

*Labour under Industrial
Restructuring in Hong Kong
A Comparison of Textiles and Garments*

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HK\$20.00
ISBN 962-441-021-6

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Acknowledgements

The authors wish to thank Mr. Chow Tung-shan and Mr. Francis Ho of the Labour Department for assistance and Dr. Alan F.K. Siu for his helpful comments on a draft of the paper. A different version of this paper is to appear in Jeff Harrod and Stephen Frenkel (eds.) *Labor Management and Industrialization in the Late Twentieth Century: Cross-national Perspectives* (provisional title), forthcoming.

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ISBN 962-441-021-6

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Abstract

In this paper we attempt to present some basic information on the patterns of industrial restructuring and their impact on labour and industrial relations in the textile and garment-making industries in Hong Kong. We review the historical development of the two sectors and delineate the process of restructuring in the 1980s. While there are some basic similarities between the two industries in their strategies and patterns of restructuring, the contrasts are equally remarkable. We argue that, while textiles restructures by becoming more capital-intensive, garment-making continues to rely on the labour-intensive methods of production, surviving by a high level of marketing and production flexibility. We also find interesting similarities and differences in the impacts of restructuring on the employment conditions and industrial relations. On the one hand, industrial conflicts increased for both industries during the period of heightened restructuring activities. On the other hand, real wages dropped in garment-making, while they increased in textiles in the 1980s. In the conclusion we discuss the merits and limitations of three general perspectives in understanding the restructuring of Hong Kong industries. While the world economy and statist perspectives both sensitize us to the similarities in the restructuring process of the two industries, we propose an alternative economic culture argument to capture the contrasts. We suggest that the distinctive institutional configurations of each industry, namely, the combination of economic and technological structure, patterns of ownership and management, and the character of labour and industrial relations, might help to account for the comparative differences in the patterns of restructuring and the divergent impacts on workers.

The postwar economic transformation of Hong Kong from a centre of entrepôt trade into a dynamic industrial economy is now a well-known story although the explanation for this in-

dustrial take-off remains contentious. Some stress the crucial role of a *laissez-faire* state policy and free markets (Friedman and Friedman, 1980), others the stimulus of the world economy and the changing international division of labour (Henderson, 1989; So, 1986), and still others the influence of neo-Confucianist values or Chinese "entrepreneurial familism" (Berger, 1986; Wong, 1991). These are neither exhaustive nor necessarily mutually exclusive explanations but in any case most of the relevant studies of Hong Kong's economic transformation have focused largely on the problem of explaining the expansion of manufacturing from the 1950s through the 1970s. Relatively less attention among published studies has been given to the qualitatively different phase of development since then (exceptions are Lui and Chiu, forthcoming; Sit and Wong, 1989). From the late 1970s Hong Kong manufacturing industries have faced challenges on a number of fronts and have been compelled to undergo a process of restructuring in order to remain competitive in world markets.

This paper is an exploratory study of the nature of this restructuring process and its impact on labour and industrial relations in textiles and garment-making, two of the most important industries in Hong Kong's postwar economic success story.¹ Our interest is in the process of industrial restructuring, the strategies pursued by manufacturing firms in restructuring their operations, and the effects of this process on workers and organized labour in these two industries. The first section outlines three perspectives on restructuring and considers their merits and limitations for understanding the nature of industrial restructuring as applied to Hong Kong. The second section reviews the historical development of the textile and garment-making sectors. The third section turns to the restructuring process in these two industries over the past decade, noting the sources and timing of pressures for restructuring and the forms this restructuring took. The fourth section reviews data bearing on the effects of restructuring on the welfare of labour including employment insecurity and wage levels. The fifth section discusses the impact of restructuring on

industrial relations through an analysis of trends in industrial conflict and changes in union membership. In the conclusion some salient aspects of the restructuring process in Hong Kong will be highlighted and the differences between the two industries will also be discussed.

Perspectives on Restructuring

One obvious starting point for the analysis of the process of industrial restructuring is the capitalist world economy perspective (So, 1990). This perspective, in taking the world economy as the relevant unit of analysis, emphasizes the ways in which the nature of economic linkages between the developed capitalist economies and the less developed economies condition the latter's capacities for economic development. In this respect, Hong Kong along with the other three "little dragons" are cases that fit the "dependent development model." The growth of their export-oriented manufacturing sectors has been dependent on economic growth and policies of the major importing countries including North America and the European Economic Community (EEC). By the same token, the restructuring of the economies of the newly industrialized countries (NICs) is, in this view, forced upon them by a combination of economic and political imperatives emanating from the developed capitalist economies. The proposition that follows from this perspective is that the evolution of industries in the newly industrialized economies of Asia — both their past development and their forms of restructuring — are determined by the economic and political opportunities and constraints set by developed capitalist economies. An international political economy perspective is obviously important for understanding the sources of Hong Kong's industrial development and restructuring. Yet it seems to be less useful for understanding how restructuring occurs because it has less to say about the influence of factors internal to each country or to particular industries on the

process of restructuring.

This then leads to the second perspective called the "statist perspective" or the "developmentalist state perspective" (Applebaum and Henderson, 1992; Clark, 1989: 35-42; Deyo, 1987). In this perspective, mediating between the international political economy and the activities of local producers are states or national governments which formulate industrial policies that largely determine how local producers respond to the changing international economy. Thus, it is the state that plays the key role in determining the form, the process and the outcomes of industrial restructuring. The state for example may induce or force rationalization of the domestic industry such as the merger of smaller producers into larger units of production to enable an industry to remain internationally competitive. The central proposition in the statist perspective would be that the process of transformation of economic structure is determined largely by the strategies of developmentalist states that respond to changes in the world economy by searching for market niches. There is no question that developmentalist states (or what are sometimes called "bureaucratic authoritarian industrializing regimes") in Asia have played a major role in the postwar period in shifting industrial policy from import substituting industry (ISI) to export oriented industry (EOI) strategies in ways that fostered the development of certain manufacturing industries and that states in Singapore, Taiwan and Korea have played a major role in shaping industrial restructuring (Deyo, 1987).

But there would appear to be two problems with this perspective. First, even if developmentalist states played a prominent role in the industrial takeoff, it is not clear that they are always able to get their way with industrialists or that their strategies will always be effective in the period of restructuring. As industrial capital matures, its autonomy and resource availability tends to grow. The state's capability to influence business decisions regarding restructuring is hence likely to be more limited than in the earlier stage of industrial development. Secondly, it is doubtful whether

the notion of the developmentalist state applies to Hong Kong. The Hong Kong colonial state has not played historically the role of facilitating the development of particular industries or of engineering the current restructuring. Its strategy, sometimes labelled as "positive non-interventionism," means not playing any favourites when it comes to capital investment and restructuring although it does play an indirect role in providing services supportive of industry. Still, even under this approach of economic management, the legal and regulatory environments are important considerations in firms' restructuring calculations. Perhaps more importantly, the actions — and inactions — of the government also conditioned the responses of local firms to international market pressures as well as the impact of restructuring on labour. Instead of an exclusively statist perspective, this paper shall explore the efficacy of a more general "political economy" perspective in examining the connections between restructuring and state policies.

The statist and "political economy" perspectives seek to deepen the world economy perspective by pitching their analysis at the national level in order to understand how states react to international market changes. We, on the other hand, think that a lot of things also happen below the national level. For this reason we propose a third perspective which for want of a better name we shall call the "economic culture" perspective. This is admittedly a vague concept but what we have in mind is the role of the distinctive institutional configurations of particular industries in shaping the form and process of industrial restructuring. "Distinctive institutional configurations" here refers to the ways in which the combination of economic and technological structure, patterns of ownership and management, and the character of labour and industrial relations interact over time to produce distinctive industrial environments or industry cultures. This perspective generates the orientating proposition that the strategy and process of industrial restructuring will differ among industries depending upon their historically derived economic cultures. In short, there

will be different “recipes” for restructuring associated with different industry characteristics. It is for this reason then that we have chosen to engage in a comparative analysis of restructuring in the Hong Kong textile and garment-making industries. We believe there are sufficient grounds for assuming that the economic cultures of these industries differ in terms of their histories, economic structure and technological development, managerial styles and practices, and industrial relations to warrant asking in what ways these variables have shaped the dynamics of industrial restructuring.

The Postwar Expansion of Textiles and Garment-Making in Hong Kong

To understand how the textile and garment-making industries came to develop in Hong Kong, we need to start with the development of the textile industry in China. Chinese textile manufacturing began in the 1880s in the treaty ports of Shanghai, Qingdao (in the province of Shandong) and Tianjin and by the 1920s textiles was China’s leading manufacturing industry with 118 cotton mills operating 3.8 million spindles and 24,000 looms (Clairmonte and Cavanagh, 1981: 189). By the 1920s, Chinese-owned knitting and weaving factories were operating in Hong Kong. A 1939 survey identified 133 knitting factories employing some 6,745 workers and 82 weaving factories employing some 6,151 (Butters, 1939). There was one attempt to establish a spinning mill in the prewar period but this was eventually liquidated.

The end of the war with Japan did not bring political stability to China as civil war erupted between the Nationalists and the Communists. Chinese textile industrialists who survived the war restarted their operations in Shanghai but faced growing state intervention and competition from the Nationalists who took control of former Japanese-owned mills, rationed cotton, and imposed prices controls. When several Shanghai capitalists were

prosecuted for violating government regulations, “they began to look for a safer cover so as to preserve their industrial strength” (Wong, 1988: 19). By the late 1940s, a number of cotton spinners were leaving China and relocating their operations in Hong Kong because of its “accessibility, stability, and relative absence of government regulations in economic life” (Wong, 1988: 40). In so doing, they brought with them skills and experience in operating spinning factories, machinery and capital.² A further point relevant to the later restructuring of spinning is the location of the new Hong Kong mills. Most were located in Tsuen Wan or Kwun Tong which at that time were considered to be relatively rural areas and hence where land was relatively cheap. From an initial 6,000 spindles and 100 workers in 1947, the cotton spinning industry had grown to 132,000 spindles and 7,400 workers three years later. The textile industry in 1950, including cotton spinning, weaving, finishing and knitting was comprised of 450 establishments employing 25,000 workers or about 30 per cent of the labour force at that time. By contrast, the clothing industry had only about 40 factories employing less than 2,000 workers (Advisory Committee on Diversification (hereafter abbreviated ACD), 1979: 41).

The period between 1960 and the mid-1970s was one of expansion of the textile sector although the rate of growth slowed in the early 1970s with the growing use of man-made fibres. There was however a growth spurt in the mid-1970s caused by the denim boom.³ By 1960, the spinning sector had 490,000 spindles and employed some 16,000 persons. Employment peaked in 1975 at about 26,000 workers. The number of installed spindles peaked the following year at 900,000 as did yarn production at 517 million pounds. Between 1970 and 1976, output grew faster (7.8 per cent per annum) than employment (2.9 per cent per annum) or the number of spindles (3.9 per cent per annum) due largely to the increasing use of open-end spindles. However, between 1976 and 1978, employment fell from 25,400 to 21,000 and spindles declined from 900,000 to 848,000.

Weaving followed a more or less similar pattern of expansion. Employment in weaving rose from 24,600 in 1960 to peak at 37,000 in 1976, then falling to 30,400 in 1978. However, the number of looms increased from 17,000 in 1960 to 31,000 in 1976 and continued to rise to 40,000 in 1978. Output increased from 428 mn. sq. yards in 1960 to 1,110 mn. sq. yards in 1976, indicating growing worker productivity. The finishing sector (bleaching, dyeing, printing and finishing of yarns and fabrics) increased from 3,700 workers in 1960 to 17,700 in 1976 and rose to 18,380 in 1978.⁴

By 1960, the clothing sector was solidly rooted with 689 establishments accounting for 12.9 per cent of all manufacturing establishments. The industry in that year employed 42,200 persons or 18.8 per cent of the total manufacturing workforce. By 1975, the clothing industry was comprised of 6,554 establishments or 21.1 per cent of all manufacturing establishments and employed 229,300 or 33.8 per cent of total manufacturing employment. Establishments continued to increase up to 1978 as did employment. Exports of textile clothing in current prices grew at 16.3 per cent per annum during the period 1960 to 1978 and 17.7 per cent per annum during the period 1968 to 1978. Over 60 per cent of total value of exports between 1968 and 1978 were accounted for by the US, the Federal Republic of Germany and the UK (ACD, 1979: 46-48).

The Restructuring of Textiles and Garment-Making

In the late 1970s, textiles and garment-making were two of Hong Kong's most important industries. In 1976, for example, garment-making and textiles employed 31.6 per cent and 17.7 per cent respectively of all workers engaged in manufacturing establishments. Together they also accounted for some 20 per cent of the labour force in the same year (*Hong Kong Annual Digest of Statistics*, 1985: 30). In 1978, textiles contributed up to 3.6 per cent of the Gross Domestic Product and garment-making accounted

for over 6 per cent.⁵ In 1978, the combined export value of the two industries was over HK\$26 billion, accounting for some 47.2 per cent of Hong Kong's total exports (19.3 per cent for textiles and 27.9 per cent for garment-making).⁶ Textiles and garment-making had been the motor of Hong Kong's industrialization, and by the late 1970s no other industries matched their importance in the economy.

Nevertheless, there was an accumulating set of problems facing both of these industries: protectionism, rising labour costs, and newer lower-cost competitors. The first set of problems had its origins in the early 1960s, with the beginning of constraints on further growth arising from various restraints imposed by the developed economies on exports from Hong Kong and other Asian NICs. During the 1950s, textiles and clothing had benefitted from the relatively free access to major overseas markets. This was the result of trading arrangements such as the UK preferential tariff treatment to imports from the commonwealth countries, the rights enjoyed by virtue of UK's membership of General Agreement on Tariffs and Trade (GATT), and the 1958 Code of Liberalization of member countries of the Organization for European Economic Co-operation, to which the UK belonged, that progressively relaxed import restrictions.

With the emergence of Hong Kong as one of the lower cost competitors in textiles and clothing, the GATT's Most Favoured Nation (MFN) principles of trade on the basis of non-discrimination came under pressure from the developed capitalist countries concerned about protection of their domestic industries. The textile industries in these countries began to press for measures to minimize "disruption" caused by lower-priced imports. A number of instruments for controlling international trade in textiles ensued. The first of the multilateral instruments was the 1961 Short Term Arrangement Regarding International Trade in Cotton Textiles followed in 1962 by a five-year Long Term Arrangement Regarding International Trade in Cotton Textiles. This was then replaced in 1974 by the more comprehensive Arrangement

Regarding International Trade in Textiles (the Multi-Fibre Arrangement or MFA) which has since been extended. There was also a growing number of bilateral agreements negotiated between Hong Kong and the more developed economies during this period (ACD, 1979: 51-56). These various arrangements provided means by which countries seeking protection were able to impose restraints on exports in the form of quotas applied to the NICs but with some provisions for flexibility in these arrangements. The Hong Kong Government had little choice but to accept these arrangements although it was successful in pressing for the right to administer the quota control system for Hong Kong.

The problems created by these external restraints were publicly acknowledged by the Governor of Hong Kong in October 1977 when in his address to the Legislative Council he referred to the restrictions faced by textiles and clothing which "add new urgency to the long term desirability of broadening our industrial base" (quoted in ACD, 1979: 1). Shortly afterwards he appointed the Advisory Committee on Diversification which was required, among other things, to consider "the past, present and likely future course of the regulation of international trade in textiles and the implications for the growth of the economy."

The second set of problems arose from the supply side rather than the demand side. Hong Kong's comparative cost advantage in drawing upon cheap and abundant labour was gradually eroding as a result of almost three decades of uninterrupted growth. The third set of problems was growing competition from lower cost competitors, especially in Southeast Asia and South Asia where labour costs were much lower. The lower costs in these countries plus the fact export restraints in textiles did not yet exist for these countries encouraged Japanese and Hong Kong Chinese textile companies along with some indigenous entrepreneurs to invest in production facilities in places such as Thailand, Malaysia, and the Philippines.

Two specific events in 1977 were to have an immediate impact on restructuring decisions. The first was the Multi-Fibre Arrange-

ment between Hong Kong and the US under which Hong Kong would "voluntarily" restrict growth in exports of certain "sensitive" categories. The second was the EEC's imposition of further restrictions on Hong Kong's textile exports and cuts in Hong Kong's export quotas. One journalist commented as follows on the effects of these protectionist measures on the local textile industry:

This injustice [of protectionism] has undermined Hong Kong's confidence in the textile industry. A leading spinner was subsequently lured away into property development and closed its spinning and weaving operations, touching off a series of acts of retrenchment and closure of several other spinners. That was the darkest hour of the Hong Kong textile industry.⁷

This comment also points to an internal inducement to the restructuring process: the lure of the property boom in the late 1970s. Given Hong Kong's limited supply of land, the real estate industry had generally prospered. The growing population and the recovery from the 1974-75 recession stimulated a new boom in commercial and residential property development. It affected the textiles industry more acutely than others because most textile firms in spinning, weaving and finishing owned and occupied large tracts of land. While in the early years of industrial development these sites lay outside urban Hong Kong, with the creation of new towns in Kwun Tong and Tsuen Wan, they had become by the late 1970s prime sites for redevelopment. As a result, many land-rich textile firms decided to cash in on the property boom by either liquidating their textile production or moving their operations to other areas of Hong Kong where land was much cheaper, such as the new town of Tuen Mun.

Spinning was the first to restructure. The Hong Kong Cotton Spinners' Association saw its membership shrink from the peak of 33 companies in 1978 to 28 in 1980 and further to 22 in 1982. The total spindlage began its historic slide, with the number of spindles dropping by 10 per cent between 1979 and 1980. The number of workers employed also decreased sharply from 16,695

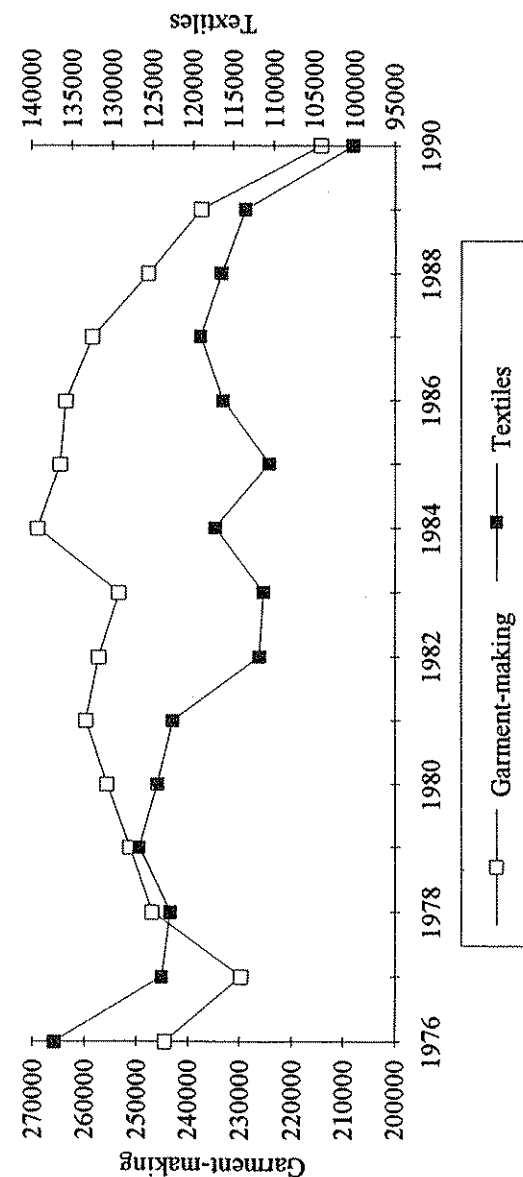
to 14,156, or by 15 per cent, over the same period (see Table 1). Changes in employment in the textile industry as a whole were less dramatic, with the total number of workers engaged fluctuating between 122,000 and 126,000 from 1977 to 1981. However, employment plummeted in 1982 to 111,871 and then stayed more or less at that level throughout the rest of the 1980s (Figure 1). Still, the textile industry declined relative to other sectors. While textiles accounted for 6 per cent of the labour force in 1978, it employed only some 3.6 per cent in 1990 (*Hong Kong Annual Digest of Statistics*, 1985, 1992).

Table 1 The Hong Kong Cotton Spinners' Association Member Mills Statistics

	Number of Mills in Operation	Total Number of Spindles	Number of Workers
1976	32	783,084	18,741
1977	32	772,304	17,675
1978	33	724,272	16,057
1979	31	766,084	16,695
1980	28	687,324	14,156
1981	22	545,376	10,636
1982	21	474,100	8,929
1983	19	401,696	7,825
1984	18	358,036	7,536
1985	16	259,452	6,495
1986	16	278,468	6,868
1987	16	281,188	7,232
1988	15	283,752	7,002

Source: Hong Kong Cotton Spinners' Association (1988).

Figure 1 Number of Persons Engaged in Garment-making and Textiles



Source: Hong Kong Annual Digest of Statistics, various years.

Many spinning firms began to diversify into the real estate business by developing their factory sites into residential and commercial complexes. Thus, in the 1980s, income from property development accounted for a large portion of their profits. For instance, in the case of Nan Fung Textiles Consolidated Company, one of the leading listed textile groups, while textiles remained an important source of profits, real estate also figured prominently, especially in the early 1980s.⁸ Other firms restructured by expanding garment operations, as in the case of South Sea Textiles Manufacturing Company Ltd., whose profits from the garment division assumed an increasing share of total profits during the 1980s.⁹ Some also relocated their production facilities to China whose economy was opening up to outside investment from the late 1970s. However, relocation in textiles was not as extensive as in some other manufacturing industries since textile exports were bound by country of origin rules.

When the textile industry stabilized in the mid-1980s, it was much slimmer than in the late 1970s. Yet with the restructuring of the early 1980s, the industry also became more capital-intensive and efficient; it would be erroneous to consider it to be a sunset industry. Since the protectionist restrictions were quantitative in nature, textile firms invested heavily in machinery in order to economize on scarce labour inputs and to produce high quality products to increase the unit value of their exports. In real terms, additions to fixed assets in the textiles industry in the mid-1980s surpassed the level of the late 1970s.¹⁰ As an official report (Industry Department, 1991: 83) remarked:

The industry has made considerable investments in automation and is capable of producing high quality products efficiently. Computer-aided design (CAD), computer-aided manufacturing (CAM) and intelligent manufacturing systems (IMS), which use computer control technologies to achieve streamlined production and to increase production accuracy and product performance, are widely used.

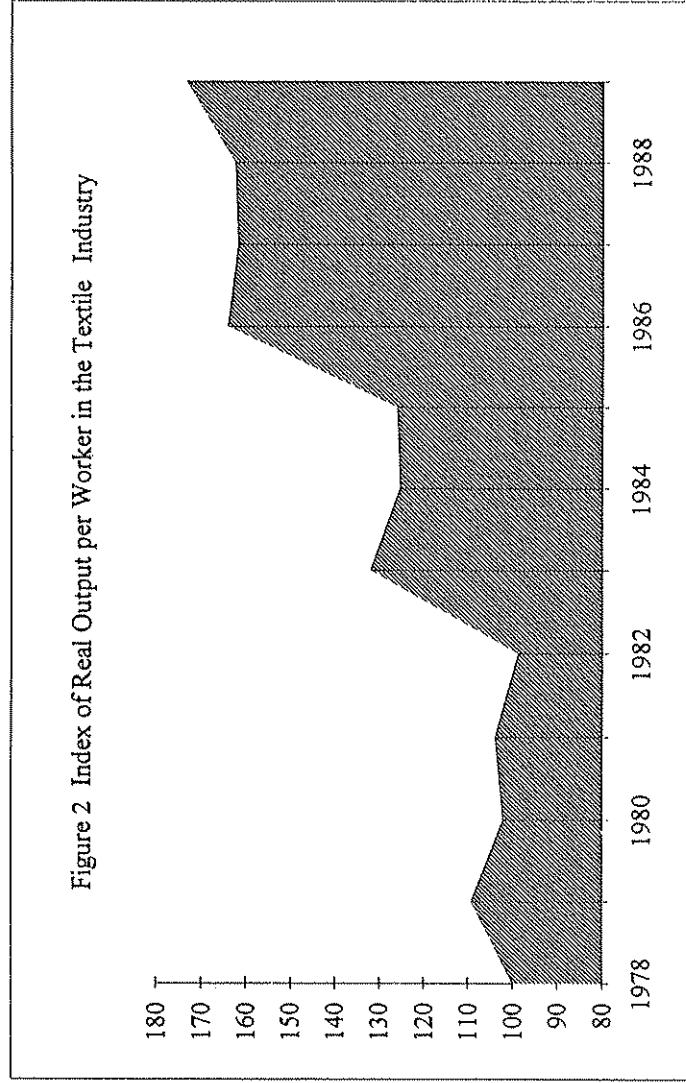
Spinners also used more open-end rotor spinning frames and

weavers used shuttleless looms to increase productivity dramatically.¹¹ Similar productivity gains were also observed in other sectors of the industry. As a result, while the labour force of the industry continued to shrink, output increased as a result of the productivity gains (see Figure 2). Textiles' share in total exports also increased from around 17 per cent in the late 1970s to the 20 per cent level in the late 1980s by producing higher-end products.¹² Moreover, the more gradual contraction of the industry was due to a change in the internal structure of the textile industry. The weight of spinning and weaving in the industry dropped between 1978 and 1989 while the higher value-added knitting and finishing sectors gained in their relative share of employment.¹³

While the textiles industry held up well by restructuring and modernizing production, the garment-making industry experienced restructuring of a different sort. In the early 1980s, garment-making was at its peak. Between 1973 and 1985 Hong Kong was the largest exporter of clothing in the world by value (Industry Department, 1991: 35). At a time when textiles were doing badly, garment-making was performing well, with garment-making firms reporting hefty profits.¹⁴ Total employment in the industry rose from 244,510 in 1976 to 255,677 in 1980, and continued to increase until 1984 when it reached 268,938.

But employment in the industry plummeted after 1986, shedding more than 10,000 workers each year up to 1990 (see Figure 1 above). In 1990, the industry employed only 80 per cent of its peak number of workers in 1986. While garment-making establishments accounted for around 30 per cent of workers employed in all manufacturing establishments throughout the 1980s, its share in the labour force as a whole declined from around 10 per cent in the first half of 1980s to less than 8 per cent in 1990.¹⁵

In contrast with the textile industry, "there are few signs showing that garment-making manufacturers have reshaped the production structure of the industry" (Lui and Chiu, 1992: 9).¹⁶ Restructuring in the garment-making industry has mainly taken



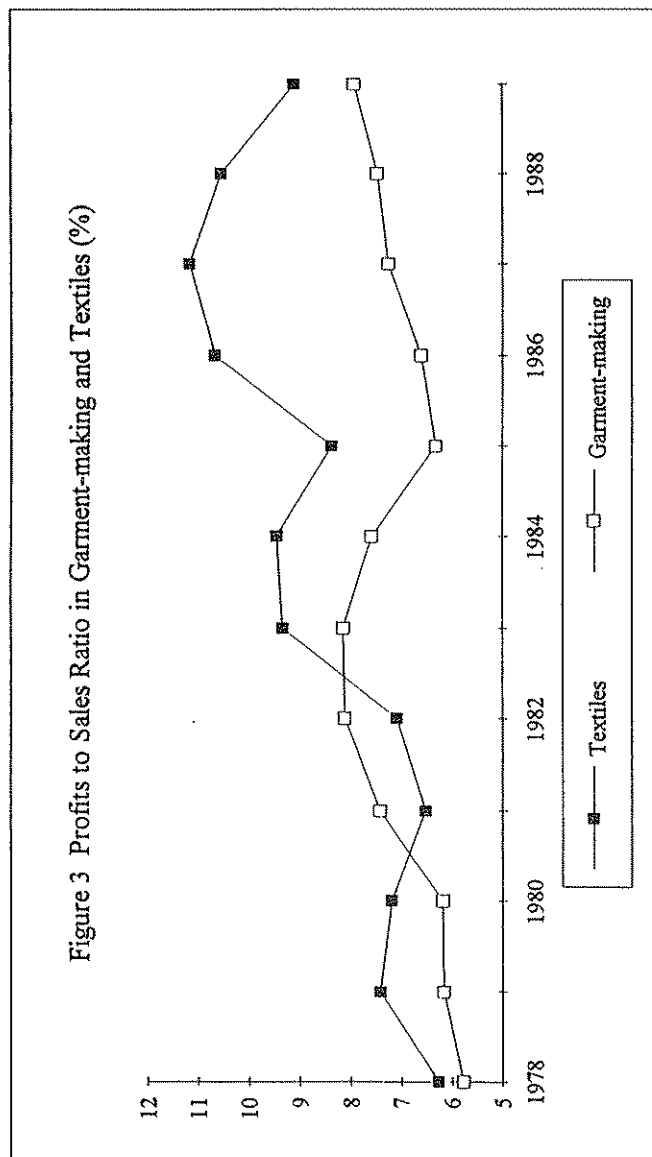
Source: *Survey of Industrial Production*, various years.

Note: (1) The output per worker index is deflated by the implicit price deflator of Gross Domestic Product at constant 1980 prices.

(2) Index = 100 in 1978.

the form of increasing flexibility in production. For example, local garment firms have been able to compete in the volatile international market by keeping a short production lead time between the placement of order and delivery (Kurt Salmon Associates, 1987: 144). Garment firms also maintain their competitiveness by relying more on the global commercial network to gather information on the latest market changes and reacting accordingly. Furthermore, one source of strength of the local garment industry has been its ability to make extensive use of outworking and subcontracting which similarly enhance its flexibility. For example, in a government survey of manufacturing industries, some 68.7 per cent of clothing firms reported having subcontracted locally in response to difficulties in filling job vacancies.¹⁷ Automation, on the other hand, has not been a viable option, since most garment-making firms are small in size.¹⁸ Other studies also show that the use of subcontracting and outwork among garment firms, especially small- and medium-sized ones, has increased in the 1980s.¹⁹ Finally, restructuring has also taken the form of relocating to low-cost areas in China or overseas. As in textiles, however, garment-production has remained tied to Hong Kong due to the rules of origin associated with the quota system.²⁰

Hence while both the garment-making and textiles industry experienced considerable "downsizing" in employment, the pattern of restructuring in the two industries differed. Garment-making continued to rely on its renowned flexibility and international commercial networks to compete and survive on a smaller scale, while textiles reduced considerably the labour content of its production by investing heavily in more advanced machinery. We can gauge the contrasting performance of the two industries by comparing their labour productivity. Both industries improved their productivity considerably in the 1980s, but textiles outperformed garments by increasing output per worker by 3.3 times versus a 2.3 times increase in garment-making from 1980 to 1989.²¹ As a result of the restructuring, the bottom line of textile firms improved significantly. The ratio of profits to



Source: *Survey of Industrial Production*, various years.

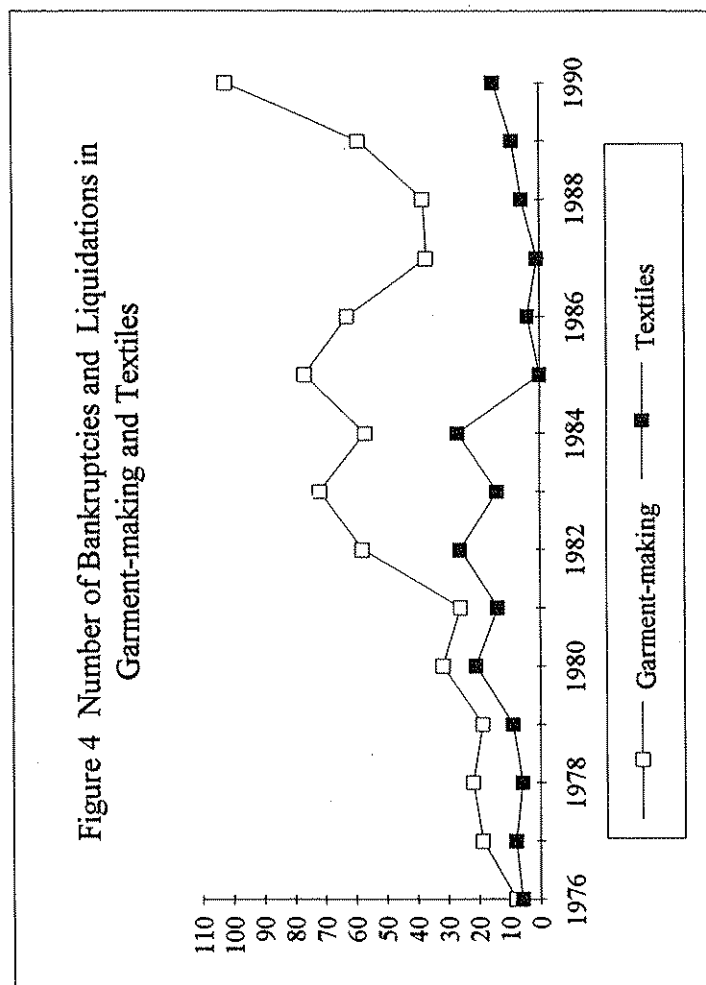
Note: Profits are estimated by deducting compensation to employees from value-added.

sales increased from between 6-7 per cent in the 1978-1980 period to around 10 per cent in the late 1980s (see Figure 3).²² By contrast, the garment-making industry saw its profits to sales ratio fall from the peak of 8 per cent in 1982-83 to around 6-7 per cent in the ensuing years.

Impact on Labour's Welfare

How did the process of restructuring affect the welfare of labour in the two industries? As in other countries, while restructuring processes "in work organization may provide 'flexibility' for management, they tend to bring with them increased instability and insecurity for employees" (Harrison and Bluestone, 1988: 13). One immediate effect of firms' reducing their scale of production or reorganizing production by closing down existing plants was job losses. Between 1981 and 1982, over 10,000 workers were forced to leave the textile industry (see Figure 1). Member mills of the Spinners' Association shed half of their workforce between 1979 and 1982. Garment-making had 50,000 fewer workers in 1990 than in 1984. In a few cases, decisions by spinning firms to close down their mills in order to vacate the factory site for redevelopment resulted in mass retrenchment. Even textile workers in the early 1980s and garment workers in the late 1980s who retained their jobs undoubtedly experienced a heightened sense of job insecurity.

Accompanying the restructuring process in these industries was a jump in the number of bankruptcies and liquidations among garment and textile firms. Workers not only lost their jobs in these cases but sometimes their wages and severance pay as well when employers defaulted. This was particularly true for the garment industry. Figure 4 shows that the number of bankruptcies and liquidations in textiles and garment-making rose in the 1980s. There was a smaller number of bankruptcies and liquidations among textile firms while most of those in the weav-



Source: Registrar General Annual Report, various years.

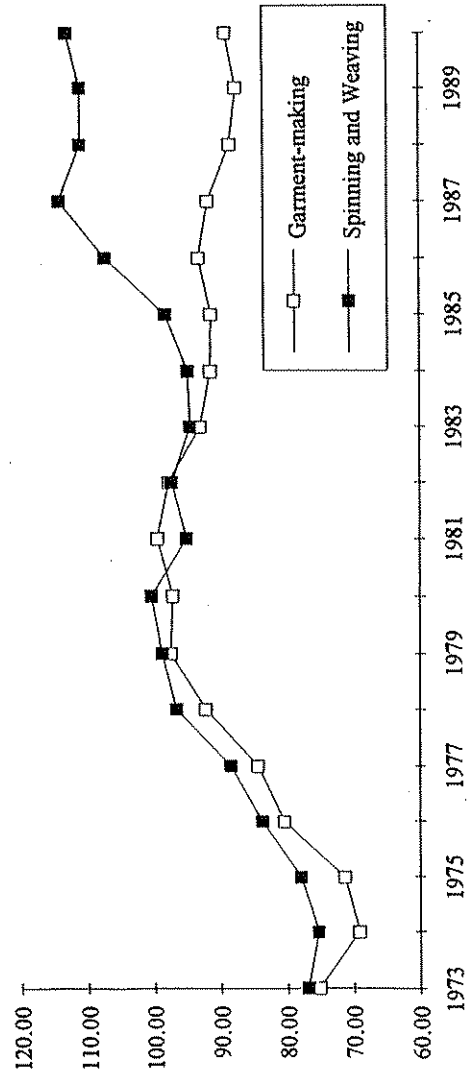
ing and dyeing sector were concentrated in the first half of the 1980s. The garment-making industry experienced a much higher number of bankruptcies and liquidations after 1981, reaching a record 102 cases in 1990.²³ These bankrupt firms left behind sizeable liabilities, including arrears of wage and severance payments. As a government report pointed out:

Sudden insolvency of employers creates serious distress and financial hardship to employees and their families. Even if dividends are available for distribution, they often come many months later and besides, do not necessarily result in full payments of their entitlements. (Working Group on Problems Experienced by Workers of Companies in Receivership, 1983: 11)

Between 1981 and 1990, bankrupt textile and garment firms accumulated total liabilities of HK\$288 million and HK\$1,526 million respectively, an average of HK\$2.6 million and HK\$2.5 million per bankrupt firm.²⁴

Wage changes for those workers who remained employed serve as another indicator of the effects of restructuring on workers' welfare. While nominal wages continued to rise in both industries during the 1980s, the picture changes once nominal wage increases are discounted by the inflation rate. We have plotted the real wage indexes of the garment-making and cotton spinning industry, divided into two separate wage indexes, one for craftsmen and operatives and the other for middle-level (supervisory, clerical and technical) employees.²⁵ In the case of craftsmen and operatives, real wage trends for the two industries show a contrasting pattern (see Figure 5). Cotton spinning and weaving workers saw little improvement in real income in the 1979-84 period (and suffered a temporary drop in real income in 1983-84 as a result of the slump in business) but experienced considerable improvement in subsequent years. Garment workers fared worse as their real incomes deteriorated over the 1980s.²⁶ This is perhaps a result of the different restructuring strategies of these industries and their different market situations. The spinning industry modernized their plants and machinery while gar-

Figure 5 Indexes of Daily Real Wages of Craftsmen and Operatives in Garment-making and Textiles (March 1982 = 100)



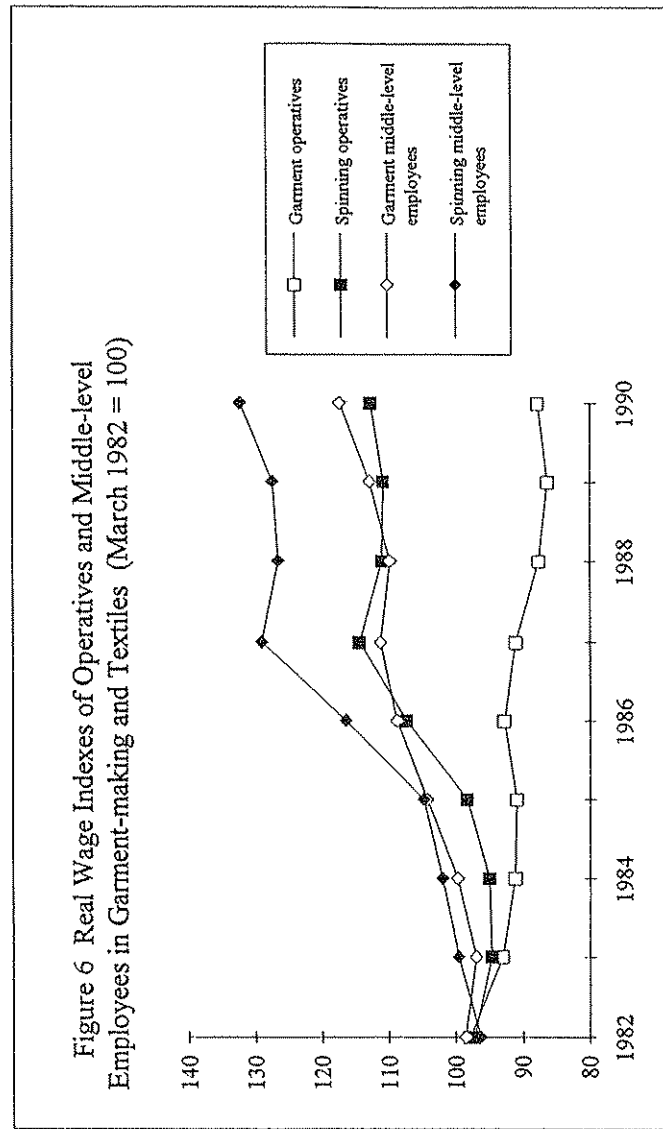
Source: Hong Kong Annual Digest of Statistics 1983, 1992.

Note: The indexes are created by linking two wage indexes compiled by the Census and Statistics Department. For the differences between the new and old indexes, see Census and Statistics Department (1982).

ment firms continued their labour-intensive methods of production. Facing severe international competition and declining profit margins (see Figure 3 above), garment firms could not afford to pay their workers above the inflation rate.

The second trend in the wage movements of the two industries in the 1980s was the accentuation of internal stratification within the industrial labour force. There were two manifestations of this trend. First, there was a widening gap between middle and lower level employees. This pattern was clearest in the garment-making industry. While lower level workers saw their wages being eroded by inflation (down by 9.1 per cent from 1982 to 1990), their middle level co-workers still received substantial increases in real wages (up by 19.5 per cent) (see Figure 6). Although the disparity in real wage increases could be observed in both textiles and garment-making, a widening gap was more visible in the latter. Restructuring in the two industries thus further stratified the labour market by rewarding middle-level employees more than production workers. It can be inferred, therefore, that restructuring made supervisory, clerical and technical employees more important in the firms' operations.²⁷ For example, since flexibility in garment-manufacturing depended on obtaining as much market information as possible and relying more on international commercial networks to react to market changes swiftly, clerical and non-production workers became more important. Similarly, when textile manufacturing became more automated and capital-intensive, the value of technical personnel increased to the firms.

Second, restructuring also aggravated the inequalities between the sexes in the labour market. As shown in Table 2, there was a slow, but unmistakable, trend of growing wage disparities between male and female operatives. In 1979, for example, a female worker in garment-making earned HK\$26.7 each day (excluding fringe benefits), while her male co-worker earned HK\$29. In 1990, female workers earned HK\$158 daily, while male workers earned HK\$188. Over the decade, basic daily wages for male



Source: Hong Kong Annual Digest of Statistics, 1992

Note: Wage index for 'operatives' also covers craftsmen. Middle-level employees include supervisory, technical and clerical employees. Wage index for operatives refers to average daily wages, while that for middle-level employees refers to their monthly salaries.

workers increased by 6.5 times versus only 5.9 times for female workers. Furthermore, these two sources of inequality (gender and occupation) also reinforced each other. Most of the operatives in the garment industry, for example, were female, while middle-level employees were mostly male.

Table 2 Differentials of Average Daily Wages between Female and Male Workers in Garment-making and Textiles (%)

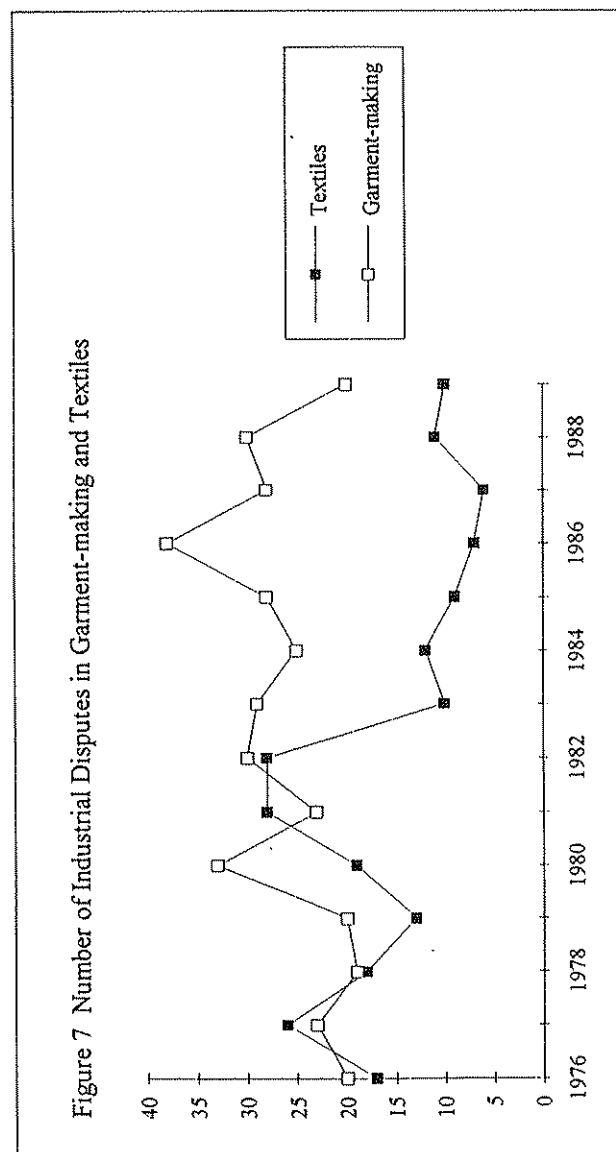
	Garments	Spinning and Weaving	Knitting
1979	92.0	101.3	101.7
1982	86.1	92.3	94.5
1986	86.7	94.7	98.1
1990	84.0	88.3	92.9

Source: Commissioner of Labour, various years.

Note: Figures shown above are ratio of female to male wages.

Restructuring, Industrial Conflict and Trade Unions

Retrenchments, lay-offs and plant closures not surprisingly spurred more industrial conflicts in the two industries. During the period of 1980-82 when restructuring activities of textile firms peaked, the industry experienced a major increase in industrial disputes over previous years (see Figure 7). Even when firms, mostly in spinning, announced intentions to relocate their plants within Hong Kong, disputes arose.²⁸ Since restructuring decisions usually were made without prior consultation with workers, they would become highly apprehensive with the sudden disclosure of such decisions. They would immediately demand severance payments because of their belief that the announcement of relocation decisions was a prelude to companies going bankrupt in which case workers would not be able to obtain any compensation. Such



Source: Unpublished Labour Department records.

Note: Includes both strikes and industrial disputes that did not result in work stoppages.

beliefs were not irrational since cases of companies going bankrupt and leaving workers high and dry were well known to the workers. In the case of textile firms that decided to redevelop existing sites and relocate operations elsewhere within Hong Kong, workers felt it was legitimate to claim compensation beyond their legal entitlement on the grounds that their employers were making massive profits by selling their factory sites.²⁹

In the case of garment-making, the temporal trend was similar to that of textiles, with an increase of industrial disputes in the 1980s compared with the second half of the 1970s. The two industries diverged, however, in the number of industrial disputes from 1982 onward. This also indicated that the period of restructuring and consolidation was lengthier than in the case of textiles, which was concentrated in the first three years of the 1980s. Breaking down the industrial disputes from 1976 onwards by the issues involved showed that the bulk of the disputes were caused by insolvencies, which accounted for 62 per cent of all disputes in the 1980-84 period, and 72.3 per cent in the 1985-89 period (Table 3). This testified to the instability within the industry as it restructured to adapt to the new business environment.³⁰

Table 3 Distribution of Industrial Disputes in the Garment-making Industry by Issues (%)

	A	B	C	D	E
1976-79	21.5	10.8	32.3	10.8	24.6
1980-84	9.1	5.0	62.0	5.8	18.1
1985-89	3.5	2.1	72.3	5.7	16.4

Source: Compiled from unpublished Labour Department records.

Notes: A = Redundancy and retrenchment.

B = Dismissal.

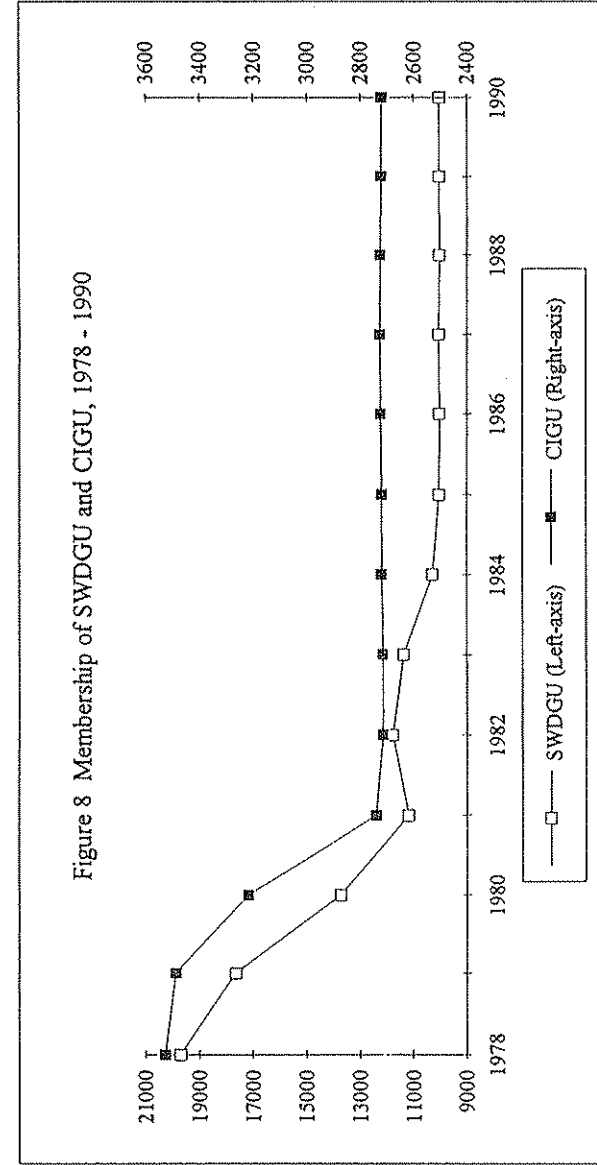
C = Insolvency and cessation of business.

D = Arrears of wage.

E = Others.

The increase of industrial disputes when the two industries restructured reflected in part the nature of industrial relations in the two industries. As in most other industries in Hong Kong, no formal collective bargaining existed between unions and management in textiles and garment-making. As mentioned above, the management unilaterally made all restructuring decisions, even when this led to major retrenchments or plant closures. Under such circumstances, it was not surprising that workers reacted strongly to restructuring decisions. Furthermore, in garment-making the small average size of firms also contributed to the high failure rate and hence was another source of disputes.

Unions were also affected by industrial restructuring. The combined membership of unions in textiles, wearing apparel and leather products was 12.6 per cent of total union membership in 1977.³¹ After 1977, the three industries' share in total union membership continued to fall to 6.5 per cent in 1990. But the impact on unions differed in the two industries. Unions in the textile industry were numerically stronger and better established. By 1980, there were six trade unions in the textile industry with all except one established before 1955 (Table 4). Three were affiliated to the pro-China Federation of Trade Unions (FTU), while three were affiliated to the pro-Taiwan Hong Kong and Kowloon Trade Unions Council (TUC). Of these unions, the FTU-affiliated Hong Kong & Kowloon Spinning, Weaving and Dyeing Trade Workers General Union (SWDGU) and the TUC-affiliated Cotton Industry Workers' General Union (CIGU), which targeted the larger spinning firms, were the largest and most influential. Membership trends over time showed that the fortunes of these two unions were adversely affected by the restructuring in the industry (see Figure 8). The SWDGU lost 8,520, or 43 per cent, of its members between 1978 and 1981, and another 1,144 between 1981 and 1985. The CIGU, whose membership was only about one-fifth that of the SWDGU, had 22.3 per cent fewer members in 1981 than in 1978. The decline of their membership was thus apparently related to the contraction of the textile industry, especially spinning,



Source: Registrar of Trade Unions Annual Report, various years.

Note: SWDGU = Hong Kong and Kowloon Spinning, Weaving and Dyeing Trade Workers General Union.
CIGU = Cotton Industry Workers' General Union.

from the late 1970s to the early 1980s. As a result of membership decline, union density in the industry plunged from 20 per cent in 1978 to a low of 11.4 per cent in 1987.³²

Table 4 Trade Unions in Textiles, 1980 and 1990

Name of Union	Year of Establishment	Membership	
		(End of 1980)	(End of 1990)
Hong Kong and Kowloon Spinning, Weaving and Dyeing Trade Workers General Union (FTU)	1948	13,722	10,038
Hong Kong Spinning and Weaving Workers General Union (TUC)	1949	100	72
Hong Kong and Kowloon Silk Weaving and Fibre Industry Workers' Trade Union (FTU)	1950	365	351
Hong Kong and Kowloon Bleaching and Dyeing Trade Workers' General Union (FTU)	1950	287	253
Cotton Industry Workers' General Union (TUC)	1954	3,216	2,721
Cotton Bleaching & Dyeing Free Workers Union (TUC)	1969	87	79

Source: Registrar of Trade Unions (1981).

Notes: FTU = Affiliated to the Federation of Trade Unions.

TUC = Affiliated to the Hong Kong and Kowloon Trade Unions Council.

Unions became involved in some of the large-scale industrial disputes in the textile sector. The SWDGU in particular often acted as advisors to workers. The Hong Kong Christian Industrial Committee, an independent labour organization formed in the late 1960s, also intervened in disputes on workers' behalf. On the

whole, however, only a small fraction of disputes involved the presence of unions.³³ Most disputes were resolved either directly between workers and their employers, or through the mediation of the Labour Department. Given the weakness of workplace union organization, and the absence of a shop steward system, union involvement was largely passive; they typically intervened only after workers approached them for assistance.

In garments where unions were not as well established as in textiles, the impact of restructuring on union organizations was different. In 1980, there were three unions in garment manufacturing.³⁴ The Hong Kong Garment Industry Free Workers General Union, affiliated to the TUC, had only 89 declared members in that year. The two FTU affiliates, the Hong Kong and Kowloon Machine-Sewing and Garment-Making Trade Workers' General Union (renamed to Garment-Making Trade Workers Union in 1985), and the Hong Kong and Kowloon Machine-Sewing Workers Union, had a larger membership, 4,523 and 1,468 respectively.³⁵ The outstanding feature of the union situation in the 1980s, however, was not the decline in their membership, but the formation of new unions in the mid-1980s (see Table 5).³⁶ In 1983, five FTU affiliates in the wearing apparel industry (including three tailoring unions) formed a joint-office to coordinate their efforts.³⁷ In 1986, they formed the Hong Kong Wearing Apparel Industry Employees General Union. On the other hand, the Clothing Industry Workers General Union (CIGU), an independent union, had been actively assisting garment workers involved in disputes arising from restructuring since its formation in 1986.³⁸ It also led the campaign to keep knitwear production in Hong Kong by urging the government to enforce more strongly country of origin rules governing local knitwear exports. The Union's intervention was also in response to another type of problem arising from industrial restructuring. When firms planned to relocate or reduce or close down their production but were unwilling to bear the costs of paying severance payments to workers, they often laid off their workers for a lengthy period of time in order to induce

them to resign voluntarily. The CIGU, therefore, consistently pressed the government to clarify and modify legislation governing the conditions under which workers could receive severance payments.³⁹

Table 5 Trade Unions in Garment-making, 1987

Name of Union	Year of Establishment	Membership (End of 1987)
Garment-making Trade Workers Union (FTU)	1949	4,526
Hong Kong and Kowloon Machine-Sewing Workers Union (FTU)	1949	908
Hong Kong Garment Industry Free Workers General Union (TUC)	1952	46
Murjani Garment Factory Limited Staff Union*	1984	89
Clothing Industry Workers General Union (CTU)	1985	316
Hong Kong Wearing Apparel Industry Employees General Union (FTU)	1986	4,236

Source: Registrar of Trade Unions (1988).

Notes: FTU = Affiliated to the Federation of Trade Unions.

TUC = Affiliated to Hong Kong and Kowloon Trade Unions Council.

CTU = Affiliated to the Confederation of Trade Unions (the CTU was formed in 1990).

* Dissolved in 1989.

The union density rate in the garment-making industry had been persistently low. In 1978, only 3.4 per cent of workers in the industry were union members. While union density declined to 2.1 per cent in the mid-1980s, it climbed back slowly after 1985. In 1990, the union density rate was 4.1 per cent.⁴⁰ This, again, corresponded to our discussion of formation of new unions amidst the restructuring of the garment-making industry. It seemed that unions gained more support by mobilizing workers around the

issues arising from the restructuring process.

The increasing union presence in garment-making was also reflected in industrial disputes. The proportion of industrial disputes with union involvement was 3.1 per cent and 5.8 per cent in 1976-79 and 1980-84 respectively. In the 1985-89 period, however, unions were involved in some 16.3 per cent of industrial disputes in the industry. The CIGU in particular accounted for the bulk of union direct involvement in such disputes.⁴¹

Firms, Labour and Unions under Restructuring: Tentative Conclusions

We have attempted in this paper to present some basic information on the patterns of industrial restructuring and their impact on labour and industrial relations in the textile and garment-making industries. As predicted by world economy and national political economy perspectives, there were some basic similarities between the two industries in their processes of restructuring. First of all, the "triggers" of restructuring in the two industries were broadly similar. The decline in Hong Kong's comparative advantage in the two industries was the main cause of restructuring. On the one hand, the rise in wages increased the cost of production. On the other hand, the rise of low-cost producers in other less developed countries further eroded the competitiveness of the two local industries. These dual pressures forced local firms to adjust their scale and methods of production in order to survive. International forces also shaped the pattern of restructuring in another way. The existence of an export quota system for developing countries' exports restricted the growth of local textile and garment-making industries. Yet during the period of restructuring, it also slowed down the contraction of the two industries due to country of origin rules which tied the production of textiles and garment products for export to Hong Kong. Restructuring by relocation was thus only a limited option. The institutional rules of the

international economy therefore conditioned significantly the pattern of industrial restructuring in Hong Kong.

World economic and institutional forces, however, do not predetermine the course of restructuring in any locality. Local political and institutional factors also contribute to the outcome. In Hong Kong, the role of the non-interventionist state is important. While the colonial government's influence over the economy has increased over the past two decades through a larger public sector and expanded provision of social and infrastructural services, it has consistently stayed aloof from adopting and pursuing an industrial policy. The so-called "positive non-interventionist" state has not had a policy of "industrial targeting" nor a sectoral policy that would foster the development of particular sectors or industries. It has also restrained thus far from interfering directly in the development of manufacturing industries. This approach to industrial development remained intact in the 1980s when manufacturing industries faced pressures to restructure. There was no policy, for example, to engineer a "soft-landing" for various "sunset" industries. Consequently, under direct market pressures, the industries which lost their comparative advantage contracted rapidly in a fairly short period of time. The textile industry completed its consolidation in a period of five years from 1977 to 1981. Garment-making, on the other hand, faced an abrupt downsizing in employment after 1986, especially in 1990. Firms responded directly and swiftly to market signals free of any "external" and non-economic influences. Workers, on the other hand, had no job protection although they were entitled to severance payment.⁴²

One response of the government to the problems associated with restructuring was to provide some basic legal protection for workers against the worst consequences of restructuring. Following the wave of bankruptcies and liquidations in the first half of the 1980s and in recognition of potentially explosive problems, the government moved quickly to provide some basic legal protection in the form of the Protection of Wages on Insolvency Ordinance,

enacted in 1985. Under this Ordinance, employees of insolvent employers could apply to the Protection of Wages on Insolvency Fund (financed by a levy of HK\$250 on each business Registration Certificate) for *ex gratia* payments. Garment and textile workers were among the primary beneficiaries of this scheme since their industries had among the highest number of insolvencies.⁴³

Secondly, as another component of the broad political environment of local firms, unions and workers played a minimal role in the restructuring process. Unions in Hong Kong were numerically weak, organizationally fragmented, and lacking in shopfloor linkages (Levin and Chiu, forthcoming). For these reasons and also the absence of collective bargaining between employers and workers, neither unions nor workers had any input into the corporate decision-making processes. They were neither consulted nor informed about restructuring decisions until the final moment. This added to the "flexibility" of local firms in reacting to market changes. Nevertheless, a consequence was an intensification of conflicts during restructuring. Workers became apprehensive over management's intentions and plans due to lack of communication, and union mediation inevitably sparked off disputes. Furthermore, as the case of textiles shows, unions were also often the biggest casualties under restructuring, when contraction in employment and changes in production methods undermined their existing membership strongholds.

Nonetheless, the pattern and impact of restructuring also diverged between the two industries as a consequence of different institutional configurations specific to each sector. We have seen how the two industries behaved differently under pressures to change. Textile firms modernized their production by investing heavily in plant and machinery while garment-making firms continued to rely on the well-tried labour-intensive methods of production. As a result, productivity growth in textiles was much greater than garments, which in turn contributed to the former's rebound in profits towards the latter half of the 1980s. As we have seen, textile workers enjoyed substantial growth in their real in-

comes, while garment workers experienced a reversal in the purchasing power of their wages. Even in cases of plant closures and retrenchments, textile firms, especially the spinners, were able to compensate their workers above the statutory minimum standards, while garment-making firms often simply folded up, leaving their debts and wage arrears behind.

It is our contention that the economic culture of each industry can explain these contrasts. The textile industry has always been more capital-intensive with a larger scale of production.⁴⁴ Labour costs have accounted for a smaller proportion of textiles' total cost than garment-making. With a greatly trimmed labour force and a higher productivity, it is not surprising that textile firms have been able to afford to reward their workers' services more adequately than their counterparts in the garment sector. The large-scale and capital-intensive nature of textile production and their ownership of large factory sites have allowed them to diversify into real estate. The handsome returns they have reaped from land deals also gave firms the ability to pay higher wages and to invest in new modernized machinery. Garment firms on the other hand were generally smaller and weaker in their financial capabilities. Under severe competitive pressures from overseas lower-cost producers, they could neither invest heavily in capital equipment nor increase their workers' wages above the rate of inflation. A large number of them crumbled in face of competition and high production costs, while some others simply closed their plants and moved to China or elsewhere.

The economic culture explanation is not confined to the economic forces specific to each industry sector. It also highlights the particular institutional rules and norms of industrial relations governing the conduct of employers and employees. Over the postwar decades, different managerial styles and employment relations evolved in textiles and garments out of the divergent sectoral characteristics. The Shanghainese entrepreneurs developed a style of paternalist management, offering their workers a higher wage, better benefits and company dormitory.

In restructuring their industries, these entrepreneurs also felt under some obligation — and were financially able — to compensate their workers above legal requirements. Garment-making, on the other hand, with their typical small size, had evolved the so-called "Cantonese-style" employment relations.⁴⁵ The owner-managers exercised a highly personalized control over their company. They compensated their workers according to the terms of the market and were not known to be "model employers." In restructuring their companies, they were thus usually only willing to pay their workers the statutory minimum.

Notes

1. We follow the official industrial classification scheme and put cotton knitting in textiles instead of garment-making.
2. Regarding machinery, the Shanghai industrialists had begun to re-equip their mills in China by importing machinery from abroad. When Shanghai fell to the Communists in 1949, it happened that much of this new machinery was still in Hong Kong warehouses waiting to be transhipped. "Many of the industrialists decided to move to Hong Kong where, using the new equipment, they laid the foundations of the Colony's textile industry" (Government Information Services, 1965: 9).
3. Hong Kong was able to take advantage of the denim boom because it held sizeable cotton quotas which had been built up under earlier textile restraint agreements.
4. Between 1960 and 1978, the growth of textiles exports in current prices was 9.3 per cent per annum. Major markets included the US, UK and Australia. The percentage of exports of textiles going to these three markets was 55 per cent in 1960, falling to just under 45 per cent in 1978. Exports are not a sufficient indicator of economic performance of the industry since a significant proportion of total output of the textile industry came to be used by the Hong Kong clothing in-

dustry.

5. This is calculated by dividing the value-added in the two industries by the GDP. Industrial value-added data are taken from 1978 *Survey of Industrial Production* and GDP from Census and Statistics Department (1991).
6. *Hong Kong Annual Digest of Statistics* (1985: 76).
7. "Neither Bleak nor Broad," *Textile Asia*, September 1979, p. 280.
8. The share of profits from real estate development accounted for an annual average of 41 per cent of total profits from 1979 to 1988. Information compiled from company annual reports.
9. Profits from garment operations generated 7.5 per cent and 13.2 per cent of total profits in 1980 and 1981 respectively. The annual average for the rest of the 1980s, however, was close to 40 per cent. Information compiled from company annual reports.
10. Investment in fixed assets rose from HK\$864 million and 840 million (measured in constant 1980 prices) in 1979 and 1980 respectively to HK\$1,350 million in 1986. Calculated from *Hong Kong Annual Digest of Statistics* (1986, 1992).
11. "Productivity by OE," *Textile Asia*, April 1979, p. 74, and also Industry Department (1991: 83-84).
12. Calculated from *Hong Kong Annual Digest of Statistics* (1985; 1992).
13. Breakdowns of employment within textiles can be found in Census and Statistics Department (1981, vol. 2 part 2; 1991). Spinning and weaving's share of total textiles employment was 18.5 per cent and 23.2 per cent respectively in 1978. In 1989, however, their respective share dropped to 7.5 per cent and 12.1 per cent. The share of knitting and finishing, on the other hand, increased from 33.7 per cent and 15.1 per cent in 1978 to 45 per cent and 25.5 per cent in 1989.
14. See, for example, "Garments Hold Up" and "Pleasing Result" in *Textile Asia*, April 1982, pp. 69-70.

15. This is because manufacturing employment also contracted relative to other sectors. *Hong Kong Annual Digest of Statistics* (1992).
16. Our discussion of restructuring in garment-making is based mainly on Lui and Chiu (1992).
17. The survey was conducted by the Industry Department in 1990, and covered 2,976 establishments in 14 selected manufacturing industries. A total of 186 clothing establishments was in the sample. Subcontracting is the second most popular response to labour shortage, the first one being to offer higher wages (78.6 per cent). See Industry Department (1990: 27).
18. In the Industry Department survey, only 32.8 per cent of all sampled clothing firms reported investing in machinery in order to reduce labour needs compared with 38.1 per cent of textile companies (Industry Department 1990: 27).
19. Regarding outwork, the Survey of Industrial Production collected information on payment to outworkers. In 1978, payment to outwork as a percentage to total labour costs was 3.9 per cent and 4 per cent for firms hiring 1 to 9 and 10 to 19 workers respectively. In 1988, the corresponding figures were 22.8 per cent and 12 per cent. The use of outwork in other size categories showed a slight decrease. The 1978 figures were compiled from 1978 *Survey of Industrial Production* (1981, vol. 2 part 2, p. 70). The 1988 figures are from unpublished crosstabulations by the Census and Statistics Department. We are grateful to Dr. Lui Tai-lok for furnishing this piece of information to us. As for subcontracting, two surveys of small and medium manufacturing firms reported an increase in the percentage of garment firms using subcontracting from 21.4 per cent in 1978 to 28 per cent in 1988 (Sit, Wong and Kiang, 1979; Sit and Wong, 1989).
20. In the above cited Industry Department survey, only 22 per cent (41 out of 186) of clothing firms reported having produc-

tion facilities outside Hong Kong, below the industry average of 27.2 per cent (Industry Department 1990: 34). Of these 41, 35 reported production facilities in China of which 30 were in Guangdong Province. Ten reported production facilities in other Southeast Asian countries (Thailand, Malaysia, Singapore, Philippines and Taiwan). By contrast, only 25 out of 137 (15.4 per cent) factories in textiles had production facilities outside Hong Kong. Of the 25, 22 reported such facilities in China and all but one in Guangdong Province. Subsequent surveys on investment by Hong Kong manufacturers in southern China show much higher proportions of firms investing in the region. A study conducted between July-October 1991 by the Trade Development Council (TDC) and based on a sample of 2,895 Hong Kong companies found an almost incredibly high figure of 1,241 of 1,655 manufacturers (75 per cent) reporting production facilities in Guangdong but this may reflect the nature of the sampling frame, which included only members of the TDC. Another survey conducted at roughly the same time by the Federation of Hong Kong Industries (confined to member companies) reports 40.7 per cent of respondents had invested in operations in the Pearl River Delta area (cited in Tan, 1992).

21. Calculated from Survey of Industrial Production data in *Hong Kong Annual Digest of Statistics* (1991).
22. Calculated from data collected from *Survey of Industrial Production*. Operating surplus is obtained by deducting compensation to employees from value-added, which in turn is defined as output net of various materials and services put in production.
23. Out of a total 4,723 cases of liquidations and bankruptcies between 1981/82 and 1990/91, 12.5 per cent were garment firms and another 2.5 per cent were in textiles. The Registrar General has not used a consistent industrial classification scheme. For example, from 1986/87 onward, the category of

"garment and knitting manufacturing/trading" has been used, while "garment manufacturing" is separated from "knitting manufacturing" in previous years' reports.

24. It is difficult to gauge how much of this amount is wage arrears and other obligations to employees. In the *Report of the Working Group on Problems Experienced by Workers of Companies in Receivership*, it states that out of 519 cases of liquidations and bankruptcies in 1980-82, a total of HK\$77.9 million in wages and other claims of employees was recorded. The total liabilities incurred by all bankruptcy and liquidation cases from 1980/81 to 1982/83 was in turn HK\$2,004 million. The share of workers' claims to total liabilities was thus roughly 4 per cent. This is a very rough estimate, however, since the Report uses the calendar year as the unit of accounting, while the Registrar General's report uses the financial year.
25. Again spinning is not the only sector within textiles, and there are variations within the industry. Wage movements of knitting workers (not reported here to simplify discussion) is more similar to garments than to spinning.
26. Knitting workers had a slight increase in their real wages from 1982 to 1987, but the trend was reversed in the latter half of the 1980s.
27. Sit and Wong (1989: 229) note that "out-processing facilities in China enable large scale expansion of total business for the Hong Kong firm involved, which however now concentrates more on marketing, product design, quality control, purchase of raw materials, inventory control, management and technical supervision, and financial arrangements and control." Our argument, however, is contrary to Turner et al.'s (1991: 31-32) claim that there had been a levelling of pay differentials between white and blue-collar workers from 1976 to 1985.
28. A well-publicized case in spinning occurred in 1982 when Nan Fung Textiles Limited transferred operations from one of their mills — the Third Mill — to other nearby mills. The

workers refused to accept offers to transfer to these other mills, apparently out of fear that the company would close down or lay them off (and also from concerns about the effect on their seniority), and instead went on strike (involving a factory occupation until the police were called in) to demand severance pay which the company was unwilling to grant. In an unusual move, Nan Fung management published in both the English and Chinese newspapers a letter that had been issued to workers on September 24th. Addressed to "Fellow Workers," the letter criticized the workers' refusal despite numerous meetings to accept the company's suggestion that the dispute be referred to the Labour Tribunal or settled by other "legal means." The company then listed "difficulties and damage" caused by the strike to the company's business, to the workers ("...there still are scores of workers on each shift gathering outside our mill, hanging banners with wording attacking the Company. They are wasting their time, getting no pay but aggravating the labour/management relations"), and even "harm done to the society" ("1. Subjected the Labour Department officials to tedious work. 2. Brought extra work to the police officials and officers. 3. Created bad impression on our customers abroad. 4. Jeopardized social peace."). The Company then expressed its hope that the workers "will correct the wrong you have done and turn back to the right," advising them to re-register with the Third Mill for work or to resume talks in an "amicable atmosphere" and requested them to stop gathering outside the Mill and to remove all banners. That evening talks resumed after workers stopped picketing the plant. During an all night session involving the company chairman and three worker representatives (and in the presence of a Labour Department official), an agreement was finally reached under which 170 workers would re-register for work. At the end of a period of about six months, these workers would have two options: those willing to be transferred would continue their employ-

ment and retain their seniority and those unwilling to be transferred would be given a termination allowance. See the *Hong Kong Standard*, 28/9/82, under "General Notices."

29. Even when workers were offered jobs at the new factory site, they would in some cases reject such offers because of the inconvenience of working at the new site. Women workers in particular face major difficulties when factories move. They are able to combine work and family duties only if their place of work is close to home. This would become impossible if the factory were to move elsewhere.
30. Even the Deputy Labour Commissioner acknowledged in 1990 that industrial disputes for that year were going to increase because underemployment was on the rise within the garment-making industry. See *Oriental Daily News*, 26/12/90; reproduced in *Labour Movement Monthly*, No. 80, p. 39.
31. The Registrar of Trade Unions only provided membership figures for the three industries combined. Leather manufacturing and craft unions had about 10 per cent of the combined membership in 1980. Unions in tailoring were also included under the same category.
32. Union density here is estimated by first distinguishing textile unions from the official category of "textiles, wearing apparel and leather products" industries and then dividing the union membership thus obtained by the number of workers engaged in textiles establishments in Figure 1.
33. Between 1980 and 1989, only 22 per cent of the 128 industrial disputes in the industry involved the presence of unions. Calculated from unpublished Labour Department records.
34. There are a number of unions in the tailoring trade, however.
35. Judging from the fact that both unions had almost identical names and that they belonged to the same federation, it is probable that there might be substantial overlap in their membership.
36. The formation of unions was not necessarily related to

restructuring as there was a political inducement to form new unions. Elections of five labour representatives to the government's Labour Advisory Board and from 1985 of two representatives from the labour functional constituency to the Legislative Council were based on the one-union one-vote principle. That is perhaps the reason for the TUC in particular to keep their minuscule unions on the trade union registry, and for the FTU to form a new "wearing apparel" union when they already had two unions representing garment workers. There is little incentive for the federations to merge their existing unions into larger ones, for amalgamation would reduce their number of votes in the elections.

37. To avoiding losing votes in the elections, the new federation registered itself as a separate union, and the five member unions were also kept in the union registry.
38. Most of the disputes involved firms that closed owing large arrears of wages. In one well publicized case, union officials had to accompany workers on a trip to mainland China in order to locate the fleeing owner of an insolvent garment firm and reclaim their unpaid wages.
39. In several cases, the CIGU assisted workers to take their cases all the way to the Supreme Court in order to establish a precedent for the interpretation of the legal statutes surrounding severance and lay-off. The FTU-affiliated HK Wearing Apparel Industry Employees General Union, formed also in 1986, also demanded that the government amend the Employment Ordinance's provision on lay-off to favour workers. It also lobbied for the amendment of the Employment Ordinance to extend its coverage to "internal contractors" who hired "ambulatory workers" to work for a firm for certain specific procedures such as ironing and packaging. In cases of insolvency or closure, those internal contractors, who were practically employees of the firms in some cases, often found themselves unable to meet their obligations to the am-

bulatory workers. Thus unions demanded the extension of the Employment Ordinance to cover these internal contractors and ambulatory workers as well, as the use of internal contractors and ambulatory workers had been increasing. See *Wen Wei Po*, 14/5/88; reproduced in *Labour Movement Monthly*, No. 51, p. 13.

40. We again exclude tailoring unions in the calculation of union density. This may result in the underestimation of union density since we use total number of workers engaged in wearing-apparel establishments as the denominator while tailoring shops are also included in surveys of wearing-apparel establishments. Nevertheless, since garment manufacturing and tailoring are so different in their markets, production methods and the characteristics of their labour forces, we feel that the two must be distinguished from each other. Since the HK Wearing Apparel Industry Employees General Union is really a federation of five member unions but also admits individual members, we eliminate the double counting of union membership in calculating the density rate. Before the adjustment for double counting, the total declared membership was 5.6 per cent of all workers engaged.
41. Calculated from unpublished Labour Department records.
42. At present, under the Employment Ordinance, an employee with 24 or more months of continuous service who is dismissed by reason of redundancy or who is laid off is entitled to a severance payment calculated at the rate of 18 days' wages or two-thirds of a month's pay, subject to a maximum of two-thirds of HK\$15,000, for every year of service. The maximum severance payment cannot exceed the total amount of wages earned during the period of 12 months, or HK\$180,000, whichever is the less, immediately prior to the dismissal or lay-off (Commissioner for Labour, 1992: 15).
43. In 1987, the scope of the Fund's protection was extended to cover 7 days' wages in lieu of notice. After 1989, the scope of

the Fund was further extended to severance payments in addition to wage arrears. As of 1989, the Fund covered, per worker, four months' arrears of wages up to HK\$8,000, 7 days' wages in lieu of notice up to HK\$2,000, and severance payment up to HK\$4,000 (Commissioner for Labour, 1990: 18). In 1991, the Ordinance was amended so that with effect from June 7, 1991, the maximum coverage of severance payment is increased to HK\$8,000 plus 50 per cent of the employee's entitlement to severance payment in excess of HK\$8,000. For an employee whose employment contract was terminated before June 7, 1991, the maximum amount of severance payment payable from the Fund is HK\$4,000. A Wage Security Unit was created in the Labour Relations Division of the Labour Department to verify claims and make payments from the Fund. In 1991, there were 7,719 applications for payment with the amount claimed (including wages, wages in lieu of notice, and severance payment) totaling HK\$144,037,806. Wearing apparel accounted for 21.2 per cent of the total amount claimed and textiles 15.9 per cent. Of the 7,719 applications received, only 4,799 were approved with payments totaling HK\$33.20 million (Commissioner for Labour, 1992: p. 22 and Table 9(E)).

44. From 1978 to 1989, compensation to employees accounted for between 16.4 and 19.6 per cent of the total cost in textiles, while the corresponding ratio in garments varied between 25 to 30.5 per cent. Calculated from Survey of Industrial Production results summarized in *Hong Kong Annual Digest of Statistics* (1985; 1992).
45. For a discussion of these contrasting styles of employment relations, see England and Rear (1981).

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工業轉型下之香港勞工： 紡織與製衣之比較研究

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(中文摘要)

本文嘗試提供一些關於香港之工業轉型及其對紡織及製衣業勞工之影響的基本資料。我們回顧了紡織及製衣這兩個主要製造業部門的歷史發展及它們在八十年代轉型之過程。它們的轉型過程及策略有一些相似之處，但也有很明顯的分別。我們認為紡織的轉型是趨向資本密集的模式，製衣業則保持了勞動密集的生產方式，並以生產及行銷上的靈活性掙扎求存。我們在僱傭條件及工業關係方面也指出了一些相同及歧異之處。首先，在工業轉型最活躍的時期，勞資糾紛也明顯增加。其次，紡織業的實質工資在八十年代持續上昇，但製衣則有停滯不前的趨勢。在結論中，我們亦討論了三套理論在理解香港之工業轉型上之優劣。「世界經濟」及「國家中心」理論突出了兩個工業部門轉型的相似之處，但我們亦提出「經濟文化」的概念，通過結合每個產業部門的技術結構、所有制、管理風格、勞資關係等等因素來分析部門之間不同的地方。