

## Human Resource Strategies in the New Zealand Clothing Manufacturing Industry

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### Introduction

The clothing industry has been, and remains, an important employer in New Zealand. Women make up the majority of employees in the industry<sup>1</sup>, and factories are often located in rural communities (Young, 1988). The size of companies varies greatly, from the few "heavyweights" like Lane Walker Rudkin (LWR), admittedly made up of 15 subsidiary firms, who employ over 1,000 people around the country<sup>2</sup>, down to tiny operations with less than 10 employees. These smaller companies make up the bulk of the 700-800 firms that Murray Rae<sup>3</sup> estimates make up the industry. In February 1989, 91 percent of factories in the apparel industry employed less than 50 workers, with 48 percent of factories employing less than 10 (Tripartite Working Party on an Active Labour Market Policy for the Apparel Industry, 1989). Many of the smaller firms are known as CMTs (Cut Make and Trim), and act purely as contractors to designers and other manufacturers.<sup>4</sup>

Young (1988, 1994) provides a good overview of recent developments in the clothing industry. It was, in 1988:

...an industry hard hit by trade liberalisation and restructuring, bitter about the treatment meted out to manufacturers under the new "free-market" regime, and fearful of being at serious risk of annihilation. (Young, 1994:12)

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<sup>1</sup> Between 1971 and 1988 females as a percentage of the total workforce remained between 85.1 percent and 86.7 percent (Tripartite Working Party on an Active Labour Market Policy for the Apparel Industry, 1989).

<sup>2</sup> Correspondence with Glenn Keen, General Manager - Corporate Services at LWR.

<sup>3</sup> Chief Executive of the Apparel and Textile Federation, President of the Auckland Manufacturers Federation, Chairman of Tradenz' joint action group for apparel, textiles and footwear, and Chairman of the Apparel and Textile Industry Training Organisation, interviewed 20 May 1994.

<sup>4</sup> Correspondence with Ida Dix, Secretary of the North Island Clothing and Allied Workers Union Inc.

Six years later, many businesses have left the industry and overall employment in the apparel, textile and footwear industries has fallen from 30,000 to 24,000. However, while concerns over tariff reductions and Australian imports still exist, the overall mood in the industry is improving (Young, 1994). Rae agrees with this diagnosis. Exports are up and "Tradenz is urging implementation of strategies that will treble exports by the turn of the century and create a further 1,500 jobs each year" (Young, 1994: 12). This is in line with Boxall's (1992b) opinion that the dismantling of protection for manufacturing in New Zealand, while leading to major job losses, has seen more robust firms emerging with new competitive strengths and increased exports.

Young's (1994) research suggests that manufacturers generally accept that the changes<sup>5</sup> were necessary, and that the end result has been, and will continue to be, beneficial to both consumers and manufacturers.<sup>6</sup> Young (1994) does note that not all companies agree wholeheartedly with the changes, nor have responses to these changes been uniform. "There is in industry today, a diversity of style and approach that reflects the increasing diversity of New Zealanders themselves" (Young, 1994: 12).

This paper aims to provide an insight into human resource (HR) strategies in the New Zealand clothing manufacturing industry. The contributors to this paper, while perhaps limited in numbers, are for the most part people with a wide knowledge of the industry as a whole. Production staff were not surveyed. The time and resources necessary to carry out a worthwhile survey were factors in this decision. It is hoped the presence of a union opinion provides an adequate impression of the employee perspective. Senior HR staff in a number of companies were also spoken to. These companies were all medium to large manufacturers, with both North Island and South Island companies represented. All employ more than 50 staff and most export a significant proportion of their production. These companies have, for the most part, chosen to have their identities disguised. The anonymous companies are referred to as Companies Q, V, X, Y and Z.

### **Theoretical framework**

Purcell (1987:535) comments that "in the extensive literature on business policy and corporate strategy it is extremely rare to find any reference to ... human resource strategy." However the term does arise in the work of several writers. Boxall (1992a: 62) discusses the work of Dyer (1984, 1985), and defines HR strategy as "the critical content of management's strategy in respect of employment relations." Boxall (1992a) notes two important points that Dyer omits from his discussions. First, that the assumption that top management has a single set of goals and means for all employees is particularly unsound. As Purcell (1987: 545) puts it "a firm may deliberately have a variety of management styles differentiated between broad occupational groups and their perceived value to the firm ...". Second, that it is likely that the individuals who make up the "management" in a particular

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<sup>5</sup> For detailed discussion of the changes initiated in the mid-80s by the Labour Government, see Young (1988) and Shearer (1989).

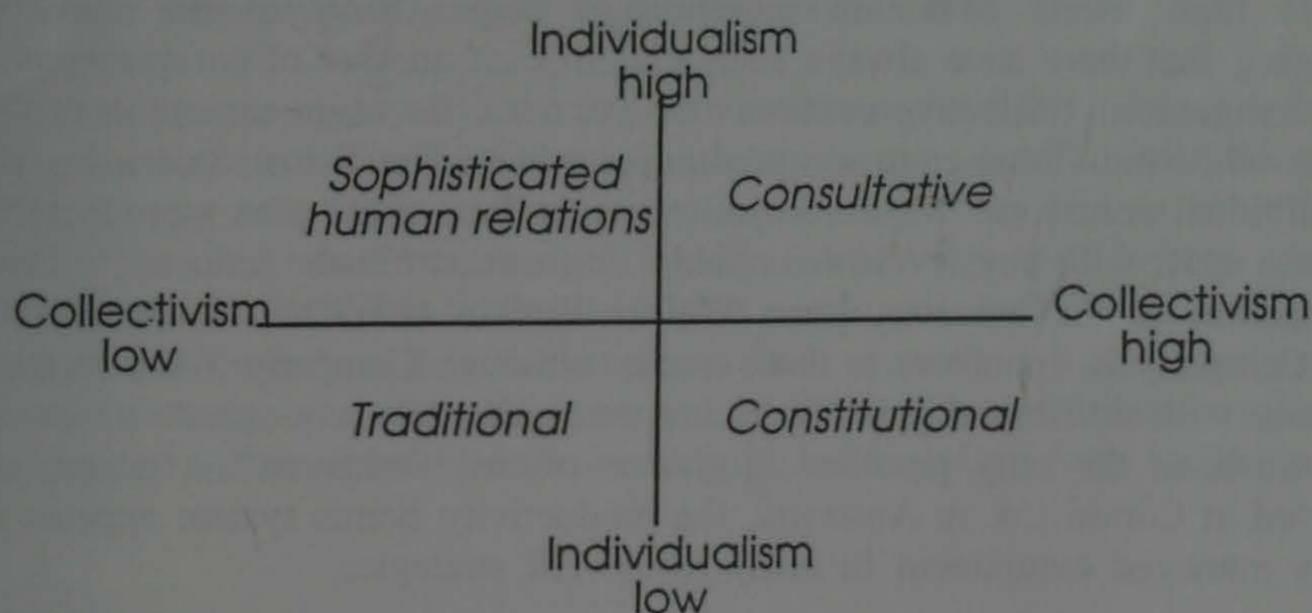
<sup>6</sup> A view supported by Glenn Keen.

organisation will differ philosophically and politically. Thus it is highly probable that individual managers will behave differently toward their staff. This intuitively appealing assumption is widely supported (e.g. Hyman, 1987; Fox, 1974; and Klein, 1984).

Various scholars have developed typologies of "employee relations styles" (e.g. Purcell and Gray, 1986) or employment "subsystems" (Osterman, 1987). These provide useful frameworks with which to examine HR strategies within firms and across industries. Purcell and Gray's (1986) typology of "management styles toward employee relations" is used in this paper to focus its description of the dominant HR strategies in the clothing manufacturing industry.

Basing their classifications on degrees of "individualism" and "collectivism" Purcell and Gray (1986) defined four different styles (see figure 1). Individualism measures the degree to which policies value individuals and their "right to advancement and fulfilment at work" (Purcell and Gray, 1986: 213). Collectivism is a measure of management's recognition of employees' collective bodies in decision making (Purcell and Gray, 1986).

**Figure 1: Management style toward employee relations**



(Source: Purcell and Gray, 1986: 213)

In the traditional style, "labour is viewed as a factor of production" and "unionisation opposed or unions kept at arm's length" (Purcell and Gray, 1986: 214). The constitutional style is similar but unions are recognised and seen as inevitable. "Management prerogatives are defended through highly specific collective agreements" (Purcell and Gray, 1986: 215). The sophisticated human relations style sees employees "viewed as the company's most valuable resource" and consultative procedures, extensive communication and internal grievance procedures make "it unnecessary or unattractive for staff to unionise" (Purcell and Gray, 1986: 214). The consultative style is similar to this, but attempts are "made to building 'constructive' relationships with the trade unions and incorporate them into the organizational fabric" (Purcell and Gray, 1986: 214).

Walsh (1994) has questioned whether the sophisticated HRM model that Purcell (1993), Katz (1993) and others have discussed is emerging in New Zealand. Should this be the case in the clothing industry, evidence of decentralised bargaining, direct participation by workers and unions, team work, performance-based pay systems, extensive training programmes, and high employment security could be expected to emerge in this research. In terms of Purcell and Gray's (1986) framework, the emergence of "sophisticated HRM" would be reflected by a significant number of firms having either consultative or sophisticated human relations management styles.

### **Research findings**

Rae feels that at present very few companies have any explicit policy statement or coordinated approach in the area of HRM. However, he does identify a growing awareness in the industry that HR issues need to be addressed<sup>7</sup>. Dix's view is that there is considerable diversity in clothing manufacturers' approaches to HRM. Dix also notes the significant role that market pressures play in determining the way companies act toward their staff, stating that recent pressures have been "reflected back onto the workforce to obtain maximum productivity."<sup>8</sup>

Rae reports high levels of union membership across most of the industry, while acknowledging that there have always been a significant number of unrepresented workers in smaller companies. Collective contracts are the norm for wage earners in the industry's larger firms, while individual contracts predominate in smaller firms. Salaried workers tend to have individual contracts. Most companies pay a base wage plus a productivity bonus to production staff, with pay levels reasonably uniform across the industry<sup>9</sup>. Three of the larger companies in the industry, Lane Walker Rudkin (LWR)<sup>10</sup>, Newlandia (Crossley, 1991) and Company X<sup>11</sup> conform to these trends, although Company X has recently begun experimenting with skill-based pay. There is a perception that amongst many smaller firms pay is regarded as the only practical motivator of the workforce<sup>12</sup>. Indeed, as Boxall (1992c) noted at Cotton Co. in Australia, the productivity bonus system appears to be the most highly managed component in many firms' HR strategies.

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<sup>7</sup> Interview with Murray Rae.

<sup>8</sup> Correspondence with Ida Dix.

<sup>9</sup> Interviews with Murray Rae and Phillip Oldham (owner of Blase Fashions, with over 20 years experience at all levels in the clothing manufacturing industry), correspondence with Ida Dix.

<sup>10</sup> Correspondence with Glenn Keen.

<sup>11</sup> An interview was carried out with the HR Manager at Company X.

<sup>12</sup> Interviews with Murray Rae and Phillip Oldham.

"Asian sweatshops", a relatively recent development identified by both Rae and Oldham, provide an exception to the standard levels of unionisation, contract type, and pay levels. Here employees work up to 15 hours a day, typically on a pure "piece-rate" remuneration system<sup>13</sup>. Rae is of the opinion that these sweatshops, with a few exceptions, tend to have quality problems, and for the most part compete against cheap imported clothing.

A "skilled" workforce is still important in the clothing manufacturing industry, despite the impact of technology in recent years. While a deskilling of individual tasks<sup>14</sup> has occurred, individual workers are often required to carry out multiple tasks. "The days are long gone when someone not capable of doing anything else would end up with a machining job" (Rae, 1993: 4). The Apparel and Textile Industry Training Organisation is trying to coordinate with universities and technical institutes to exploit the knowledge available, and to prevent duplication of training initiatives. This board is helping many companies in the industry to provide more focused training<sup>15</sup>. Rae does note that many smaller firms in the industry lack the resources to run full training programmes. Dix feels that CMTs' reliance on other manufacturers for work doesn't allow them the facilities, time or money to provide training as such. "The basis of their business is that when they need a machinist, ... they need someone with the relevant experience". "Larger manufacturers do have their own training lines and the trainees are integrated into the main production lines after a while"<sup>16</sup>. This has created a noticeable trend of smaller companies "poaching" staff from larger firms, typically using higher pay as a "carrot".<sup>17</sup>

In Rae's opinion, employee loyalty and commitment throughout the industry are reasonably high. Company X rates its staff loyalty as high across the board<sup>18</sup>, while Keen's opinion was that the loyalty of LWR's staff varied. Senior staff were said to exhibit very high loyalty, low level salary staff "mid-range" loyalty, while wage staff loyalty varies greatly between divisions and locations.<sup>19</sup> Dix feels that employee loyalty is hard to gauge when "the majority of our members feel the employer is in a stronger bargaining position", but does note that "when a company has experienced difficulties our members have always come to the party and accepted shorter working hours to get over the tough times."<sup>20</sup>

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<sup>13</sup> Interviews with Murray Rae and Phillip Oldham.

<sup>14</sup> Interview with Murray Rae.

<sup>15</sup> Interview with Murray Rae.

<sup>16</sup> Correspondence with Ida Dix.

<sup>17</sup> Interviews with Murray Rae and Phillip Oldham.

<sup>18</sup> Interview with the HR Manager at Company X.

<sup>19</sup> Correspondence with Glenn Keen.

<sup>20</sup> Correspondence with Ida Dix.

Rae does not consider there is much employee participation in the clothing manufacturing industry<sup>21</sup>. Dix emphatically supported this view, stating "there is no employee participation in the industry from our members."<sup>22</sup> Company X would seem to be breaking this mould a little with its current introduction of participation schemes at all levels of the organisation.<sup>23</sup> The company feels that the legitimacy afforded these schemes is already leading to more constructive, high trust relationships with its staff and unions. A recent example was an agreement by workers and unions to shift to a four day week during what was felt to be a seasonable drop in demand. This agreement came after full and open discussions between all the parties.<sup>24</sup> The degree of participation at LWR varies significantly between the various companies that make up the organisation. There is "team briefing" throughout LWR's subsidiaries, with some companies doing little more than this. Others, for example Argyle Fabrics and Superfit, are said to be "very advanced in a consultation model."<sup>25</sup>

Some New Zealand clothing manufacturers are beginning to give more attention to group-based work redesign. Company X has recognised the potential of group work, particularly the positive impact it can have on quality.<sup>26</sup> Company V is also practising group-based production, under the title "modular-manufacturing", as part of its drive toward ISO certification.<sup>27</sup> Karl (1994) discusses Tricot Corporation, where large amounts of production have been arranged around modules of three or four machinists. These machinists work in an area containing all the machines necessary to produce a particular garment. This approach requires that workers be able to operate several machines, thereby raising the importance of training. The benefits accruing to Tricot Corporation from this reorganisation include higher quality, an ability to produce more styles, and a greater capacity to keep up with market changes (Karl, 1994). Consideration of this type of manufacturing was recommended in Australia in 1990 by a Tripartite Overseas Mission from the textile, clothing and footwear industries. The mission cited successful application of team-based manufacturing at companies like Clarks Shoes and Meritina Ladieswear in the UK, the Textile Clothing Technology Corporation in the USA, and Bonds Industries and the King Gee Clothing Company in Australia (Textile, Clothing and Footwear Industries Tripartite Overseas Mission, 1990).

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<sup>21</sup> Interview with Murray Rae.

<sup>22</sup> Correspondence with Ida Dix.

<sup>23</sup> Interview with the HR Manager at Company X.

<sup>24</sup> Interview with the HR Manager at Company X.

<sup>25</sup> Correspondence with Glenn Keen.

<sup>26</sup> Interview with the HR Manager at Company X.

<sup>27</sup> Correspondence with the HR Manager at Company V.

Boxall (1993: 160) notes that some employers have:

...exploited their new freedoms under the Employments Contracts Act to take advantage of the ignorance of some workers with respect to their rights or to impose lower wages on less skilled workers whose alternative employment opportunities are few and far between.

Rae and Oldham confirm that some clothing manufacturers have done this, and with 700-800 firms in the industry this isn't surprising.<sup>28</sup> Dix adds that "since the Employment Contracts Act some employers have played on the workers' vulnerability in order to reduce or do away with penal rates, extend their working hours, not negotiating with the workers' chosen representative etc."<sup>29</sup> In Rae's opinion these are typically smaller firms who are not members of the Apparel and Textile Federation. This body provides free advice on such matters, and tries to promote a responsible attitude.<sup>30</sup>

### Constitutional, consultative ...?

This discussion relates primarily to management style toward production staff, the vast majority of employees in the industry.<sup>31</sup> Most companies in the clothing industry have only one or two salaried staff so drawing conclusions here is difficult. Of the larger companies examined for this paper, Company X and Newlandia appear to have a similar style towards both wage and salary staff. LWR reports better commitment and loyalty from its senior salaried staff, and this may be indicative of a different management style towards these people. More detailed research would be required to draw definitive conclusions.

The information gathered would suggest that many medium and large firms within the industry fit into Purcell and Gray's (1986) constitutional management style. In these firms employees tend to be regarded as a factor of production, while a union presence is, for the most part, accepted. The situation at Company Y would seem typical of this. The company's attitude toward human resource management was summarised as "empowering managers to optimise performance from their human resources", while relations with the unions are said to be "stable" with "no particular problematic issues." Furthermore, training opportunities for most of Company Y's staff are "limited at this stage", with "little structured training in place."<sup>32</sup> About 75 percent of the members of the North Island Clothing and Allied Workers Union are covered by collective contracts<sup>33</sup>, further evidence of a constitutional style.

<sup>28</sup> Interviews with Murray Rae and Phillip Oldham.

<sup>29</sup> Correspondence with Ida Dix.

<sup>30</sup> Interview with Murray Rae.

<sup>31</sup> Interviews with Murray Rae and Phillip Oldham.

<sup>32</sup> Correspondence with the General Manager at Company Y.

<sup>33</sup> Correspondence with Ida Dix.

Company X is a significant exception to the constitutional generalisation. It identifies its staff as its most important resource, and believes the relationship between the company and its staff is very positive. Rewards are made contingent on both individual and group performance, and workers at all levels are consulted on major decisions both informally, and increasingly, formally. Company X encourages union membership, acknowledging the benefits to both employees and the company of the good representation and information provided by the unions. Unions are regularly involved in decision-making at all levels and the company views them as strategic business partners.<sup>34</sup> Unfortunately, the need to maintain confidentiality prevented this opinion being corroborated with the relevant unions.

Company Z has union participation through its consultative committees.<sup>35</sup> Company Q's high level of consultation with staff would seem to remove it from the constitutional category as well. Here, however, there is no union involvement. In fact the only time the unions are involved at Company Q is the annual contract negotiations.<sup>36</sup> More investigation of employee relations at Company Q would be required to classify it accurately in Purcell and Gray's (1986) typology.

Company X sees employee development as very important. The company provides sophisticated training and development, using outside consultants where necessary. At present attention is being focused on communication skills at all levels of the organisation, with the acknowledgement that good two-way communication is critical to a well-informed, well-represented workforce who can meaningfully participate in the business.<sup>37</sup> Company Z also places considerable emphasis on training for staff of all levels. Most training is provided "in-house", with outside consultants called upon where necessary.<sup>38</sup>

Thus Company X and Company Z appear to be high in individualism, emphasising their employees as a resource, considering individual workers feelings, trying to develop their capacity, and rewarding merit. They also rate highly in collectivism, with their workers' collective bodies, unions, not only being recognised, but being part of constructive, strategic, relationships. If this information is accurate, Company X and Company Z fit neatly into the consultative "box" of Purcell and Gray's (1986) framework.

Another firm which does not fit the constitutional "box" is Carterton-based leather garment manufacturer Newlandia. Subsidised staff housing, a well-equipped staff room and a somewhat paternalistic founding figure at the helm give the impression of a benevolent traditional firm in the mould of the welfare capitalists from the turn of the century (Crossley, 1991). However, worker participation is encouraged: "listening to what people have to say is of prime importance to Koers (the owner)" (Crossley, 1991: 37). Also,

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<sup>34</sup> Interview with the HR Manager at Company X.

<sup>35</sup> Correspondence with the HR Manager at Company Z.

<sup>36</sup> Correspondence with the General Manager at Company Q.

<sup>37</sup> Interview with the HR Manager at Company X.

<sup>38</sup> Correspondence with the HR Manager at Company Z.

because of a strong link between pay and performance, workers can earn well above market rates. More detailed investigation, particularly into the degree of "legitimacy" afforded to worker participation, would be required to establish more accurately the company's position within Purcell and Gray's (1986) framework.

Amongst smaller firms, the constitutional style seems very common. Union membership is still quite high, but the union's presence is tolerated rather than encouraged. Management aims to utilise/exploit labour as an efficient resource, with as little disruption or outside influence as possible. Training and development are minimal, tending to focus on immediate needs, and avoided if possible through the hiring of trained staff.<sup>39</sup> The existence of a significant number of firms with the traditional management style seems likely given the presence of a large number of owner-operated businesses with just the owner and his/her machinists,<sup>40</sup> and the acknowledgement of a significant non-unionised workforce.<sup>41</sup> Many CMTs are likely to fall within this category, as are the "sweatshops" identified by Rae and Oldham.

### Concluding comment

The results of this research indicate that signs of the sophisticated HRM model (Katz, 1993; Purcell, 1993) can be seen in some, typically large, New Zealand clothing manufacturers. Direct participation by workers and unions, teamwork, performance-based pay and extensive training are all key elements in the human resource strategies of Companies X and Z. However, the dominant patterns in this industry of predominantly small firms appear to be Purcell and Gray's (1986) constitutional and traditional management styles.

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<sup>39</sup> Interviews with Phillip Oldham and Murray Rae, and correspondence with Ida Dix.

<sup>40</sup> Interview with Phillip Oldham.

<sup>41</sup> Interview with Murray Rae.

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