Fiscal Review, Subcommittee No. 5 | Issue 14: Garment Manufacturer's Special Account.

Wage Theft Case Study: Ross Stores, Inc.

Ross Stores, Inc. (NASDAQ: ROST), headquartered in Dublin, CA, runs two brands that specialize in off-price retail apparel and home fashion – Ross Dress for Less and dd's DISCOUNTS. Both brands offer name brand apparel, accessories, footwear, and home fashions. Ross Stores, Inc. operates 1,585 Ross Dress for Less establishments across 40 states, the District of Columbia, and Guam, and 274 dd's DISCOUNTS establishments across 21 states.⁵⁰⁷ While both brands share corporate and supportive services through their parent company Ross Stores Inc. they operate separate systems for sales and distribution.⁵⁰⁸ The success of Ross Dress for Less and dd's DISCOUNTS depends upon the brands' ability to offer a wide range of products at savings of 20% to 70% off regular retail prices in an easy-to-shop store environment.

In 2016, Ross Dress for Less specifically was involved in a Department of Labor Investigation of Los Angeles apparel factories. The Department of Labor found that Ross Dress for Less, along with apparel giants Forever21 and TJMaxx, supplied much of its apparel from manufacturers and contractors that regularly violate labor regulations, including underpaying and overworking employees.⁵⁰⁹ Even though the findings from the investigation came out five years ago, ROST official financial documentation states that "class/representative action litigation remains pending as of January 30, 2021."⁵¹⁰ According to the ROST. Securities and Exchange Commission (SEC) Form 10-K, the company acquires apparel for both of its stores typically through "close-out" purchases, or products sourced from manufacturer surplus and canceled orders.⁵¹¹ Therefore, ROST has a direct relationship with apparel manufacturers and contractors through product procurement processes. We chose to highlight the financial and ownership structure of ROST to provide insight into how larger brands oftentimes perpetuate and are reliant on the mistreatment of apparel manufacturing workers.

Financial Performance

In 2020, sales at Ross Store Inc. stores totaled \$12.5 billion, a decrease of \$3.5 billion, or 22%, from 2019.⁵¹² Figure 61 shows ROST's sales mix for fiscal years 2020, 2019, and 2018. Ladies and Men's apparel accounted for 37% of sales, suggesting the company's financial dependence on the apparel manufacturing industry.⁵¹³ ROST also reported the opening of 66 stores and closure of 12 others. Unsurprisingly, Ross Stores Inc. attributes much of this decline to the COVID-19 pandemic and the resulting decline in consumer demand, restricted occupancy capacities, and limited store hours.⁵¹⁴ However, Ross Stores Inc.'s financial performance during the pandemic is not demonstrative of

⁵⁰⁷ Ross Stores, Inc., FY20 Form 10-K for the Period Ending January 30, 2021 (filed March 30, 2021), <https://www.sec.gov/ix?doc=/Archives/edgar/data/745732/000074573221000017/rost-20210130.htm>.

⁵⁰⁸ *ibid.*

⁵⁰⁹ Natalie Kitroeff, "Factories that made clothes for Forever 21, Ross paid workers \$4 an hour, Labor Department says," *Los Angeles Times*, 2016. <https://www.latimes.com/business/la-fi-wage-theft-forever-ross-20161116-story.html>

⁵¹⁰ Ross Stores, Inc., FY20 Form 10-K for the Period Ending January 30, 2021.

⁵¹¹ *ibid.*

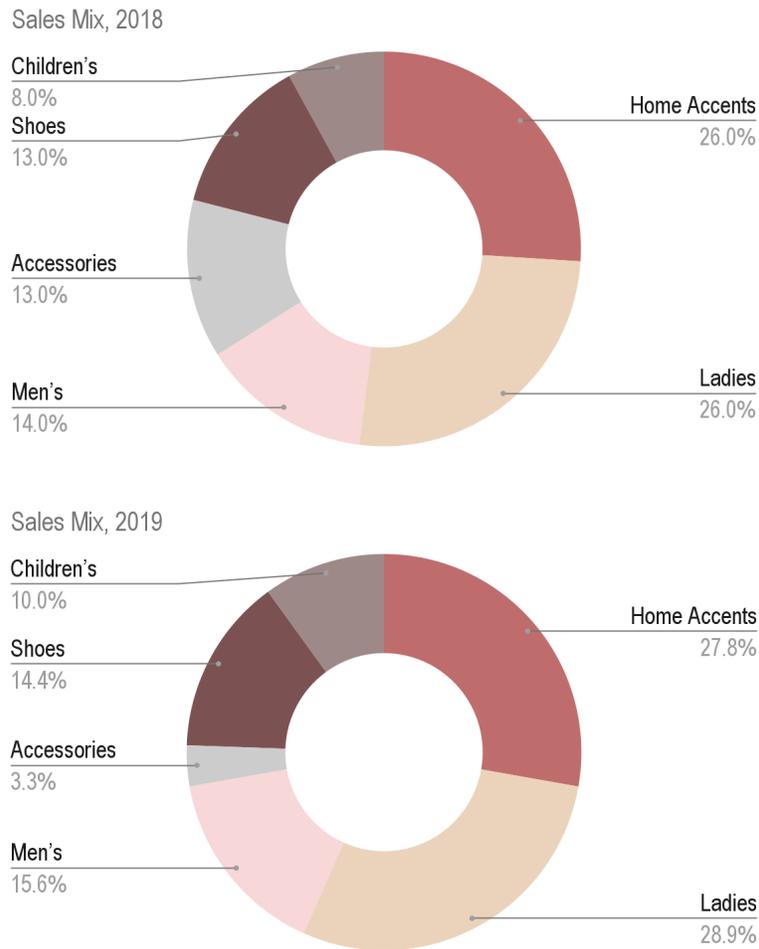
⁵¹² *ibid.*

⁵¹³ *ibid.*

⁵¹⁴ *ibid.*

its general growth, especially given the company's \$1.1 billion annual increase in sales in 2019 and consistent annual investor returns (figure 62).⁵¹⁵ Rather, the COVID-19 pandemic placed uncharacteristic financial strain on even the most successful of brands.

Figure 61. ROST Sales Mix – 2018, 2019, 2020⁵¹⁶



⁵¹⁵ *ibid.*

⁵¹⁶ *ibid.*

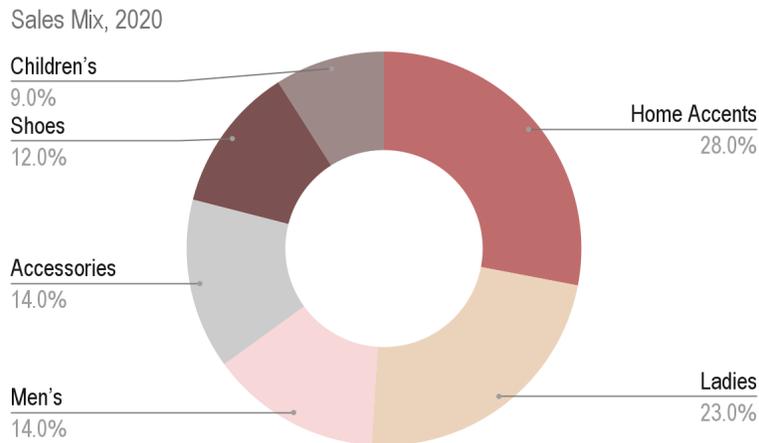
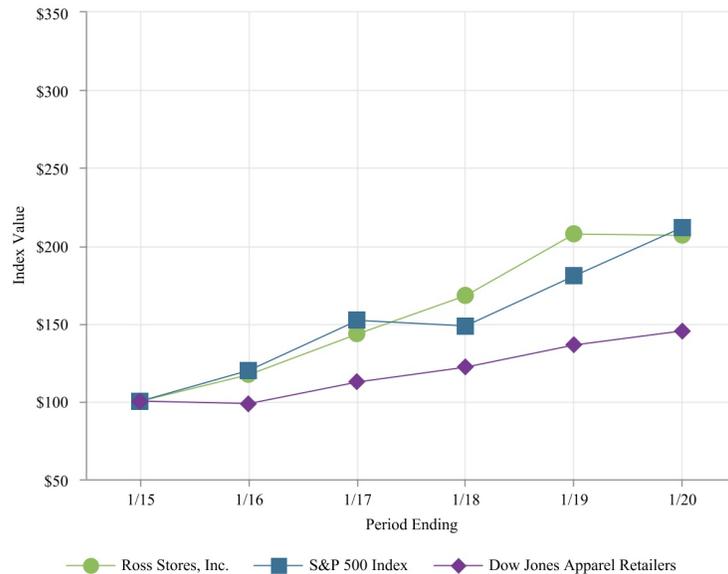


Figure 62. Comparison of 5 Year Cumulative Total Return⁵¹⁷



Business Strategy

Economic disruptions over the last year have forced ROST to refine its business plan for the upcoming fiscal years. In order to remain competitive in the off-retail apparel and home goods space, ROST has outlined a number of business strategies including strengthening merchant organization, defirsifying merchandise mix, and developing systems to improve merchandising offerings.⁵¹⁸ Alongside these actions, ROST has reduced its markdowns to clear increasing inventory stocks that have accumulated due to supply chain congestion, a challenge that has impacted many apparel manufacturing and retailing businesses.⁵¹⁹ ROST's business strategy for upcoming fiscal years is

⁵¹⁷ *ibid.*

⁵¹⁸ *ibid.*

⁵¹⁹ *ibid.*

formulated around the highly anticipated continuation of increasing supply chain costs in years to come.⁵²⁰

After being implicated in a 2016 wage theft and labor law violation case in Los Angeles, ROST, and specifically its Ross Dress for Less brand, has come under intense scrutiny for its supply chain practices. ROST's financial and ownership structure exemplifies the ways that large apparel companies, especially public companies, prioritize investor returns over other business priorities. For apparel retail companies, this often means cutting costs at the bottom of the supply chain where cut and sew contractors sit. As a result, in 2016 Ross Dress for Less was identified by the Department of Labor among a group of apparel brands as having underpaid workers by as much as \$1.1 million.⁵²¹ Despite pressures from community organizers and apparel workers themselves, ROST has declined any responsibility, claiming that they hold no responsibility for the conditions under which apparel workers are subjected to by the manufacturing firms that they contract with.⁵²² Organizations that represent the interests of garment workers, like the Garment Workers' Center, have emphasized joint liability and highlighted that ROST paid contractors only 73% of what is needed to pay workers the California minimum wage.⁵²³ Despite successfully winning wage claim cases, garment workers who worked for factories who produced clothing for Ross Dress for Less have struggled in claiming their back wages due to their former employers shutting down and ROST refusing to admit responsibility.⁵²⁴ Knowing ROST's position on this issue, it's unsurprising to see that the company is not among the list of apparel companies that have signed on to support California's latest garment worker protection policy – SB62.⁵²⁵ ROST once again demonstrates that the only pressures to which they respond are those of their shareholders.

Politics and Regulation

Regulation & Oversight

The garment industry is overseen by a network of federal, state, and local regulations. California often has tighter restrictions and higher workplace standards than federal regulations, which in turn means enforcement often falls to the state. The garments themselves are primarily regulated through restrictions (or lack thereof) on international trade through global trade agreements such as the USMCA, discussed previously. Additionally, while other segments of the fashion industry such as textile manufacturing and leather work have more significant environmental regulations, the cut and sew

⁵²⁰ *ibid.*

⁵²¹ Kitroeff, "Factories that made clothes for Forever 21, Ross paid workers \$4 an hour, Labor Department says."

⁵²² *ibid.*

⁵²³ "Ross, End Wage Theft Practices in LA Garment Shops!!" *Garment Worker Center*, n.d., <http://garmentworkercenter.org/rossexploits/ross-end-wage-theft-practices-in-la-garment-shops/>

⁵²⁴ *ibid.*

⁵²⁵ "Brands That Support the Garment Worker Protection Act," *Remake*, July 2021, <https://remake.world/stories/news/brands-that-support-the-garment-worker-protection-act/>.

sector does not have specific environmental regulation (discussed below).^{526,527} As such, the following sections focus primarily on regulation and oversight of workers and the workplace.

Environmental Regulation

The garment industry in Los Angeles is relatively open when it comes to environmental regulation. Without government involvement in environmental regulation in the garment industry, it supports a continuous process of creating gas emissions and other types of waste. The global fashion sector is estimated by Euromonitor International to be responsible for about 8% of global greenhouse gas emissions, as of February 2019.⁵²⁸ Although it leaves a notable footprint, the industry is relatively open and unregulated when it comes to the environmental regulations in the United States. The fast fashion business model has led brands to transform clothes into disposable products, allowing for an exponential growth in the industry, which has led to far more emissions in the environment.⁵²⁹

There are more environmental regulations for the textile manufacturing industry, a related sector to cut & sew.⁵³⁰ These regulations include the Greenhouse Gas Reporting Program, the National Emissions Standards for Hazardous Air Pollutants (NESHAP), which entails the following aspects within this sector: fabric printing, coating & dyeing, industrial cooling towers, leather tanning and finishing operations, leather tanning and finishing effluent guidelines.⁵³¹

In part as a response to environmental concerns, there has been an increase in second-hand business models that rent clothes or sell second hand clothing to consumers online.⁵³² The goal for both of these models is to reduce the clothes they actually manufacture within the year and also reduce the production of environmental pollutants.⁵³³ Individual brands have tried to regulate their own models of production so that they may cut down on their environmental footprint.⁵³⁴ The brand Everlane decided to incorporate recycled plastic in its supply chain instead of new plastic and Allbirds, another brand, decided to implement a carbon tax on its own production in order to support environmentally friendly production.⁵³⁵ These brands are two examples of what

⁵²⁶ OMS US EPA, "EPA Regulations by Sector: Textile Manufacturing Sector (NAICS 313)," Collections and Lists, February 22, 2013, <https://www.epa.gov/regulatory-information-sector/textile-manufacturing-sector-naics-313>.

⁵²⁷ Elizabeth Segran, "It's Time to Regulate Fashion the Way We Regulate the Oil Industry," January 22, 2020, <https://www.fastcompany.com/90453905/its-time-to-regulate-fashion-the-way-we-regulate-the-oil-industry>.

⁵²⁸ Common Objective. "CO DATA The Size of the Global Fashion Retail Market," February 2019. <https://www.commonobjective.co/article/the-size-of-the-global-fashion-retail-market>.

⁵²⁹ Segran, "It's Time to Regulate Fashion the Way We Regulate the Oil Industry."

⁵³⁰ United States Environmental Protection Agency. "Textile Manufacturing Sector (NAICS 313) - Laws and Regulations," n.d. <https://www.epa.gov/regulatory-information-sector/textile-manufacturing-sector-naics-313>.

⁵³¹ Ibid.

⁵³² Segran. "It's Time to Regulate Fashion the Way We Regulate the Oil Industry."

⁵³³ ibid.

⁵³⁴ ibid.

⁵³⁵ ibid.

individual brand manufacturing is willing to do, but the main responsibility falls on the government to implement an industry-wide set of regulations at every production level in order to reduce environmental pollutants.

Federal Regulations & Oversight

The primary source of federal oversight of the garment industry comes from the US Department of Labor, through the Wage & Hour Division. The DOL Wage & Hour Division enforces violations of the Fair Labor Standards Act (FLSA), which includes minimum wage and overtime laws as well as child labor laws.⁵³⁶ The Wage & Hour Division also enforces the Family and Medical Leave Act (FMLA), but most garment contractors are too small to be covered by FMLA (an employer must have more than 50 employees for FMLA to apply).⁵³⁷

The Wage & Hour Division (WHD) operates using both police patrol (unprompted monitoring) and fire alarm (complaint-activated monitoring) compliance. While many investigations are complaint activated, WHD also conducts ongoing monitoring, particularly of low-wage industries and other at-risk workplaces.⁵³⁸

Another important power granted to the DOL by the FLSA is "hot goods" - goods manufactured in violation of minimum wage, overtime, or child labor laws as codified in the FLSA.⁵³⁹ The DOL can prevent the interstate shipment of hot goods, a tool that is used to bring manufacturers into compliance with labor law. For example, in 2018, the DOL used the "hot goods" provision to prevent the shipment of clothing to retailer Charlotte Russe, because an investigation found widespread violations at HDK Ave Inc, a contractor for Charlotte Russe.⁵⁴⁰ Workers were being paid as little as \$4 an hour, and were required to work up to 58 hours a week.⁵⁴¹

Both the head of the DOL and the head of WHD are appointed positions that require Senate confirmation. The DOL is run by the Secretary of Labor, currently Marty Walsh (appointed by President Biden in 2021).⁵⁴² Secretary Walsh, like President Biden, is a strong supporter of workers rights, and is expected to reverse many of the Trump

⁵³⁶ "About Us | U.S. Department of Labor," accessed November 20, 2021, <https://www.dol.gov/agencies/whd/about>.

⁵³⁷ "Employment Laws: Medical and Disability-Related Leave | U.S. Department of Labor," accessed November 21, 2021, <https://www.dol.gov/agencies/odep/publications/fact-sheets/employment-laws-medical-and-disability-related-leave>.

⁵³⁸ US Department of Labor, "Fact Sheet #44: Visits to Employers | U.S. Department of Labor," accessed November 21, 2021, <https://www.dol.gov/agencies/whd/fact-sheets/44-flsa-visits-to-employers>.

⁵³⁹ US Department of Labor, "Fact Sheet #80: The Prohibition against Shipment of 'Hot Goods' Under the Fair Labor Standards Act," n.d.

⁵⁴⁰ US Department of Labor, "Garment Manufacturer Sells 'Hot Goods' to Charlotte Russe That Prompts Restraining Order Following U.S. Department of Labor Investigation," accessed November 21, 2021, <https://www.dol.gov/newsroom/releases/whd/whd20180413>.

⁵⁴¹ *ibid*.

⁵⁴² Sam Gringlas, "Marty Walsh, Boston Mayor With Union Roots, Confirmed As Labor Secretary At Key Time," *NPR*, March 22, 2021, sec. Business, <https://www.npr.org/2021/03/22/975397099/marty-walsh-boston-mayor-with-union-roots-confirm-ed-as-labor-secretary-at-key-ti>.

administration's more company-friendly policies.⁵⁴³ Secretary Walsh does not have specific experience with the garment industry, though his background is in the construction industry, which shares many key features with garment manufacturing - namely a reliance on complex networks of subcontractors and a high prevalence of wage theft. While Secretary Walsh does not have direct experience in the garment industry, his second in command certainly does - the Biden administration has nominated Julie Su to be deputy labor secretary. Su rose to prominence in the labor world through her role in leading the prosecution of the captors, brands, and manufacturers responsible for the El Monte sweatshop case.⁵⁴⁴

The Biden administration nominated David Weil to run the Wage and Hour Division, a role he also held in the Obama administration.⁵⁴⁵ Weil has not yet been confirmed by the Senate, however, like Secretary Walsh, he reflects President Biden's focus on workers rights. Weil is critical of what he calls the "fissured workplace," a system of increasingly subcontracted and outsourced work much like that of the garment industry (though Weil's work focuses on a range of industries, as well as gig workers).⁵⁴⁶

The Wage and Hour Division has a 2021 budget of almost \$300 million, and a staff of over 1,500 full time equivalent workers.⁵⁴⁷ This is part of the larger DOL discretionary budget of \$12.4 billion.⁵⁴⁸ Of note, both of these budgets were created by the Trump administration. President Biden's 2022 budget proposal, which has not yet been fully authorized by Congress and therefore is only useful as an indication of priorities, increases DOL's discretionary funding to \$14.2 billion and increases the WHD budget to \$327 million.⁵⁴⁹

In addition to the Wage and Hour Division, the garment industry is overseen by the Occupational Safety and Health Administration (OSHA), which is also part of the Department of Labor. Created as part of the 1970 Occupational Safety and Health Act, OSHA is responsible for ensuring safe working conditions through enforcing standards and providing training.⁵⁵⁰

⁵⁴³ *ibid.*

⁵⁴⁴ Patrick McGreevy, "California Labor Secretary Julie Su Picked for Federal Post amid Crisis at EDD," *Los Angeles Times*, February 10, 2021, sec. California, <https://www.latimes.com/california/story/2021-02-10/california-unemployment-benefit-problems-julie-su-federal-appointment-edd>.

⁵⁴⁵ Ben Penn, "Uber Critic David Weil Tapped for Second Stint as DOL Wage Chief," accessed November 21, 2021, <https://news.bloomberglaw.com/daily-labor-report/uber-critic-david-weil-tapped-for-second-stint-as-dol-wage-chief>.

⁵⁴⁶ David Weil, *The Fissured Workplace* (Harvard University Press, 2014).

⁵⁴⁷ "FY 2021 Department of Labor Budget in Brief," accessed November 21, 2021, <https://www.dol.gov/sites/dolgov/files/general/budget/2021/FY2021BIB.pdf>.

⁵⁴⁸ *ibid.*

⁵⁴⁹ "FY 2022 Department of Labor Budget in Brief," accessed November 21, 2021, <https://www.dol.gov/sites/dolgov/files/general/budget/2022/FY2022BIB.pdf>.

⁵⁵⁰ "About OSHA | Occupational Safety and Health Administration," accessed November 21, 2021, <https://www.osha.gov/aboutosha>.

State Regulation & Oversight

Laws & Regulations

State law regulating garment industry working conditions is primarily set by two bills (on top of more industry-neutral labor laws about minimum wage and overtime): AB 633, and SB 62.

AB 633

The State of California has tried several times to address the problem of wage theft in the garment industry. In 1999, the state passed AB 633, known as the Garment Worker Protection Act. The Act was passed in response to the El Monte sweatshop crisis, where 72 Thai workers were held in captivity and forced to work in apparel sweatshops.^{551, 552} The legislation guaranteed a minimum wage and basic workplace protections for garment workers, as well as creating "proportional liability," in which brands were responsible for "the portion of lost wages corresponding to the garments the worker produced for them."⁵⁵³ This is a much higher standard of liability than is common in fissured and subcontracted workforces such as the garment industry or construction, where layers of subcontractors serve as a barrier between workers and the company.⁵⁵⁴

However, a 2005 report found that while AB 633 succeeded in simplifying the process of making a wage theft complaint and increased the number of complaints filed, implementation fell short of the promises of the law.^{555, 556} The report found that the legislation was successful in increasing the amount recovered per worker, and had some success in getting brands (guarantors) to pay portions of the stolen wages. However, contractors, manufacturers, and guarantors still paid only a fraction of wages owed, and settlements were often low-balled, further reducing the payout to workers.⁵⁵⁷

SB 62

SB 62 is the next major piece of legislation attempting to tackle wage theft and poor working conditions for garment workers in California. The bill was initially introduced as SB 1399 to the California Senate in 2020, as an update to AB 633. Unfortunately, the bill failed to make it through before the end of the year despite a year-long campaign. The legislation was reintroduced to the senate in 2021 as SB 62 and was signed into law on September 27, 2021, following a massive organizing campaign by the Garment Workers Center. Over the two year push, the GWC collected over 22,000 local signatures, gathered support from over 50 fashion industry professors at top institutions, in

⁵⁵¹Smithsonian Institution, "El Monte Sweatshop: Operation, Raid, and Legacy."

⁵⁵² Hussain and Mejia, "Wage Theft Is a Problem for L.A. Garment Workers. A California Bill Aims to Fix It. Again."

⁵⁵³ *ibid.*

⁵⁵⁴ David Weil, *The Fissured Workplace* (Harvard University Press, 2014).

⁵⁵⁵ Shadduck-Hernández et al., "Dirty Threads, Dangerous Factories: Health and Safety in Los Angeles' Fashion Industry."

⁵⁵⁶ Marci Seville, "Reinforcing the Seams: Guaranteeing the Promise of California's Landmark Anti-Sweatshop Law - An Evaluation of Assembly Bill 633 Six Years Later," *Women's Employment Rights Clinic*, September 2005,

<https://digitalcommons.law.ggu.edu/cgi/viewcontent.cgi?article=1003&context=>

⁵⁵⁷ *ibid.*

addition to over 50 civil society, labor, and human rights organization supporters and more than 150 fashion businesses.⁵⁵⁸

The bill ensures a new kind of accountability for the garment industry by specifying that garment manufacturers or brand guarantors share liability with manufacturers and contractors for the full amount of unpaid wages, damages, penalties or any other compensation to any and all manufacturing employees for violations, damages, and civil penalties, etc.⁵⁵⁹ Another monumental feature of the bill is the end of piece work pay in the industry, except as an additional incentive on top of hourly minimum wage pay -- which currently stands at \$14/hr.⁵⁶⁰ While the piece rate system was initially established to incentivise production, piece rates have not changed in 30 years and many workers are paid as low as 2-3 cents per piece.⁵⁶¹ Now, the bill imposes a statutory penalty of \$200 against garment manufacturers or contractors for each period in which the employee is paid at piece rate, payable to each employee directly. The bill also expands the definition of manufacturing in the sector to include other roles such as dyeing, design alterations, and labeling, expanding worker protections throughout the sector. Rather than relying on corporate actors to self-regulate, the bill authorizes the Labor Commissioner's Bureau of Field Enforcement to actively and explicitly investigate brand guarantors and for them to determine the violation and amount to be paid to each employee.⁵⁶²

Until the bill takes effect in January 2022, it will be difficult to know whether the increased brand liability will lead to any changes in the industry, but it is an important precedent to set. The switch to a mandated hourly wage rather than piece rate pay is a positive step and removes one key mechanism for wage theft, but many employers will find other creative avenues to underpay workers. This highlights the importance of worker organizing efforts, discussed at length elsewhere in this report.

All in all, this bill marks a major turning point for the garment industry in not only Los Angeles, but across the globe. SB 62 stands as a huge moment for the industry at large and lays the legal groundwork for a bigger push for labor rights in the garment manufacturing industry. Already, a similar bill is being proposed in New York.⁵⁶³ While this bill has been called a 'job killer' by the California Chamber of Commerce⁵⁶⁴, this fear neglects that most brands want this sort of accountability in the industry. With these protections in place, sweatshop manufacturing will no longer hold a competitive advantage over ethical manufacturers. Given the global entanglements of garment

⁵⁵⁸ "The Powerhouse Coalition Behind the Garment Worker Protection Act," *Remake* (blog), October 6, 2021, <https://remake.world/stories/news/the-powerhouse-coalition-behind-getting-the-garment-worker-protection-act-passed/>.

⁵⁵⁹ "Bill Text - SB-62 Employment: Garment Manufacturing."

⁵⁶⁰ "Governor Newsom Signs Legislation Creating Nation-Leading Worker Protections for Garment Industry, Additional Measures to Combat Unfair Pay Practices and Improve Workplace Conditions."

⁵⁶¹ Mayer, "Inside the Fight to End Labor Exploitation in L.A. Garment Factories."

⁵⁶² "Bill Text - SB-62 Employment: Garment Manufacturing."

⁵⁶³ Condé Nast, "California Just Passed a Landmark Bill to Protect Garment Workers—Here's What It Means for the Entire Fashion Industry," *Vogue*, September 30, 2021, <https://www.vogue.com/article/california-sb-62-garment-worker-protection-act>.

⁵⁶⁴ "The Powerhouse Coalition Behind the Garment Worker Protection Act," *Remake* (blog)

manufacturing supply chains, the push to expand these practices for all is now more viable than ever.

Oversight

The most important state-level office for oversight of the garment industry is the Labor Commissioner's Office within the CA Department of Industrial Relations, also known as the Division of Labor Standards Enforcement (DLSE). The DLSE enforces wage and hour laws, protects workers from retaliation, and does public education on these topics.⁵⁶⁵ Since the US DOL only enforces the federal minimum wage, which is significantly lower than California's, enforcement of California's higher minimum wage falls to DLSE. DLSE also requires all garment manufacturers and contractors to obtain a Garment Registration Certificate, which includes fees that partially fund the Garment Worker Restitution Fund.⁵⁶⁶ The 2020-2021 fiscal year budget for DLSE was \$140 million.⁵⁶⁷

The enforcement arm within DLSE is called the Bureau of Field Enforcement (BOFE). BOFE investigates complaints around minimum wage, overtime, child labor, workers compensation insurance, and more. In fiscal year 2018-2019, BOFE conducted 1,734 inspections, leading to more than 3,500 citations for violations.⁵⁶⁸ The most common citation (across all industries) is failure to carry workers' compensation, and the second most common citation is failure to issue an itemized wage statement. In the same year, BOFE did 65 inspections in the garment industry, resulting in 191 violations, over \$3 million in penalties, and over \$1m in wages assessed.⁵⁶⁹ Because the garment industry has such a high rate of workplace violations, there is also a specialized Garment Enforcement Unit (GEU).

Much like the federal OSHA, there is a California Division of Occupational Safety and Health, known as Cal/OSHA. Cal/OSHA focuses on workplace safety, setting and enforcing workplace standards.⁵⁷⁰ During the COVID-19 pandemic, Cal/OSHA was responsible for enforcing pandemic-related workplace safety, and multiple garment contractors and manufacturers faced citations. The most high profile of these was Los Angeles Apparel, where four workers died from COVID-19 after an outbreak in the LA Apparel factory.⁵⁷¹ The 2020-2021 budget for Cal/OSHA was \$186 million, outpacing the DLSE budget.⁵⁷²

Private Oversight

In addition to state and federal regulations, many companies in the garment industry also look to private oversight in order to claim compliance with ethical production

⁵⁶⁵ Division of Labor Standards Enforcement, "Division of Labor Standards Enforcement - Home Page," accessed November 21, 2021, <https://www.dir.ca.gov/dlse/>.

⁵⁶⁶ *ibid.*

⁵⁶⁷ "CA Department of Industrial Relations Annual Budget," accessed November 21, 2021, <https://www.ebudget.ca.gov/2021-22/pdf/Enacted/GovernorsBudget/7000/7350.pdf>.

⁵⁶⁸ "2018-2019 The Bureau of Field Enforcement Fiscal Year Report | California Labor Commissioner's Office," 2019, https://www.dir.ca.gov/dlse/BOFE_LegReport2019.pdf.

⁵⁶⁹ *ibid.*

⁵⁷⁰ Division of Occupational Safety and Health, "Cal/OSHA - Division of Occupational Safety and Health - Home Page," accessed November 21, 2021, <https://www.dir.ca.gov/dosh/>.

⁵⁷¹ Miller, "Workers Vanished as Coronavirus Swept through L.A. Apparel. Colleagues Struggled for Answers."

⁵⁷² "CA Department of Industrial Relations Annual Budget."

ideals. The most notable of these organizations is the Fair Labor Association (FLA), a nonprofit founded in 1999 in response to a Clinton administration challenge to address working conditions in the apparel industry.⁵⁷³ Since its origin, the FLA has been designed and run as a "collaboration" between universities, civil society organizations, and corporations - the Board of Directors includes equal representation from each group of stakeholders. The FLA claims to protect workers' rights worldwide, citing a three pronged approach of 1) setting the standard through a workplace code of conduct, 2) monitoring and reporting companies to hold them accountable, and 3) supporting compliance through guidance and support.⁵⁷⁴ Companies known for their ethical production claims such as Patagonia, Reformation, and TOMS shoes are all members, as well as companies more known for a history of labor and human rights violations such as Nike.

However, many have raised concerns about the efficacy and independence of a monitoring organization that is funded and directed in part by the companies it claims to monitor.^{575,576} A 1996 New York Times article focusing on similar independent monitoring organizations highlighted this skepticism, quoting University of California Riverside professor and garment industry expert Edna Bonacich in saying "it's the language of compliance rather than a recognition of the industry's evil, exploitative practices."⁵⁷⁷

While it is beyond the scope of this report to fully assess the impact of organizations like the FLA, based on previous analysis of companies that tout ethical production by relying on 3rd party monitoring organizations, it seems that these nongovernmental monitoring agencies are limited in their efficacy.

Private Oversight Case Study: Reformation

Company History & Financials

Reformation is a privately held clothing brand based in Los Angeles that primarily produces clothes for millennial women.⁵⁷⁸ The company was founded in 2009, originally designed as a vintage clothing store in Los Angeles before pivoting to making its own garments in 2013.⁵⁷⁹ Throughout its history, the company has prioritized sustainability and ethical production, both in accordance with the founder's values and as a market

⁵⁷³ "History | Fair Labor Association," accessed November 21, 2021, <https://www.fairlabor.org/about-us/history>.

⁵⁷⁴ "Protecting Workers' Rights Worldwide | Fair Labor Association," accessed November 21, 2021, <https://www.fairlabor.org/our-work>.

⁵⁷⁵ Steven Greenhouse, "Critics Question Record of Monitor Selected by Apple," *The New York Times*, February 14, 2012, sec. Technology, <https://www.nytimes.com/2012/02/14/technology/critics-question-record-of-fair-labor-association-apples-monitor.html>.

⁵⁷⁶ Andrea Adelson, "Look Who's Minding the Shop; California Garment Makers Try to Police Workplace," *The New York Times*, May 4, 1996, sec. Business, <https://www.nytimes.com/1996/05/04/business/look-who-s-minding-the-shop-california-garment-makers-try-to-police-workplace.html>.

⁵⁷⁷ *ibid.*

⁵⁷⁸ Paton, "An #Instaworthy Deal."

⁵⁷⁹ "Ref Timeline & History."

differentiator. As of November 2021, Reformation has 23 stores across the US, UK, and Canada.⁵⁸⁰

Based on publicly available data, Reformation appears to have an annual revenue of approximately \$272 million.⁵⁸¹ The company has also raised several rounds of equity funding - it raised \$37 million in the first two rounds, and an undisclosed amount in a recent 2019 round.⁵⁸² The most recent funding round was from global private equity firm Permira Advisors, who acquired a majority stake in the company.

Reformation was founded by Yael Aflalo, who previously worked as a model and fashion designer.⁵⁸³ However, Aflalo stepped down in 2020, following allegations of racism and toxic work culture at Reformation.⁵⁸⁴ The allegations emerged after the May 2020 killing of George Floyd, when former employees publicly denounced the racism and poor working conditions specifically for BIPOC within the company. Aflalo publicly apologized, stating "I've failed," and stepped down, with then-President Hali Borenstein stepping into the role of CEO.⁵⁸⁵ Borenstein is still CEO today.

Analysis of Ethical Production Policies

Reformation claims that its "products are designed, shot, and shipped at our factories in Los Angeles."⁵⁸⁶ The company also has its own factory in LA, as well as "partner factories" all over the world. The fact that Reformation has its own factory is unique, though it is unclear what is produced in that factory as opposed to other factories locally or globally. While it is now increasingly common for brands to have statements online about ethical production, Reformation goes further by releasing the list of factories it partners with (see Table 25 for domestic firms). Reformation states that it discloses "100% of Tier 1 finished goods manufacturers and subcontractors within [its] supply chain."⁵⁸⁷ This sentence leaves unclear how extensive this list is. On the spreadsheet itself, Reformation states that the "list contains all of our Tier 1 finished goods manufacturers and their subcontractors," implying that Reformation does believe this to be the entirety of the production chain. However, the list appears to be relatively small given what we know about the pervasiveness of subcontracting and fragmented production processes in the garment industry.

⁵⁸⁰ "Our Stores | Reformation."

⁵⁸¹ "Reformation (LYMI Inc)."

⁵⁸² Elizabeth Paton, "An #Instaworthy Deal: Reformation, the Fashion Brand, Sells a Majority Stake," *The New York Times*, July 10, 2019, sec. Fashion, <https://www.nytimes.com/2019/07/10/fashion/reformation-permira-private-equity.html>.

⁵⁸³ Paton, "An #Instaworthy Deal."

⁵⁸⁴ Kara Nesvig, "Reformation Founder Yael Aflalo Has Resigned, 'Effective Immediately,'" *Teen Vogue*, June 9, 2020, <https://www.teenvogue.com/story/reformation-founder-yael-aflalo-apologizes-for-past-racist-behavior>.

⁵⁸⁵ *ibid.*

⁵⁸⁶ "Oh Hi, We're Reformation - About Us | Reformation."

⁵⁸⁷ "Factories - People | Reformation."

Table 25. Reformation Factories in the United States⁵⁸⁸

Facility Name	City	Supplier Type	Number of employees
2233, Inc.	Vernon	Subcontractor	1-25
In Stitches, Inc.	Los Angeles	Subcontractor	25-99
R&P Finishing, Inc.	Los Angeles	Subcontractor	25-99
Caitac Garment Processing, Inc.	Gardena	Finished Goods	100-199
LYMI, Inc. dba Reformation	Los Angeles	Finished Goods	200-500
3 Star Fashion Inc.	Los Angeles	Finished Goods	1-25
A S A Sewing Inc.	Huntington Park	Finished Goods	1-25
Arisbeth's Apparel Manufacturing, Inc.	Paramount	Subcontractor	1-25
Didi of California	Los Angeles	Finished Goods	25-99
Golden Stitch, Inc.	Los Angeles	Finished Goods	1-25
GSA Design Inc.	Glendale	Finished Goods	25-99
JH Apparel, Inc.	Los Angeles	Finished Goods	1-25
L.A. Air Line, Inc.	Vernon	Subcontractor	1-25
LHF Studio, Inc.	South El Monte	Finished Goods	1-25
Mi El Fashion, Inc.	Los Angeles	Finished Goods	1-25
National Jean Company, Inc.	Commerce	Subcontractor	25-99
Needle Masters, Inc.	Los Angeles	Finished Goods	1-25
Smart Pleating, Inc.	Los Angeles	Subcontractor	1-25
Stone Blue, Inc.	Vernon	Finished Goods	25-99
Tavares Cutting, Inc.	Vernon	Finished Goods	1-25
Todd Rutkin, Inc.	Los Angeles	Subcontractor	25-99
Twins Pleating and Stitching, Inc.	Vernon	Subcontractor	1-25

⁵⁸⁸ *ibid.*

United Finishing Apparel, Inc.	Vernon	Subcontractor	1-25
V&G Sewing Fashion, Corp.	Glendale	Finished Goods	1-25
A Private Designer, Inc. dba Art of Denim	Vernon	Finished Goods	1-25

Reformation lists two external responsible production pledges it participates in, the Transparency Pledge and the Open Apparel Registry (OAR).⁵⁸⁹ The Transparency Pledge was created in 2016, when an international group of human rights and labor rights organizations formed a coalition to increase transparency in the garment industry.^{590,591} A 2019 article from Human Rights Watch, one of the members of the Transparency Pledge coalition, describes how transparency can be used as a tool in promoting accountability - "it is proof that a company knows where its products are made and also allows workers and labor and human rights advocates to alert the company to rights abuses in supplier factories."⁵⁹² While disclosing factories does not independently improve human and labor rights conditions in factories, it is a critical and relatively new step in being able to hold brands accountable and improve working conditions. It was not long ago that brands claimed they could not possibly track their own production chains - and many still make this claim today.

The Transparency Pledge is simple in its ask: a company must publish on its website a list naming all sites that manufacture its products. The list should include the name, address, and parent company of the site, plus the type of product made and the number of employees. Some Pledge signatories publish every level of subcontractor, others publish only certain tiers of contractors. The list of companies that have signed on is long, and includes some large global brands with past histories of significant labor abuses - H&M is a signatory, as is Nike. While publishing any manufacturers is certainly better than none, only publishing Tier 1 contractors is a relatively surface level commitment given the prevalence of subcontracting in the industry - a brand could have five Tier 1 manufacturers that subcontract to dozens of smaller cut and sew operations, where wage violations are rampant.

The Open Apparel Registry (OAR) is similarly oriented towards transparency. OAR's goal is to "maintain an open-source, neutral and publicly accessible database of every facility in the global apparel and footwear sector, for the purposes of enabling industry collaboration and improved identification of factories." The OAR provides a database of factories, and (in theory) lists brands associated with that factory. In reality, we found that many factories in the Los Angeles area were added by organizations like the Worker Rights Consortium rather than the brand itself, and therefore do not have brand associations listed. Reformation's facilities are somewhat of an exception here, clearly identifying the factory with the brand. This is a potentially powerful tool for linking

⁵⁸⁹ "Factories - People | Reformation."

⁵⁹⁰ "About Us | Transparency Pledge."

⁵⁹¹ "Surge in Garment Industry Transparency," *Human Rights Watch*, December 18, 2019, <https://www.hrw.org/news/2019/12/18/surge-garment-industry-transparency>.

⁵⁹² "Surge in Garment Industry Transparency."

factories to brands, but without greater participation from the brands themselves, it falls short of its goals.

Beyond transparency, Reformation also requires their "direct" cut, sew, and finish manufacturers to adhere to a Code of Conduct, as well as be monitored for compliance and continuous improvement. The Code of Conduct is based on the Fair Labor Association's "Workplace Code of Conduct," which is in turn based on International Labor Organization (ILO) standards.⁵⁹³ Importantly, the Supplier Code of Conduct notes explicitly that requirements listed within "apply to the entire supply chain, including sub-suppliers and subcontractors."⁵⁹⁴ The document also applies equally to all workers, including temporary, permanent, salaried, hourly, piece rate, night workers, home workers, and immigrant workers. Calling attention to this fact is important, given the disproportionate rates of wage violations for certain groups within that list. While it is obviously true that stating this and acting on it are different, documenting this in writing with suppliers is an important step towards accountability. Most of the clauses contained within the code of conduct are relatively standard labor law, such as nondiscrimination clauses. The document states that workers have a right to compensation that is "sufficient to meet the worker's basic needs and provide some discretionary income," a standard that sounds nice but provides few specifics.⁵⁹⁵ The document goes on to state that employers shall pay "at least the minimum wage or the appropriate prevailing wage, whichever is higher."⁵⁹⁶

Lastly, Reformation outlines a clear process for audits as well as a classification system of its contractors based on the results of an audit. Reformation conducts "semi-announced" audits by third party monitoring firms, and then classifies factories as Green, Yellow, Orange, or Red (Table 26). Green and Yellow firms are authorized for production, Orange firms are authorized on a probationary basis and given a Corrective Action plan, and Red firms are not authorized for production.

⁵⁹³ "Factories - People | Reformation."

⁵⁹⁴ "Reformation Supplier Code of Conduct."

⁵⁹⁵ "Reformation Supplier Code of Conduct."

⁵⁹⁶ *ibid.*

Table 26. Reformation's Audit System⁵⁹⁷

Green: Authorized for production	Yellow: Authorized for production	Orange: Authorized for production on a probationary basis	Red: Not authorized for production
Facility meets our standards	Facility has some minor/moderate issues. Corrective Action Plan required.	Facility has safety, health or labor-related violations of our standards. Corrective Actions and Prevent Actions required. Onsite support visit or follow up assessment required as needed.	Facility has one or more Zero-Tolerance Violations and/or has failed to remediate major safety, health or labor-related violations. Corrective Actions and Preventive Actions required. Onsite support visit or follow up assessment required.
Next Audit: 12 months	Next Audit: 9-12 months	Next Audit: 3-6 months	Next Audit: 1-3 months

Overall, Reformation lays out clear processes and standards for its manufacturers and contractors and has a relatively high level of transparency. In all cases, the policies laid out exceed industry standard, though industry standard is very low. The biggest potential weakness in Reformation's ethical production policies rests with its enforcement. While Reformation states that all policies listed apply to every level of subcontractor, we have seen that the incredible fragmentation of the industry can make it challenging to track every piece of subcontracted work. Several attempts were made to speak with people at Reformation, in part to discuss this very topic, but we were unsuccessful in setting up an interview.

Reformation's Factories

One of the reasons it is important for brands to disclose their list of factories is because it enables researchers, unions, workers rights groups, and other advocates to track any possible rights violations within a brand's supply chain. Because Reformation publishes a list of its factories, we were able to search for any wage claims or OSHA violations present in those factories.⁵⁹⁸ Given the nature of garment manufacturing in Los Angeles, it is perhaps unsurprising that we found violations in factories on Reformation's list.

Of the 25 domestic factories on Reformation's published list (all of which are in the Los Angeles region), we found six with any record of wage claims, including Reformation's own factory (Table 27).⁵⁹⁹ Since the California DLSE provides no information about the

⁵⁹⁷ "Factories - People | Reformation."

⁵⁹⁸ Reformation's most up to date factory list is dated July 2021, and the company says it publishes new lists twice a year.

⁵⁹⁹ "Wage Claim Search | California Department of Industrial Relations."

scale of these violations, it is impossible to assess how serious they are. However, the fact that Caitac Garment Processing has 30 claims certainly suggests a pattern that is not in line with Reformation's stated values.

Interestingly, in three of the claims against Reformation's own factory (LYMI), they are listed as a Guarantor, suggesting that the violation itself happened at another facility producing clothes for Reformation. However, when cross-referencing these three case numbers, none of the other listed factories appear on Reformation's published list of contractors, supporting the theory that its published list of factories is incomplete.⁶⁰⁰

Table 27 Reformation Factories with Wage Theft Claims^{601,602}

Company	Supplier Type	Wage Claims	Date of Most Recent Claim	Notes
Caitac Garment Processing	Finished Goods	30	2017	29 of 30 claims are as Guarantor
LYMI (Reformation)	Finished Goods	9	2019	3 claims as Guarantor
3 Star Fashion	Finished Goods	1	2020	
GSA Design	Finished Goods	3	2015	1 claim as Guarantor
JH Apparel	Finished Goods	1	2020	
Stone Blue/Art of Denim	Finished Goods	2	2020	

One factory on Reformation's list had an OSHA violation, a company called In Stitches, Inc. The inspection, which was planned, occurred in 2018 and led to five violations, one of which was categorized as serious (Table 28). The initial penalties totaled over \$6,000, though the final penalties were just \$3,335.⁶⁰³

⁶⁰⁰ *ibid.*

⁶⁰¹ *ibid.*

⁶⁰² "Factories - People | Reformation."

⁶⁰³ "Establishment Search Page | Occupational Safety and Health Administration," accessed December 8, 2021, <https://www.osha.gov/pls/imis/establishment.html>.

Table 28. OSHA Violation for In Stitches, inc.⁶⁰⁴

ID	Violation Type	Standard (code)	Standard (explained)	Initial Penalty	Negotiated Penalty
01001	Other	461 (A)	Unpermitted air tank	\$325	\$0
01002	Other	43000032 B05	unknown	\$325	\$250
01003	Other	23400001	unknown	\$650	\$650
01004	Other	3220 (B)	Insufficient emergency action plan	\$730	\$185
02001	Serious	4475 (A)	Safety risk: lower pulley nip point unguarded	\$4,050	\$2,250

There are two important limitations to using this information to assess Reformation's practices. The first is that we do not know when Reformation began working with any of these factories, and as such it is possible that the violations occurred before Reformation was producing any clothing there. This is less likely for the factories with 2020 violations, but more likely for factories like GSA Design which had a wage violation in 2015. It also doesn't explain wage claims at Reformation's own factory.

The second limitation is that Reformation does not promise perfection, they only promise that companies are routinely monitored and can be placed on "corrective action" plans if there are violations. Therefore, it is possible that a company could have a violation that Reformation is aware of and working to remedy, and that would still be in line with the stated goals and processes. However, this information is still valuable in allowing for accountability, and transparency is something that should be widely encouraged within the industry.

Legal Challenges in the Garment Industry

This report has previously touched upon legal challenges that firms, specifically apparel brands, have recently faced. Most of these cases involved labor rights and violations. Cut and sew contractors are likely to face legal challenges related to tax and labor rights compliance, which were also previously discussed. While there are no high-profile cases of such instances, a House of Representatives study highlights these challenges. Failure to comply with regulatory processes is further demonstrated by the prevalence of runaway shops in the industry.

⁶⁰⁴ *ibid.*

Manufacturers and brands are also at risk of facing legal challenges, and perhaps more so than cut and sew contractors due to their larger size and more robust regulatory environment. Manufacturers and brands experience legal challenges related to a number of issues, including but not limited to: intellectual property, sustainability, endorsement disclosures, immigration, and labor violations. In the following section we will highlight two of these recent legal challenges faced by apparel brands: intellectual property and endorsement disclosures.

Intellectual Property

The issue of intellectual property is not unique to the fashion and apparel industry. Intellectual property (IP) – a set of intangible assets that are a product of human intellect and creativity— is oftentimes protected by copyrights, or a legal right to ownership and of original works. In the apparel industry, IP ranges from designs, methods of production, and branding. Intellectual property disputes appear salient among fast-fashion companies that compete to produce and sell the latest styles and trends in fashion. One such instance of an IP dispute involves two of the largest fast-fashion brands: H&M and Forever21. In 2015, H&M sued Forever21 for copying and selling its original tote bags designed with the phrase “Beach Please.”⁶⁰⁵ The lawsuit filed by H&M accused the rival Forever21 of copyright infringement, trade dress infringement, false designation of origin, and unfair competition.⁶⁰⁶ In return, H&M demanded that Forever21 cease all production of the product and to pay the company any profits made on its originally designed product.⁶⁰⁷ This case was ultimately settled outside the court between the disputing parties.

Inditex owned brand Zara encountered a similar dispute in 2016 involving their sale of fashion pins that illegally used copyrighted designs created and owned by independent artist Tuesday Bassen.⁶⁰⁸ Bassens concerns were quickly dismissed by Zara on the grounds of her designs lacking distinctiveness.⁶⁰⁹ Although Bassen did not proceed with a lawsuit, her comments exposing Zara went viral on social media raising awareness around the issue.⁶¹⁰ Bassen's case ultimately led to an initiative led by another independent artist, Adam J. Kurtz, that demonstrated how Zara had unrightfully appropriated the designs of at least 17 artists for their own products.⁶¹¹

The cases of H&M and Forever21, and Bassen illustrate that fast-fashion retailers are not only under pressure to produce large volumes of apparel, but also to create products with trendy designs. Just like brands often cut corners to achieve production

⁶⁰⁵ Alessia Monastero, “Battle of the Brands: Top Ten Intellectual Property Fashion Lawsuits of the Decade,” *IPOSGOOD*, January 16, 2020, <https://www.iposgoode.ca/2020/01/battle-of-the-brands-top-ten-intellectual-property-fashion-law-suits-of-the-decade/>.

⁶⁰⁶ *ibid.*

⁶⁰⁷ *ibid.*

⁶⁰⁸ Nicole Puglise, “Fashion brand Zara accused of copying LA artist's designs,” *The Guardian*, July 21, 2016, <https://www.theguardian.com/fashion/2016/jul/21/zara-accused-copying-artist-designs-fashion#:~:text=The%20fast%2Dfashion%20brand%20Zara,pin%20designs%20next%20to%20Zara's>.

⁶⁰⁹ *ibid.*

⁶¹⁰ *ibid.*

⁶¹¹ *ibid.*

and profit maximization by violating labor laws, they also often produce apparel with the latest designs by ripping off other brands and artists. IP will remain an issue for the fashion industry as long as fast-fashion exists and continues to prioritize the mass production of fashionable clothing.

Advertising and Endorsement Disclosures

Issues of disclosures in the fashion industry have become increasingly discussed in recent years due to the rise of apparel companies that rely heavily on relationships with and endorsements from celebrities and influencers. However, advertising and endorsement disclosures are not exclusive to these firms. Any company that includes testimonials or endorsements as a part of the marketing of their products is subject to follow Federal Trade Commission (FTC) regulation. Section 5 of the Federal Trade Commission Act outlaws any "deceptive or unfair use" of endorsements and testimonials.⁶¹² The FTC is also known to crackdown on companies who fail to disclose any type of material relationship between an endorser (i.e. celebrity, influencer, etc.) and brands.⁶¹³ To comply with this expectation, brands and endorsers alike will use identifiers like "#Ad" or "#sponsored" on social media posts to clearly illustrate that the following endorsement is a product of a formal relationship between the endorser and brand.⁶¹⁴

In recognition of the rising disclosure violations the FTC sent out more than 700 notices to apparel brands and companies in October 2021 warning about the industry's rampant use of "unlawful practices relating to the use of endorsements and testimonials."⁶¹⁵ The list of brands who received this letter include many already discussed: Kering, VF Corp, Gap, Amazon, and Victoria's Secret.⁶¹⁶ Companies who violate relevant regulations could face fines of up to \$43,792 per violation.⁶¹⁷

A famous case of endorsement disclosure violations involves the department retail giant Lord & Taylor. In an effort to promote their newly launched line, Design Lab, Lord & Taylor engaged in a number of advertising campaigns that failed to comply with FTC regulations on endorsement disclosures.⁶¹⁸ Working with independent fashion magazine Nylon and a number of Instagram influencers, Lord & Taylor failed in both cases to explicitly state the monetary relationship between the brand and the endorsers.⁶¹⁹ In the case of the Instagram influencers, Lord & Taylor paid influencers between \$1,000 and \$4,000 per post who wore and advertised Design Lab's signature paisley patterned dress

⁶¹² The Fashion Law, "FTC Sends 700-Plus Letters Ahead of Potential Crackdown on Unfair, Deceptive Reviews and Endorsements," October 14, 2021, <https://www.thefashionlaw.com/ftc-sends-700-plus-letters-ahead-of-potential-crackdown-on-unfair-deceptive-reviews-and-endorsements/>.

⁶¹³ *ibid.*

⁶¹⁴ *ibid.*

⁶¹⁵ *ibid.*

⁶¹⁶ *ibid.*

⁶¹⁷ *ibid.*

⁶¹⁸ Lesley Fair, "FTC's Lord & Taylor Case: In native advertising, clear disclosure is always in style," *Federal Trade Commission*, March 15, 2016, <https://www.ftc.gov/news-events/blogs/business-blog/2016/03/ftcs-lord-taylor-case-native-advertising-clear-disclosure>.

⁶¹⁹ *ibid.*

on the social media platform.⁶²⁰ While Lord & Taylor made sure to review and tweak each post to include the company's own Instagram handle, the company failed to include any mention of the paid relationship between the influencer and brand, the fact that influencers received the dress for free, or that the post was part of a larger "product bomb" – or advertising campaign.⁶²¹ The FTC accused Lord & Taylor of falsely alleging these posts to reflect the honest, unbiased opinions of the influencers and Nylon Magazine, rather than paid endorsements.⁶²²

These cases show that the legal necessity for full transparency in the fashion and apparel industry is not exclusive to labor practices, but also is important for advertising. Since advertising carries a large value-added for brands and their products, companies will continue to invest heavily in it. As brands continue to draw on social media as marketing and branding tools, the enforcement of endorsement disclosure rules and regulations will widen and become yet another legal consideration brands need to account for.

Political Networks

While tracing the connection between cut and sew contracting firms and political actors (politicians, parties, PACs) remains difficult due to the obscurity of the sector, these connections among manufacturers and brands are slightly more evident. One effective way to map and understand these linkages is to track political contributions made by firms and employees. Apparel brands and manufacturers, along with their employees, have several political interests that may motivate them to lobby for specific policies and support specific candidates or parties, these include, but are not limited to, labor laws and workers rights; tax policy; immigration reform; and sustainability issues. In 2021, clothing manufacturers contributed roughly \$2.8 million towards lobbying, down from \$3.31 million in 2020, the most spent ever by the industry on such efforts.⁶²³ The political leanings of the apparel manufacturing sector has a dichotomous history, with many donors favoring Democratic candidates and PACs in the early-to-mid-1900s.⁶²⁴ However, 1998 marked a noticeable shift where donations began to favor Republican candidates.⁶²⁵ Figure 63 shows this trend in political party contributions. The dominance of donations made to Republican candidates intersects with the dramatic acceleration of globalization within the apparel manufacturing industry. Domestic manufacturers, who were suffering from the offshoring of manufacturing by apparel brands, likely supported Republicans, known to favor lower taxes and corporate subsidization, in hopes of recapturing some of the revenue lost to lower manufacturing costs abroad. However, manufacturers' party of choice once again shifted ahead of the 2008 election, favoring Democrats by only a slight margin.⁶²⁶ Republican support returned for only a

⁶²⁰ *ibid.*

⁶²¹ *ibid.*

⁶²² *ibid.*

⁶²³ Kellie Ell, "Business: Fashion's Heavy Hitters Support Candidates by Opening Pockets," *Wwd*, Oct 06, 2020, 1-1, 14, <https://www.proquest.com/magazines/business-fashions-heavy-hitters-support/docview/2569652344/se-2?accountid=14512>.

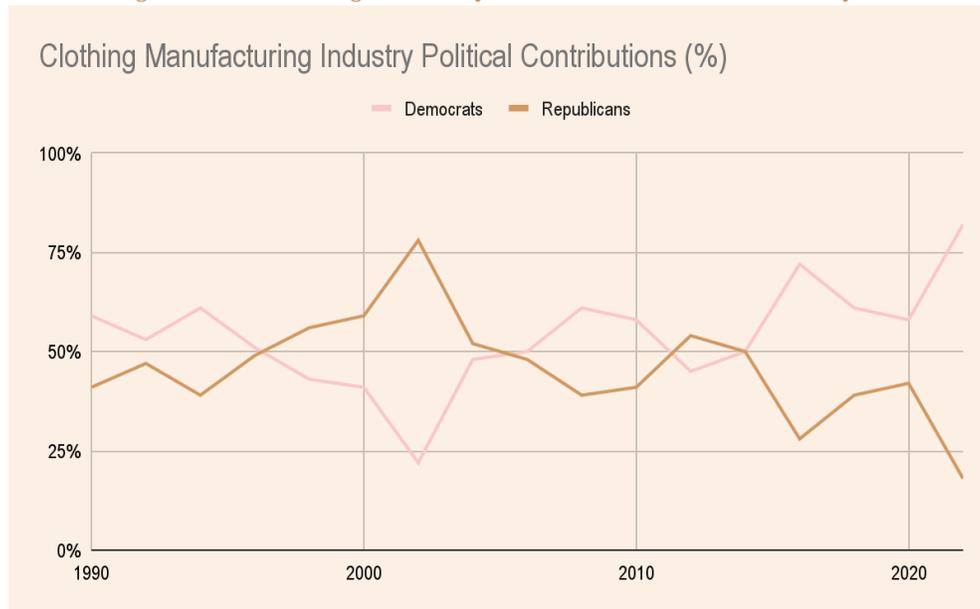
⁶²⁴ "Clothing Manufacturing: Background," *Open Secrets*, n.d., <https://www.opensecrets.org/industries/background.php?cycle=2022&ind=M3100>.

⁶²⁵ *ibid.*

⁶²⁶ *ibid.*

single election cycle in 2012, before Democrats captured overwhelming industry support that strongly persists today.⁶²⁷ As an example of strong Democratic party support, the manufacturing industry donated a total of \$86,025 and \$37,900 to senators Cory Booker (D-NJ) and Chuck Schumer (D-NY), respectively, both of whom were the top recipients of industry contributions in 2014.⁶²⁸

Figure 63. Clothing Manufacturing Industry Political Contributions by Percentage⁶²⁹



Individual political contributions reveal little about the types of causes that employees and executives put their money towards. Instead, lobbying contributions are much more telling. Firms invest in lobbying in an effort to influence local, state, and federal policy on issues that are relevant to their industry and company, oftentimes paying thousands to generate policies favorable to them and their business operations. Table 29 provides a sample of clothing brands and their respective lobbying contributions in 2020. Whether these numbers reflect local, state, or federal lobbying efforts is unclear.

Table 29. Clothing Brands' Lobbying Efforts, 2020⁶³⁰

Company	Partial List of Brands	Contributions to Lobbying Groups	Partial List of Causes
VF CORP.	The North Face, Vans, Kipling	\$660,000	Natural Resources, Trade, Clean Air
GITMAN & CO.	Gitman	\$400,000	Apparel & Textiles, Trade
TOM JAMES CO.	Tom James	\$380,000	Apparel & Textiles, Trade

⁶²⁷ *ibid.*

⁶²⁸ *ibid.*

⁶²⁹ *ibid.*

⁶³⁰ "Clothing Manufacturing: Lobbying," *Open Secrets*, 2021, <https://www.opensecrets.org/industries/totals.php?cycle=2022&ind=M3100>.

HANESBRANDS INC.	Hanes, Champion, Maidenform, Bali	\$340,000	Taxes, Trade
LEVI STRAUSS & CO.	Levi's	\$220,000	Trade, Apparel & Textiles, Taxes
GILDAN ACTIVEWEAR	Gildan Activewear	\$140,000	Trade
UNDER ARMOUR INC.	Under Armour	\$120,000	Trade
W DIAMOND GROUP	W Diamond Group	\$80,000	Apparel & Textiles, Trade
OROS APPAREL	Oros Apparel	\$70,000	Federal Budget & Appropriations
COLOR IMAGE APPAREL	Color Image Apparel	\$60,000	Defense
KERING	Gucci, Alexander McQueen, Bottega Veneta, Balenciaga	\$60,000	Law Enforcement & Crime
BERKSHIRE HATHAWAY INC.	Fruit of the Loom	\$40,000	Transportation, Taxes, Energy
COLUMBIA SPORTSWEAR CO.	Columbia Sportswear	\$40,000	Trade
HICKEY-FREEMAN CO.	Hickey Freeman Tailored Clothing	\$40,000	Apparel & Textiles, Trade
ANN INC.	Ann Taylor, Loft, Lane Bryant	\$30,000	Trade
HARDWICK CLOTHES	Hardwick Clothes	\$20,000	Apparel & Textiles, Trade
PVH CORP.	Tommy Hilfiger, Calvin Klein, True & Co.	\$20,000	Trade

By far the most common cause lobbied for by the sampled brands is trade, signaling the industry's ongoing concerns with the impact of liberalized trade on domestic production. Two causes that stand out in particular are those of natural resources and clean air. Seeing that these causes were listed under VF Corp., the parent company of outdoor apparel brand The North Face (TNF), is unsurprising given TNF's emphasis on environmental sustainability. The apparel industry's growing consciousness around sustainability might lend itself to greater investment in lobbying for policies and regulation that support the growth of the sustainable apparel sector.

Taxes and Subsidies

Like all other for-profit companies in the US, cut and sew contractors are subjected to paying taxes, and thus contribute to government revenue in this way. However, the

fly-by-night nature of contracting firms has made it difficult for the Internal Revenue Service (IRS) to collect tax payments from these firms. Although slightly dated, a 1994 study done by the Committee on Government Operations in the House of Representatives emphasizes this issue. The study found that of 94 garment and restaurant shops, or "sweatshops," analyzed, 74 failed to properly pay employment taxes, 37 did not pay unemployment taxes, and 33 had yet to pay income taxes.⁶³¹ The study defines sweatshops as " a business that violates more than one federal or state law governing wages and hours, child labor, health or safety, workers' compensation, or industry registration." The outstanding tax liabilities of these sweatshops totaled \$492,400, or \$918,977 in 2021 dollars.⁶³² Although the data collected for this study is nearly 30 years old, it is fair to presume that this issue has only gotten worse as offshoring activities have dwindled and deregulated the domestic apparel manufacturing industry.

Despite this difficulty, the cut and sew apparel manufacturing sector indirectly generates revenue for local governments in the form of sales taxes paid on purchased apparel goods. Although sales tax collection takes place at retailers, the garments produced by contractors and manufacturers are the goods upon which taxes are collected. In LA City, sales tax revenue in the FY2021 totaled \$570.9 million.⁶³³ How much of this consists of apparel sales is uncertain. Nonetheless, sales taxes generated on the purchase of apparel would not be possible without the existence of cut and sew contractors.

The cut and sew apparel sector receives no direct subsidies from local, state, or federal governments in the US. Subsidies to apparel manufacturing firms are common in other countries, like China and India.^{634,635} However, other industries along the supply chain are heavily subsidized by the government and directly impact the business of cut and sew contractors. One such industry is the cotton industry. Between 1995 and 2020, the US government provided the domestic cotton industry with \$40.1 billion in subsidies, \$13.7 billion of which went to cotton farmers in California (Figure 64).⁶³⁶ Cotton subsidies allow for competitive pricing of cotton and for domestic production to compete with suppliers around the world. Competitive pricing means cheaper inputs for textile manufacturers, savings which then trickle down to the apparel manufacturing

⁶³¹ "Tax Administration: Data on the Tax Compliance of Sweatshops," *United States House of Representatives*, September 23, 1994, <https://www.govinfo.gov/content/pkg/GAOREPORTS-GGD-94-210FS/html/GAOREPORTS-GGD-94-210FS.htm>.

⁶³² *ibid.*

⁶³³ "All City Funds," *City of LA, Office of the Controller*, n.d., <https://controllerdata.lacity.org/stories/s/City-Finances/s482-ftsm/>

⁶³⁴ Terence P. Stewart, "China's Support Programs for Selected Industries: Textiles and Apparel," *Steward and Steward*, June 2007, <https://www.uscc.gov/sites/default/files/Research/TLAG%20Report%20-%20China's%20Support%20Program%20for%20Textiles%20and%20Apparel.pdf>.

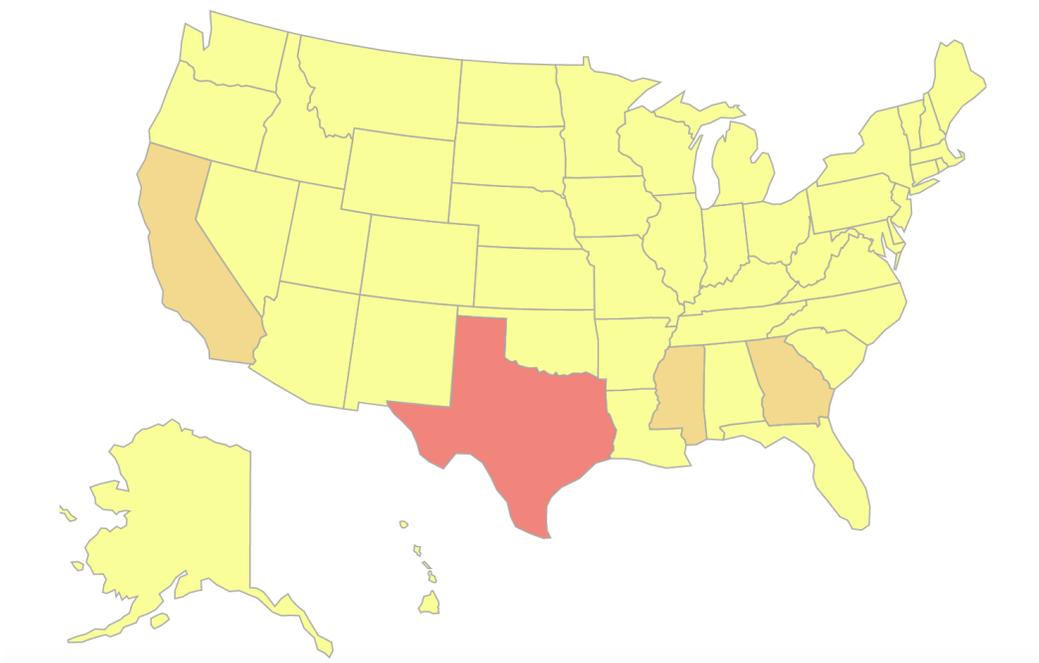
⁶³⁵ Priyanka Talwar, "Garment sector to wear 10% capital subsidy," *Economic Times*, June 29, 2007, <https://economictimes.indiatimes.com/industry/cons-products/garments/-/textiles/garment-sector-to-wear-10-capital-subsidy/articleshow/2159236.cms?from=mdr>.

⁶³⁶ "Cotton Subsidies," *Environmental Working Group*, 2020, <https://farm.ewg.org/progdetail.php?fips=00000&progcode=cotton&page=states®ionname=theUnitedStates>.

sector when it comes to sourcing fabric and pricing cut and sew services. It's a long chain, but we've shown that supply chain dynamics within the industry are tightly knit and have ripple effects throughout the production process.

Figure 64. Total Cotton Subsidies Across the US, 1995-2020⁶³⁷

Cotton Subsidies in the United States totaled \$40.1 billion from 1995-2020‡.



Lost Taxation in the Garment Sector

Given the high prevalence of wage theft in Los Angeles' garment sector, the government loses out on billions of dollars each year in dollars that could have been captured through taxes. When employers steal earned wages from their employees, the government is stripped of access to payroll and income tax that would have otherwise been collected if employers followed legal payroll practices.⁶³⁸ Wage theft most commonly occurs at the bottom level of income earners where people already experience poverty and have a difficult time covering expenses. Wages that are earned are spent more frequently on housing and other essential costs, stripping the government of access to taxes that could have been connected through sales tax if workers were spending money purchasing things. In short, wage theft means that by stealing earned income from workers, otherwise taxable money sits and accrues in the hands of employers rather than trickling back into the economy through payroll tax and

⁶³⁷ *ibid.*

⁶³⁸ "Employers Steal Billions from Workers' Paychecks Each Year: Survey Data Show Millions of Workers Are Paid Less than the Minimum Wage, at Significant Cost to Taxpayers and State Economies," *Economic Policy Institute* (blog), accessed November 21, 2021, <https://www.epi.org/publication/employers-steal-billions-from-workers-paychecks-each-year/>.

sales tax.⁶³⁹ As poverty stricken laborers are most likely to access public services for support, tax dollars move towards garment manufacturers through service provisions, while the tax dollars circling through the economy and trickling up to the government remain stifled by wage theft. By raising minimum wages, as the Garment Workers Protection Act does, laborers will have more opportunities to contribute to the economy, generating sales tax for the state. So while critics of the Act may say that the legislation will be a job killer, as declared by the California Chamber of Commerce, the Act has the opportunity to be positive for the economy at large as the legislation requires higher pay for garment workers and discourages under the table practices, equating to greater taxation capture opportunities through sales and payroll tax.⁶⁴⁰

In addition to the Garment Workers Protection Act, AB-1296 Joint Enforcement Strike Force on the Underground Economy: Labor Enforcement Task Force is another recent initiative to capture otherwise taxable money. The bill, which passed in 2019, establishes an enforcement program and investigation committee in the DOJ targeted at combating underground economic activities such as under the table labor practices in the garment sector.⁶⁴¹ While the program is still early in its implementation, these dedicated resources mean that the government is better equipped to address underground economies that skirt taxation. With the recent passage of SB-62, these policies may be able to work in tangent with one another to ensure greater transparency in the industry. However, as AB-1296 was ultimately written to increase access to taxable funds rather than uplift the livelihoods of people who work in informal sectors, the implementation of this legislation should be watched carefully by labor advocates as the enforcement program has the potential to do harm to vulnerable laborers by increasing surveillance and policing to those already overburdened by these practices.

Conclusion

Throughout our research this quarter, two dominant questions emerged: 1) what will happen to the local Los Angeles cut and sew apparel manufacturing industry, and 2) what impact will SB 62 have on working conditions in the local garment industry? While 10 weeks is nowhere close to enough time to fully answer either of those questions, we have done our best to gather and analyze relevant sources addressing these two questions.

⁶³⁹ Eastern Research Group, Inc., "The Social And Economic Effects Of Wage Violations: Estimates for California and New York" (e U.S. Department of Labor (DOL), Office of the Assistant Secretary for Policy, Chief Evaluation Office, December 2014), <https://www.dol.gov/sites/dolgov/files/OASP/legacy/files/WageViolationsReportDecember2014.pdf>.

⁶⁴⁰ CalChamber, "One Job Killer Bill, Three Opposed Bills to Be Voted On Today," *Advocacy - California Chamber of Commerce* (blog), September 8, 2021, <https://advocacy.calchamber.com/2021/09/08/one-job-killer-bill-three-opposed-bills-to-be-voted-on-today/>.

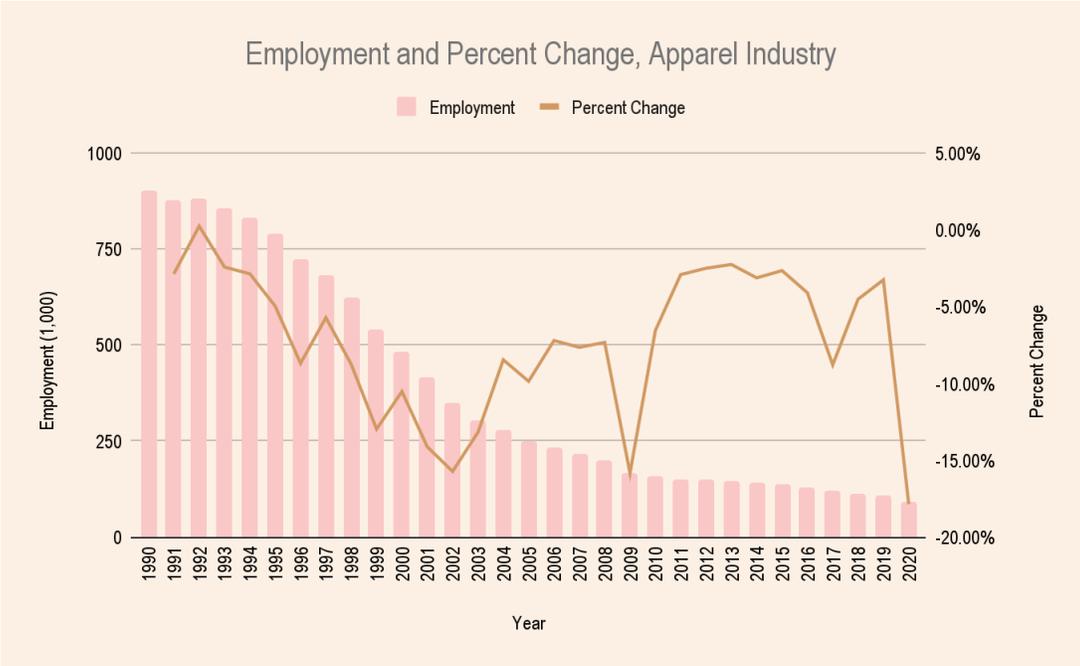
⁶⁴¹ "Bill Text - AB-1296 Joint Enforcement Strike Force on the Underground Economy: Labor Enforcement Task Force.," accessed November 21, 2021, https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB1296.

Domestic Manufacturing: Here to Stay?

There is no denying that the apparel industry in the United States has been shrinking for decades, despite several attempts at bolstering domestic manufacturing. Perhaps the biggest concern facing the domestic and local garment sector, this fear has remained largely consistent over the past several decades - in an increasingly global industry, and how can Los Angeles and the United States more broadly compete? While automation has not significantly impacted the industry, globalization and free trade agreements have, and employment has been steadily declining (Figure 65).

While employment has plummeted since the 1990s, looking at the rate of change in employment provides some interesting insight into possible future trends. Figure 65 shows that the rate of decline increased steadily from 1991 through 2002, maxing out at almost 16% in 2002. Following that, the industry declined at a much slower rate from 2002 through 2019, except for a large one year dip in 2009 that can be attributed to the global recession. 2020 also saw a significant drop that can be attributed to the COVID-19 pandemic. While the industry has not seen growth since 1992 when the rate of change was briefly (and only slightly) positive, this analysis of the rate of change does support the idea that the domestic garment manufacturing industry could reach a floor beneath which employment will not fall.

Figure 65. US Employment and Rate of Change, Apparel Industry⁶⁴²



In Los Angeles specifically, this hypothesis is further supported by an analysis of the benefits to local manufacturing. Los Angeles has one of the largest immigrant populations in the country, which is an extremely important source of labor to the

⁶⁴² FRED; U.S. Bureau of Labor Statistics. "All Employees, Apparel." FRED, Federal Reserve Bank of St. Louis. FRED, Federal Reserve Bank of St. Louis, January 1, 1990. <https://fred.stlouisfed.org/series/CEU3231500001>.

sector.⁶⁴³ Even though offshoring cut and sew activities may be more economical from an operating expenses perspective, there is great benefit in being located in such close proximity to the largest retail market in the US. Proximity gives locally based contractors and manufacturers an edge over foreign-operated firms that rely on international shipping and are subject to major shipping delays. Finally, Los Angeles' economic infrastructure and composition not only make transportation between suppliers and clients harmonious, but also facilitate interaction between the fashion industry at large and other complementary industries, like the entertainment industry. Therefore, even with stricter industry regulations than other operating environments, Los Angeles as an apparel manufacturing hub is, most likely, here to stay.

Potential Impact of SB 62

When SB 62 is enacted in January 2022, garment workers will be required to earn hourly minimum wage pay rather than the piece rate system of compensation that the sector previously relied on. This move has been highly praised by labor and garment manufacturing advocates across the globe, however, the support has not been universal. The American Apparel and Footwear Association has been critical of the law, saying that although SB-62 is well intentioned, the joint liability implications of the brand guarantor provision will lead to job loss in California as companies with no direct access will be forced to take financial responsibility for what happens on the floor.⁶⁴⁴ For those looking to bring greater equity to the industry, this increased risk is critical for pushing firms higher up the supply chain to trace their manufacturing and contracting processes. Garment workers have always faced the highest burden and least protection in the supply chain and this shift in power is necessary to ensure protections and rights for those most vulnerable. The California Chamber of Commerce worries that the law will only scratch the surface, affecting only firms that operate above ground while underground firms continue to exploit workers.⁶⁴⁵ As an alternative to what the Chamber of Commerce deemed a "job killer bill" they proposed that the Legislature should use its existing enforcement mechanisms and educate workers on their rights instead.⁶⁴⁶ The Garment Workers Center already engages in substantial work to educate garment workers on their rights, yet there are still significant power imbalances which keep workers from exercising these rights and trusting their own protections. Employers have been quick to fire workers who ask questions they don't like, leaving workers without pay. Even in the event that a worker were to pursue a wage theft claim or seek retribution for poor employment treatment, this is a long term process which does not

⁶⁴³ Abby Budiman, "Key findings about U.S. immigrants," *Pew Research Center*, 2018.

<https://www.pewresearch.org/fact-tank/2020/08/20/key-findings-about-u-s-immigrants/>.

⁶⁴⁴ Dorothy Crouch, July 8, and 2021, "SB 62 Moves to Appropriations Committee Following Passage by Assembly Panel," *Apparel News*, July 8, 2021, <http://www.apparelnews.net/news/2021/jul/08/sb-62-moves-appropriations-committee-following-pas/>.

⁶⁴⁵ "California Passes Law Establishing New Wage and Hour Requirements for Employers in the Garment Industry," *Fashion & Apparel Law Blog*, October 19, 2021, <https://www.fashionapparelblog.com/2021/10/articles/retail/california-new-wage-and-hour-requirements-garment-industry/>.

⁶⁴⁶ CalChamber, "One Job Killer Bill, Three Opposed Bills to Be Voted On Today," *Advocacy - California Chamber of Commerce* (blog), September 8, 2021, <https://advocacy.calchamber.com/2021/09/08/one-job-killer-bill-three-opposed-bills-to-be-voted-on-today/>.

address their immediate financial circumstances. For this reason, many workers remain silent through poor treatment as the existing structural supports were not developed in a way that serves workers needs first and foremost.

Strong implementation of SB62 will be critical for ensuring that workers are equipped with the support, resources, and information necessary to minimize exploitation. This is why the brand guarantor provision is such a key piece of this puzzle. By distributing the responsibility of best practices across the sector, firms will be motivated to connect with one another and strengthen transparency between different aspects of the supply chain. For many brands, especially those who are looking to develop their CSR practices and build an ethical business, this new legislation is highly sought after as it levels the playing field between them and businesses who rely on cheap sweatshop labor. While there is concern that brands may choose to outsource their practices to avoid California's new legislation, local firms will lose out on all of the benefits of agglomeration should they go that path, sacrificing convenience and agility while increasing wait times and transportation costs. This is a primary reason why companies work with Los Angeles firms to begin with, and we doubt that this bill will be the "job killer" that California Chamber of Commerce projected.⁶⁴⁷

⁶⁴⁷ CalChamber, "One Job Killer Bill, Three Opposed Bills to Be Voted On Today,"

Appendix

Figure A: NAICS Codes and Descriptions related to the Cut and Sew Manufacturing Sector⁶⁴⁸

NAICS Code	Code Description	Detailed Description
313	Textile Mills	Industries in the Textile Mills subsector group establishments that transform a basic fiber (natural or synthetic) into a product, such as yarn or fabric that is further manufactured into usable items, such as apparel, sheets, towels, and textile bags for individual or industrial consumption. The further manufacturing may be performed in the same establishment and classified in this subsector, or it may be performed at a separate establishment and be classified elsewhere in manufacturing.
3132	Fabric Mills	This industry group comprises establishments primarily engaged in one of the following: (1) weaving broadwoven fabrics and felts (except tire fabrics and rugs); (2) weaving or braiding narrow fabrics; (3) making fabric-covered elastic yarn and thread; (4) manufacturing Schiffli machine embroideries; (5) manufacturing nonwoven fabrics and felts; (6) knitting weft (i.e., circular) and warp (i.e., flat) fabric; (7) knitting and finishing weft and warp fabric; (8) manufacturing lace; or (9) manufacturing, dyeing, and finishing lace and lace goods.
3133	Textile and Fabric Finishing and Fabric Coating Mills	This industry group comprises establishments primarily engaged in one of the following: (1) finishing textiles, fabrics, and apparel; (2) converting fabrics and textiles by buying fabric goods in the grey, having them finished on contract, and selling them at wholesale; or (3) coating, laminating, varnishing, waxing, and rubberizing textiles and apparel.
3141	Textile Furnishings	This industry group comprises

⁶⁴⁸ Executive Office of the President, "North American Industry Classification System Manual."

	Mills	establishments primarily engaged in (1) manufacturing woven, tufted, and other carpets and rugs and (2) manufacturing household textile products from purchased materials. The household textile products may be made on a stock or custom basis for sale to individual retail customers.
3149	Other Textile Product Mills	This industry group comprises establishments primarily engaged in making textile products (except carpets and rugs, curtains and draperies, and other household textile products) from purchased materials.
315	Apparel Manufacturing	Industries in the Apparel Manufacturing subsector group establishments with two distinct manufacturing processes: (1) cut and sew (i.e., purchasing fabric and cutting and sewing to make a garment) and (2) the manufacture of garments in establishments that first knit fabric and then cut and sew the fabric into a garment. The Apparel Manufacturing subsector includes a diverse range of establishments manufacturing full lines of ready-to-wear apparel and custom apparel: apparel contractors, performing cutting or sewing operations on materials owned by others; jobbers, performing entrepreneurial functions involved in apparel manufacturing; and tailors, manufacturing custom garments for individual clients. Knitting fabric, when done alone, is classified in the Textile Mills subsector, but when knitting is combined with the production of complete garments, the activity is classified in the Apparel Manufacturing subsector.
3151	Apparel Knitting Mills	This industry group comprises establishments primarily engaged in knitting apparel or knitting fabric and then manufacturing apparel. This industry group includes jobbers performing entrepreneurial functions involved in knitting apparel and accessories. Knitting fabric, without manufacturing apparel, is classified in Subsector 313, Textile Mills.
315110	Hosiery and Sock	This industry comprises establishments

	Mills	primarily engaged in knitting or knitting and finishing hosiery and socks.
315190	Other Apparel Knitting Mills	This industry comprises establishments primarily engaged in one of the following: (1) knitting underwear, outerwear, and/or nightwear; (2) knitting fabric and manufacturing underwear, outerwear, and/or nightwear; or (3) knitting, manufacturing, and finishing knit underwear, outerwear, and/or nightwear.
3152	Cut and Sew Apparel Manufacturing	This industry group comprises establishments primarily engaged in manufacturing cut and sew apparel from woven fabric or purchased knit fabric. Included in this industry group is a diverse range of establishments manufacturing full lines of ready-to-wear apparel and custom apparel: apparel contractors, performing cutting or sewing operations on materials owned by others; jobbers, performing entrepreneurial functions involved in apparel manufacturing; and tailors, manufacturing custom garments for individual clients. Establishments weaving or knitting fabric, without manufacturing apparel, are classified in Subsector 313, Textile Mills.
315210	Cut and Sew Apparel Contractors	This industry comprises establishments commonly referred to as contractors primarily engaged in (1) cutting materials owned by others for apparel and accessories and/or (2) sewing materials owned by others for apparel and accessories.
315220	Men's and Boys' Cut and Sew Apparel Manufacturing	This industry comprises establishments primarily engaged in manufacturing men's and boys' cut and sew apparel from purchased fabric. Men's and boys' clothing jobbers, who perform entrepreneurial functions involved in apparel manufacture, including buying raw materials, designing and preparing samples, arranging for apparel to be made from their materials, and marketing finished apparel, are included.

		<p>Cutting and/or sewing materials owned by others for men's and boys' apparel are cross-classified in Industry 315210, Cut and Sew Apparel Contractors.</p>
315240	Women's, Girls', and Infants' Cut and Sew Apparel Manufacturing	<p>This industry comprises establishments primarily engaged in manufacturing women's, girls', and infants' apparel from purchased fabric. Women's, girls', and infants' clothing jobbers, who perform entrepreneurial functions involved in apparel manufacture, including buying raw materials, designing and preparing samples, arranging for apparel to be made from their materials, and marketing finished apparel, are included.</p> <p>Cutting and/or sewing materials owned by others for women's, girls', and infants' apparel are cross-classified in Industry 315210, Cut and Sew Apparel Contractors.</p>
315280	Other Cut and Sew Apparel Manufacturing	<p>This industry comprises establishments primarily engaged in manufacturing cut and sew apparel from purchased fabric (except men's, boys', women's, girls', and infants' apparel). Clothing jobbers for these products, who perform entrepreneurial functions involved in apparel manufacture, including buying raw materials, designing and preparing samples, arranging for apparel to be made from their materials, and marketing finished apparel, are included. Examples of products made by these establishments are fur or leather apparel, sheep-lined clothing, team athletic uniforms, band uniforms, academic caps and gowns, clerical vestments, and costumes.</p> <p>Cutting and/or sewing materials owned by others for apparel--are cross-classified in Industry 315210, Cut and Sew Apparel Contractors.</p>
316	Leather and Allied Product Manufacturing	<p>Establishments in the Leather and Allied Product Manufacturing subsector transform hides into leather by tanning or curing and</p>

		<p>fabricating the leather into products for final consumption. This subsector also includes the manufacture of similar products from other materials, including products (except apparel) made from "leather substitutes," such as rubber, plastics, or textiles. Rubber footwear, textile luggage, and plastic purses or wallets are examples of "leather substitute" products included in this subsector. The products made from leather substitutes are included in this subsector because they are made in similar ways leather products are made (e.g., luggage). They are made in the same establishments, so it is not practical to separate them.</p> <p>The inclusion of leather and hide tanning and finishing in this subsector is partly because it is a relatively small industry that has few close neighbors as a production process, partly because leather is an input to some of the other products classified in this subsector, and partly for historical reasons.</p>
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Figure B: SIC Codes Related to the Cut and Sew Apparel Manufacturing Industry⁶⁴⁹

SIC Code	Code Description	Detailed Description
Division D	Manufacturing	<p>The manufacturing division includes establishments engaged in the mechanical or chemical transformation of materials or substances into new products. These establishments are usually described as plants, factories, or mills and characteristically use power driven machines and materials handling equipment. Establishments engaged in assembling component parts of manufactured products are also considered manufacturing if the new product is neither a structure nor other fixed improvement. Also included is the blending of materials, such as lubricating oils, plastics resins, or liquors.</p> <p>The materials processed by manufacturing establishments include products of agriculture, forestry, fishing, mining, and quarrying as well as products of other manufacturing establishments. The new product of a manufacturing establishment may be finished in the sense that it is ready for utilization or consumption, or it may be semifinished to become a raw material for an establishment engaged in further manufacturing. For example, the product of the copper smelter is the raw material used in electrolytic refineries; refined copper is the raw material used by copper wire mills; and copper wire is the raw material used by certain electrical equipment manufacturers.</p> <p>The materials used by manufacturing establishments may be purchased directly from producers, obtained through customary trade channels, or secured without recourse to the market by transferring the product from one establishment to another which is under the same ownership. Manufacturing production is usually carried on for the wholesale market, for interplant transfer, or to order for industrial users, rather than for direct sale to the domestic consumer.</p>
Major Group	Textile Mill	This major group includes establishments

⁶⁴⁹United States Department of Labor, "Standard Industrial Classification (SIC) Manual."

22	Products	<p>engaged in performing any of the following operations: (1) preparation of fiber and subsequent manufacturing of yarn, thread, braids, twine, and cordage; (2) manufacturing broadwoven fabrics, narrow woven fabrics, knit fabrics, and carpets and rugs from yarn; (3) dyeing and finishing fiber, yarn, fabrics, and knit apparel; (4) coating, waterproofing, or otherwise treating fabrics; (5) the integrated manufacture of knit apparel and other finished articles from yarn; and (6) the manufacture of felt goods, lace goods, non-woven fabrics, and miscellaneous textiles.</p> <p>This classification makes no distinction between the two types of organizations which operate in the textile industry: (1) the integrated mill which purchases materials, produces textiles and related articles within the establishment, and sells the finished products; and (2) the contract or commission mill which processes materials owned by others. Converters or other non-manufacturing establishments which assign materials to contract mills for processing, other than knitting, are classified in non-manufacturing industries; establishments which assign yarns to outside contractors or commission knitters for the production of knit products are classified in Industry Group 225.</p>
Major Group 23	Apparel And Other Finished Products Made From Fabrics And Similar Materials	<p>This major group, known as the cutting-up and needle trades, includes establishments producing clothing and fabricating products by cutting and sewing purchased woven or knit textile fabrics and related materials, such as leather, rubberized fabrics, plastics, and furs. Also included are establishments that manufacture clothing by cutting and joining (for example, by adhesives) materials such as paper and non-woven textiles. Included in the apparel industries are three types of establishments: (1) the regular or inside factories; (2) contract factories; and (3) apparel jobbers. The regular factories perform all of the usual manufacturing functions within their own plant; the contract factories manufacture apparel from materials owned by others; and apparel jobbers perform the entrepreneurial functions of a</p>

		manufacturing company, such as buying raw materials, designing and preparing samples, arranging for the manufacture of clothing from their materials, and selling of the finished apparel.
Industry Group 231	Men's And Boys' Suits, Coats, And Overcoats	Includes: <ul style="list-style-type: none"> ● 2311: Men's and Boys' Suits, Coats, and Overcoats
Industry Group 232	Men's And Boys' Furnishings, Work Clothing, And Allied Garments	Includes: <ul style="list-style-type: none"> ● 2321 Men's and Boys' Shirts, Except Work Shirts ● 2322 Men's and Boys' Underwear and Nightwear ● 2323 Men's and Boys' Neckwear ● 2325 Men's and Boys' Separate Trousers and Slacks ● 2326 Men's and Boys' Work Clothing ● 2329 Men's and Boys' Clothing, Not Elsewhere Classified
Industry Group 233	Women's, Misses', And Juniors' Outerwear	Includes: <ul style="list-style-type: none"> ● 2331 Women's, Misses', and Juniors' Blouses and Shirts ● 2335 Women's, Misses', and Juniors' Dresses ● 2337 Women's, Misses', and Juniors' Suits, Skirts, and Coats ● 2339 Women's, Misses', and Juniors' Outerwear, Not Elsewhere Classified
Industry Group 234	Women's, Misses', Children's, And Infants'	Includes: <ul style="list-style-type: none"> ● 2341 Women's, Misses', Children's, and Infants' Underwear and Nightwear ● 2342 Brassieres, Girdles, and Allied Garments
Industry Group 235	Hats, Caps, And Millinery	Includes: <ul style="list-style-type: none"> ● 2353 Hats, Caps, and Millinery
Industry Group 236	Girls', Children's, And Infants' Outerwear	Includes: <ul style="list-style-type: none"> ● 2361 Girls', Children's, and Infants' Dresses, Blouses, and Shirts ● 2369 Girls', Children's, and Infants' Outerwear, Not Elsewhere Classified
Industry Group 237	Fur Goods	Includes: <ul style="list-style-type: none"> ● 2371 Fur Goods

<p>Industry Group 238</p>	<p>Miscellaneous Apparel And Accessories</p>	<p>Includes:</p> <ul style="list-style-type: none"> ● 2381 Dress and Work Gloves, Except Knit and All-Leather ● 2384 Robes and Dressing Gowns ● 2385 Waterproof Outerwear ● 2386 Leather and Sheep-Lined Clothing ● 2387 Apparel belts ● 2389 Apparel and Accessories, Not Elsewhere Classified
<p>Industry Group 239</p>	<p>Miscellaneous Fabricated Textile Products</p>	<p>Includes:</p> <ul style="list-style-type: none"> ● 2391 Curtains and Draperies ● 2392 House furnishing, Except Curtains and Draperies ● 2393 Textile Bags ● 2394 Canvas and Related Products ● 2395 Pleating, Decorative and Novelty Stitching, and Tucking for the Trade ● 2396 Automotive Trimmings, Apparel Findings, and Related Products ● 2397 Schiffli Machine Embroideries ● 2399 Fabricated Textile Products, Not Elsewhere Classified

Trade Associations

- [American Apparel and Footwear Association](#) (National)
- [Americas Apparel Producers' Network](#) (National)
- [California Fashion Association](#) (Statewide)
- [Fashion Group International](#) (International)
- [Garment Contractors Association of Southern California](#) (Statewide)
- [Industrial Fabrics Association International](#) (International)
- [International Apparel Federation](#) (International)
- [National Council of Textile Organizations](#) (National)
- [The Downtown Property Owners Association/Fashion District \(DPOA\)](#) (Local)
- [The Textile Association of Los Angeles](#) (Local)
- [SEAMS, The Association and Voice of the Sewn Products Industry](#) (National)
- [Sewn Products Equipment & Suppliers of the Americas](#) (National)
- [SPESA: Sewn Products Equipment Suppliers Association](#) (National)
- [United States Fashion Industry Association](#) (National)
- [American Chinese Garment Contractors Association Of Southern California](#) (Local)

Active and Recently Active Industry Trade Periodicals

- [Apparel Resources](#)
- [Business of Fashion](#)
- [California Apparel News](#)
- [Clothing and Textiles Research Journal](#)
- [Clothing Cultures](#)
- [Critical Studies in Fashion & Beauty](#)
- [Ecotextile News](#)
- [Fashion and Textiles](#)
- [Fashion Practice](#)
- [Fibre 2 Fashion](#)
- [Global Apparel Markets](#) (2008-2020)

Glossary

- **Agglomeration economy**
 - Agglomeration economies are the benefits that come when firms and people locate near one another together in cities and industrial clusters. These benefits all ultimately come from transport costs savings: the only real difference between a nearby firm and one across the continent is that it is easier to connect with a neighbor.⁶⁵⁰
- **Assort packing**
 - A distribution process in which manufacturers package final goods according to the intended recipient. For instance, a manufacturer might pack a box with a full run of sizes (XS-S-M-L-XL, for instance), rather than a box full of size Small garments. This eliminates a time consuming step at the distribution facility of having to open, unpack, and repack boxes based on final customer needs.⁶⁵¹
- **Clean & safe team**
 - The Fashion District has a Clean & Safe Team that patrols throughout the district 24 hours of the day. The Clean & Safe Team is composed of 60 trained team members who each have a specific role in either the Clean Team or the Safe Team, each of which have their respective duties.⁶⁵²
- **Cluster**
 - When firms and people locate near one another together in cities and industrial agglomerations.
- **Contractor**
 - Any person who, with the assistance of employees or others, is primarily engaged in sewing, cutting, making, processing, repairing, finishing, assembling, or otherwise preparing any garment or any article of wearing apparel or accessories designed or intended to be worn by any individual, including, but not limited to, clothing, hats, gloves, handbags, hosiery, ties, scarfs, and belts, for another person. "Contractor" includes a subcontractor that is primarily engaged in those operations.⁶⁵³
- **CSR — Corporate Social Responsibility**
 - Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public.

⁶⁵⁰ Glaeser, "Introduction to 'Agglomeration Economics.'" 2010.

⁶⁵¹ Shin Woong Sung and Young Jae Jang, "Heuristic for the Assort-Packing and Distribution Problem in the Fashion Apparel Industry," *International Journal of Production Research* 56, no. 9 (May 2018): 3116–33, <https://doi.org/10.1080/00207543.2017.1412525>.

⁶⁵² "LA Fashion District - Clean & Safe Team," n.d.
<https://fashiondistrict.org/about/clean-and-safe>.

⁶⁵³ California Department of Industrial Relations, "Garment Manufacturers (and Contractors)."

- **Cut and sew**
 - "The cut and sew manufacturers industry encompasses apparel contractors that cut and sew apparel and accessories using materials owned by others." - IBISWorld
- **Direct orders**
 - A major market within the cut and sew apparel sector that accounts for the manufacturing of apparel to meet the specifications of private consumers.
- **Fabric spreading**
 - One of the first steps in the cut and sew process which entails when a fabric is literally spread out on a cutting table prior to the cutting process.
- **Fashion District**
 - A neighborhood within Downtown Los Angeles known for its concentration of fashion industry related activities, including manufacturing, contracting, wholesaling, and retailing.
- **Fast fashion**
 - A segment of the fashion industry reliant on low prices and quick time to market.
- **Garment industry proviso**
 - A legal exemption in the National Labor Relations Act (NLRA) which states that workers in the garment industry are exempt from requiring majority verification to form a union.
- **General Agreement on Tariffs and Trade (GATT)**
 - a legal agreement between many countries, whose overall purpose was to promote international trade by reducing or eliminating trade barriers such as tariffs or quotas.
- **Hard good**
 - Goods that are not consumed or destroyed in use and can be used for a period of time
- **Hot cargo**
 - A provision in a labor contract whereby an employer agrees that his employees will not handle the products or materials of another employer, or that he himself will not deal with the other employer, whom the bargaining union considers "unfair" to organized labor.
- **Import penetration**
 - The proportion of the market for a particular type of good that is supplied by imports.
- **Jobber**
 - Typically a wholesaler who works with and purchases goods from a contractor in lots or bulk and resells the goods to a retailer who then sells them to a consumer.

- **Joint liability**
 - Manufacturers are jointly liable for the wages of the employees of garment contractors with whom they directly enter into contracts.
- **Knit**
 - Fabric created by interlocking loops of yarn.
- **Lead times**
 - The time between the initiation and completion of a production process. In manufacturing, it refers to the total time required to manufacture an item, including order preparation time, queue time, setup time, run time, move time, inspection time, and put-away time.
- **Legacy business**
 - Firms that are generational in nature and passed down via familial links.
- **Location quotient**
 - Location quotient is a measure designed to represent the relative dominance of an industry compared with the United States as a whole, typically using either employment or wages as the metric.
- **Low-end manufacture (LEM)**
 - A form of manufacturing specialization that does not require high-end goods, supplies, or tailoring.
- **Minimums**
 - The minimum quantity that a vendor requires in order to contract their goods or services.
- **MNC — Multinational Corporation**
 - A multinational corporation (MNC) is one that has business operations in two or more countries. These companies are often managed from and have a central office headquartered in their home country, but with offices worldwide.
- **NAFTA**
 - The North American Free Trade Agreement (NAFTA) was implemented to promote trade between the U.S., Canada, and Mexico. The agreement, which eliminated most tariffs on trade between the three countries, went into effect on Jan. 1, 1994. Numerous tariffs—particularly those related to agricultural products, textiles, and automobiles—were gradually phased out between Jan. 1, 1994, and Jan. 1, 2008.
- **NAICS code**
 - The North American Industry Classification System, or NAICS, is a standardized classification system for business establishments, grouped by economic activity. NAICS has been used as the dominant system of classification across Canada, the United States, and Mexico since 1997.

- **National Labor Relations Act (NLRA)**
 - Signed in 1935 to protect the rights of employees and employers, to encourage collective bargaining, and to curtail certain private sector labor and management practices, which can harm the general welfare of workers, businesses and the U.S. economy.
- **Offshoring**
 - The practice of basing some of a company's processes or services overseas, so as to take advantage of lower costs. In the context of the apparel manufacturing industry, this oftentimes takes the form of sourcing foreign labor for cut and sew inputs.
- **Piece-rate**
 - A payment system by which workers are paid for each garment or seam they sew, rather than an hourly rate. Banned in CA by the recent passage of SB 62.
- **Ply numbering**
 - A production process completed to all garment components prior to their completion. All sheets of fabric are numbered or layered to keep track of their characteristics, including, color, size, and style.
- **Purchase order (PO)**
 - A legal, binding contract between a buyer and a supplier.
- **Runaway shop**
 - The relocation of a firm's operations from one facility to another in order to avoid having to negotiate with unionized labor
- **Secondary boycotting**
 - A boycott of an employer with which a union does not have a dispute that is intended to induce the employer to cease doing business with another employer with which the union does have a dispute.
- **Soft good**
 - Textile and Clothing Products
- **Sourcing**
 - Process of obtaining goods and/or services from a manufacturer either domestically or globally.
- **United States-Mexico-Canada Agreement**
 - The trade agreement that replaced NAFTA in 2020.
- **Woven**
 - Fabric composed of two yarns running in perpendicular directions woven together
- **World Trade Organization (WTO)**
 - An intergovernmental organization that replaced the GATT and regulates and facilitates international trade between nations. Governments use the organization to establish, revise, and enforce the rules that govern international trade.

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