

REGIONAL PRODUCTIVE SYSTEMS IN THE KNITWEAR AND CLOTHING SECTORS IN ITALY: INDUSTRIAL STRUCTURE AND TRAINING NEEDS

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1. Objectives and research method

This study reports the preliminary findings of a survey based on some 6000 interviews¹ to a sample of enterprises in the knitwear and clothing sector. The sample was stratified² and, contrary to usual practice, also included enterprises without employees. (It was necessary to include these data in the survey in order to gain an accurate picture of the sectors studied where it is important to take account of all self-employment). The sample was also constructed using the panel technique. A further survey would therefore make it possible to obtain even more accurate results.

The findings of the survey cover approximately 85% of the knitwear and clothing sector in Italy and provide significant regional data for nine regions. The estimates for each region have a probable error of no more than 10%. Unfortunately, the sample is too small to yield sub-regional estimates with an acceptable degree of accuracy. This would have provided us with information on the local productive

* Many people have helped with this study. Piero Galardini and Giuliano Sciarri, on behalf of Confartigianato and CNA, allowed us to use the funds that their organizations had obtained under the European Union's Perifra programme and from the Ministry of Industry and Unioncamere, and ensured that we were free to make our own choices and use our own methods at all times. The three trade union confederations in the textile sector sponsored the survey. Michele Lalla worked out the panel methodology for the sample. The survey - and the time-consuming location of the addresses of micro-enterprises - was directed by Stefano Cima and Andrea Forti in Lombardy, Paolo Crestanello and Ermanno Dalla Libera in the Veneto, Daniela Bigarelli and Sebastiano Brusco in Emilia Romagna, Marco Bellandi, Franca Alacevich and Massimo Bressan in Tuscany, Silvio Cipriani and Giancarlo Lombardi in Umbria, Donato Iacobucci and Paola Paolinelli in the Marches, Gianfranco Viesti in Apulia and Lucia Cavola in Campania and Molise. We had long and profitable discussions of the findings gradually emerging from this survey with all these people. Daniela Bigarelli and Monica Baracchi of R&I in Carpi were responsible for coordinating all the survey work, monitoring data and checking the findings. Paolo Crestanello, Andrea Ginzburg, Sergio Paba, Margherita Russo, Anna Simonazzi and Giovanni Solinas commented on an initial draft of the report. The questionnaire was translated into Spanish, English and French by J. Antonio Ybarra, Frank Wilkinson and Mario Pezzini and the translation rapidly led to a very long and profitable discussion of the organization of production in the sector. Vittorio Capecechi helped us to understand the problems of vocational training. Gilberto Serravalli and Sandro Arrighetti helped us to clarify whether regional differences were due to the different weightings of the various types of enterprise or to differently structured enterprises. Discussions with Giovanna Pedullà, Roberto Monducci, Giovanni Barbieri and Piero Taccini at a seminar organized by Istat were of particular use.

¹ The firm interviews were conducted in 1994, from May to July.

² The sample was stratified by size of firm (number of employees) and by age of firm. At each subsequent survey, the sample will be updated to represent new entrants to the population of firms. This procedure become necessary to obtain a sample that continues to be representative of the current population of firms over time.

systems³ in which the sector's activity is concentrated in Italy, but would have doubled the sample and therefore the survey costs.

The questionnaire used for the survey has been extensively tested. An initial survey was conducted in 1988 in the textile areas of Carpi, Vicenza and Treviso. Other surveys using a statistically representative sample of enterprises were conducted in 1990 and 1992 both in the whole Emilia Romagna region and in the district of Carpi. In 1993 and 1994, the questionnaire was used to study the knitwear and clothing sector in the areas of Leicester, Valencia and Troyes. This extensive experience enabled the questionnaire to be finely tuned: it could now be conducted over the telephone rather than sent out to enterprises, as had formerly been the case, with a very low rejection rate and a substantial reduction in costs.

Considerable care was taken to trace enterprises difficult to locate. In order to reduce the number of enterprises that needed to be replaced in the sample, enterprises were often located using the information gained from an examination of the civil status of entrepreneurs, requested from the Communes in which the enterprises to be interviewed were trading.

Much of the work undertaken up to now has been made possible by European Union funds. However, many other organizations have also been involved. The initial survey mentioned above was financed by a Comett project. The survey whose findings are reported here was financed by the Perifra programme and also received Italian funding from the Ministry of Industry and from Unioncamere. The other surveys mentioned above were financed by the Emilia Romagna Region, the Commune of Carpi and the Chamber of Commerce of Modena, the Leicestershire County Council and the University of Alicante.

The main aim of the survey was to elucidate a number of problems relating to the structure and operating mechanisms of the sectors in question. The most important of these problems included the market position of final enterprises, relations with the retailing system, exporting ability, the division of tasks between final and subcontractor enterprises and the directions taken by subcontracting flows both nationally and abroad. Official Italian statistics have not tackled these problems up to now. As is known, the main aim of industrial statistics, in Italy as in many other countries, is to generate data that can be used to obtain estimates of the main macro-economic variables with the result that any information intended solely to shed light on the way in which a particular sector is structured in order to cope with international competition is neglected. However, the attitude of the national statistical office towards these problems is changing. The experience gained from this survey may also prove to be of use in this respect. It is highly likely that, if there were to be a further survey round in the near future, this survey would be carried out with the official support and cooperation of Istat.

³We define "local productive system" a cluster of firms working in the same industry in a small area. Usually some of these firms (the "final firms") sell their products to the final users, and some firms are subcontractors. The notion is a somehow weaker version of the "industrial district" as defined by Becattini (1989), since it does not assume a strong majority of small firms, nor a set of rule of behaviour commonly shared by entrepreneurs, workers and local authorities. As an alternative to "local productive systems", we shall often talk of "textile areas". In the paper we also use the notion of "regional productive systems": by this we simply refer to the set of enterprises of the same industry which are located in the region.

Analysis of the organizational structure of the sector was not, however, the sole and perhaps not the most important objective of the survey. An analysis of training needs and the identification of each regional system's strengths and weaknesses were among the key objectives of the survey. The aim of this analysis was therefore to lay the foundations for more judiciously designed training schemes and industrial policy measures intended to improve the sector's efficiency and to make it more competitive in world markets. Study of the sector, design of training schemes and exploration of appropriate industrial policy measures are therefore almost inextricably interwoven and have the ultimate aim of safeguarding employment and improving the working conditions of all those working in the sector, whether entrepreneurs, employees or self-employed. From this point of view, it is significant that this study was organized by a service company which is owned jointly by Confartigianato and Cna, with the full cooperation of the trade union confederations.

A further point needs to be added. This preliminary report takes account of only a small proportion of the data made available by this survey and is intended solely to provide a broad picture. This - and the short timescale within which operators in the sector needed to be provided with the findings of the survey - justifies the use of elementary processing techniques and also explains why a number of more detailed analyses are missing. The final research report - to be prepared with the cooperation of Istat - will be able to take account of much more detailed information, will study regional levels and differences in wage and profit rates and should in particular make it possible more accurately to identify the different types of enterprise - and therefore different enterprise strategies - in the regions studied.

2. The industrial structure of the knitwear and clothing sectors in Italy

2.1 Final enterprises

The definition of “final”⁴ enterprises was based on four parameters: ability to design the product (and the use of this ability), direct purchase of the raw materials, coordination of the production process (which may mean coordinating subcontractors) and a direct relationship with the retailing system. However, the firms producing to designs from the large retailers were also added to the final enterprises, as was necessary in order to obtain a correct estimate of the turnover of the industrial sector studied. While these enterprises in Italy usually purchase raw materials directly (and in this case they might be termed “quasi-final enterprises”), they sometimes work on raw material belonging to the commissioning firm (and in this case can be classified as subcontractors). All told, they account for around 9% of the turnover of the sector. Their character and role have not been investigated in detail here, but will be dealt with in a subsequent report.

Even though they were defined in this strict way, final enterprises account for some 25% of all enterprises and employ almost 45% of employees as can be seen from

⁴In Italian final firms are called “imprese conto proprio”, which means firms “which work on their own account”. Subcontracting firms are called “imprese conto terzi”, to point out the fact that they work “on behalf of a third person”.

a comparison of the data of Table 1 and Table 9⁵. Similar data are not available for other European countries, but there is little doubt that the number and relative weight of final enterprises are extraordinarily high in this sector in Italy and may perhaps be distinctive Italian features.

Enterprise size

It is a relatively widely held view, even among people not familiar with this sector, that the fashion sectors in Italy are made up of a large number of very small and not very integrated enterprises. The data available up to now, which did not separate final enterprises from subcontractors, did not make it possible to produce accurate estimates, although it was clear that the average size of Italian enterprises was much lower than in other European countries.

⁵One may wonder why the survey has collected data on the firms' turnover and not on the firms' value added as well. The answer is the figures on turnover are much easier to collect. With the support of Istat, however, the figures on value added will be available to us fairly soon, if only for a sub-sample of the firms studied.

Tab. 1 Final enterprises - Size firms by region, 1993

	Lom- bardy	Veneto	Emilia Roma- gna	Tusca- ny	Umbria	Mar- ches	Campa- nia	Molise	Apulia	Total
Turnover (bn lire)	6832	8917	7743	4167	1059	1060	626	329	1114	31847
number of firms	2018	900	1449	1771	331	241	569	15	218	8113
number of employees	34600	33600	24400	20000	4200	5200	6100	600	10300	139027
% of firms with annual turnover up to 2,5 bn lire	74,7	54,5	66,3	79,8	78,8	72,7	92,2	55,8	84,6	74,3
number of firms with 50 emplo- yees and over	123	133	69	40	10	28	14	3	28	448
number of firms with 250 emplo- yees and over	12	17	10	5	2	1	-	1	1	50
% of turnover of firms up to 20 employees	22,9	9,0	25,0	50,9	36,6	17,8	46,9	6,8	44,5	24,5
% of turnover of firms with 20- 49 employees	25,6	17,8	21,7	23,0	31,5	16,4	17,5	2,4	30,6	21,8
% of turnover of firms with 50- 249 employees	35,9	32,1	30,4	18,6	11,2	54,6	35,6	10,6	23,1	30,3
% of turnover of firms with 250 employees and over	15,6	41,2	22,8	7,6	20,7	11,1	-	80,2	1,8	23,3

Source: Italian Observatory of textile and clothing sector

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Once final enterprises have been separated from other enterprises, analysis of the data provides a very clear picture. Although some approximation is involved, it seems to be the case that the turnover and employees of these two sectors are split equally between four groups of enterprises: those with fewer than 20 employees, those with 20 to 49 employees, those with 50 to 249 employees and lastly those with 250 or more employees. This bears out the very significant role played by final micro-

enterprises⁶, which form the backbone of many local productive systems. Very large enterprises are also to be found, however, even though there were only 50 enterprises with over 250 employees in all the regions studied. (But it is worth noting that five of the 10 major European enterprises in this sector are Italian). The overall picture that emerges is therefore very diversifical. These products are being designed and supplied simultaneously by micro, small, mediumsized and large enterprises. From a worldwide point of view, the role that micro-enterprises play among final enterprises is, however, an anomalous and exceptional finding⁷.

The unusual role of small enterprises is particularly evident if another piece of information is taken into account: the absolute volume of turnover. Many experts, basing their evaluations on the normal considerations of enterprise efficiency, consider that in these sectors an annual turnover of Lit 2.5 billion is the threshold from which it is possible to make brands known through advertising, take part in trade fairs and fashion shows of some renown and build up a reasonably structured internal organization. The data show that over 80% of final enterprises in Tuscany and Apulia do not achieve this minimum threshold and that at least 50% of final enterprises in all the regions have a turnover below this threshold. The large number of these enterprises, and the sustainability and durability of local productive systems based on the existence of these enterprises which "should not" "in theory" be prospering, is a major problem from the theoretical point of view as well. The explanation may well lie in the fact that these production structures have the form and features of an industrial district, and are therefore able to delegate some important functions to other neighbouring enterprises which operate at the scale needed to achieve high levels of efficiency. This will be examined in further detail, in particular as regards marketing functions, in the following paragraphs.

The relative weightings of the various enterprise sizes vary considerably among the regions and the analysis shows that regional productive systems differ greatly from one another. Apulia and Tuscany, where final enterprises with 50 or more employees account for only approximately 25% of turnover and where micro-enterprises account for approximately half of turnover, are at one extreme. The Veneto, where enterprises with 50 or more employees account for almost 75% of turnover and micro-enterprises for less than 10%, is at the other extreme. (The case of Molise, where the turnover of enterprises with 50 or more employees is even higher than in the Veneto, is not very significant. Data from this region show a very "southern" picture in which a single major enterprise - Ittierre with over 250 employees - accounts on its own for 80% of regional turnover and in which there is as yet no fabric of small final enterprises). Figures for the other regions are somewhere between these two extremes.

It is somewhat surprising that very small final enterprises have a relatively higher weighting in Tuscany than in Emilia Romagna. Discussions of the "Emilia model" have often led to the conclusion that this was not the case.

⁶It should also be borne in mind that final micro-enterprises, i.e. those with less than 20 employees, account for approximately 22% of all enterprises of this size and that final enterprises account for over 40% of enterprises with 20 to 49 employees. These data should make it possible, once and for all, to prevent small enterprises from being identified with subcontractors.

⁷There are many local productive systems in other European countries with large numbers of micro-enterprises. The Sentier area in Paris is the best known of these. It seems likely that, in this case as well, enterprises able to design products are fewer in number than in Italy.

Enterprises with 250 or more employees - to which attention needs to be paid because, by European standard, they are almost always medium-sized enterprises - are also distributed irregularly between the regions. The Veneto, as might have been expected given the role of Benetton, is undoubtedly a region of high concentration and continues to be so even if Benetton, which accounts for approximately 25% of regional turnover, is excluded from the calculations. The proportion of turnover generated by large enterprises is kept high by enterprises such as Marzotto, Stefanel, F.lli Campagnolo and Belfe. In addition to Molise, as mentioned above, the turnover of enterprises with 250 or more employees accounts for 50% or more of the total in Lombardy, where enterprises such as Cagi, Lovable and Triumph (which make swimming costumes and underwear) as well as Corneliani, Lubiam and Colombo (which produce menswear) play a major role. In Emilia, enterprises of this size include Max Mara, La Perla, the Armani Group's Simint and others. Even in Umbria, despite the collapse of Ellesse, the weighting of large enterprises is still relatively high in keeping with the region's industrial tradition. Identifying the location of these enterprises is important since, as will be seen below, the strategic decisions of these enterprises (which are often different from those of other enterprises) have a significant impact on the aggregate data for the region.

The product and the market

The knitwear and clothing sectors have relatively different weightings in the nine regions considered. Knitwear accounts for the largest proportion of output in the central regions. Knitwear accounts for almost half or more of turnover in Emilia, Tuscany and Umbria. They are followed by the Veneto (Benetton also playing a very significant role in this case), Apulia, Lombardy and the Marches with 25-30%. Campania and Molise, on the other hand, specialize to a large extent in clothing.

The two sectors have similar but different structural features. The minimum efficient dimensions for knitwear in particular - whether measured from the point of view of individual stages of production or for an integrated production process - are almost always lower than those for clothing⁸. Some knitwear stages can be carried out very efficiently by as few as one or two employees. This means that final knitwear enterprises tend to be smaller, to use very small craft enterprises and to be less vertically integrated. The data collected, however, seem to show that regional differences do not depend as much on sectorial specialization as on the predominant production model of the particular region in which the firms are located, irrespective of the sector to which they belong.

At national level, wholesale is the most important distribution channel for the knitwear sector, while retail is most important channel for clothing. Differences between the distribution channels used in the regions studied do not depend to any great extent, however, on the predominant sector. There is no differentiation of distribution channels, for instance, in the Veneto, where both knitwear and clothing enterprises are

⁸For instance three or four people may be enough to make a knitwear assembly line efficient, whereas an efficient clothing assembly line often requires ten, twenty or even more employees, depending on the product.

strongly oriented towards retail, or in Tuscany, where knitwear and clothing enterprises both work chiefly for wholesale and large chain distribution.

The main distribution channel chosen by the various regional productive systems is an important index of the intrinsic quality or fashion content of their main output. Regions in which low quality output seems to be more widespread are those in which the highest proportion of sales are made to wholesalers. This hypothesis is borne out by the observation that a very high proportion of the output sold through wholesale channels is

Tab. 2 Final enterprises - Product and market by region, 1993

	Lom- bardy	Veneto	Emilia Roma- gna	Tusca- ny	Umbria	Mar- ches	Campa- nia	Molise	Apulia	Total
% of turnover accounted for by knitwear	26,9	33,7	45,2	47,6	57,8	26,6	11,4	1,1	27,1	36,4
product quality	high and medium	high and medium	high and medium	medium and low	high and medium	high and medium	medium and low	medium and low	medium and low	
% of turnover accounted for by own samples collection	88,6	92,5	91,4	85,1	96,9	91,8	91,2	100,0	82,5	90,3
% of turnover accounted for by own brandname	68,4	78,1	71,2	57,6	87,1	68,1	86,8	31,0	64,8	70,8
% of turnover accounted for by during season production*	26,7	16,7	15,3	24,9	8,4	14,8	35,7	16,1	36,9	20,3
- of which <i>pronto moda</i> **	16,4	4,2	9,6	19,5	2,4	7,6	27,8	4,6	24,8	11,4
% of turnover accounted for by	41,9	35,8	53,4	29,6	49,3	50,1	39,7	75,3	24,4	41,6
- retailers										
- own shops or franchise shops	4,9	24,2	4,5	1,8	12,6	6,1	0,1	0,5	0,5	9,8
- large retail chains	15,7	14,2	14,5	23,7	9,7	10,3	6,8	9,2	22,1	15,6
- wholesalers	30,5	22,7	24,6	39,7	26,1	20,6	48,5	14,6	44,1	28,3
- other	6,9	3,2	2,8	5,1	2,3	12,9	5,2	0,3	9,0	4,7
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
% of exports	30,9	37,7	32,3	41,3	43,0	36,1	17,6	47,4	28,2	34,9

*includes new models produced during the selling season and re-order.

***pronto moda* firms make up their samples collections only three or four months before the seasonal sales to the consumers and also design new models during the season. They produce in very short periods. Production and delivery start just showing of the first models and continue throughout the season. Whereas the other firms, named *programmato*, make up their samples collections a year before the season, then collect orders and start production. In this case production and delivery take place before the season. This firms can also produce during the season new models (flash) or re-order of pre-season models, but only for a low proportion of their production.

Source: Italian Observatory of textile and clothing sector

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represented by *pronto moda*, i.e. items produced in the course of the season using models that have already proved popular in the market and which have to be produced

in very short periods, often involving long night-time hours, and whose cut or colour is often as important as quality. Among the regions studied, this is particularly true of Apulia and Campania and, to a smaller extent, Tuscany. High quality output is concentrated, on the other hand, in regions that make predominant use of retail channels.

The quality of output is also linked to the proportion of output sold under own brand name and the proportion of turnover accounted for by own samples collection. Over and above the sector which, as we have said, does not seem to have a decisive impact, the analysis therefore identifies a group of variables that are closely linked: product quality, own brand, sample work and distribution through retail channels.

Enterprise size is also a key factor in the choice of the distribution channel. In all the regions, proportions sold via wholesale and large retail chains are always much higher for small enterprises than for large enterprises. To some extent, the propensity of small enterprises to use the wholesale market as a distribution channel is in keeping with their particular production specialization, i.e. *pronto moda* as mentioned above. This output accounts for 25% of the turnover of micro-enterprises. The proportion is much lower for larger enterprises, for which other forms of flexible production such as restocking, which do not go through wholesale channels, are more important. But even micro-enterprises may sell up to 30% of their output through retail and franchising channels. Micro-enterprises in Umbria even sell 70% of their output through retail channels.

Tab. 3 Final enterprises - Distribution channels by class of employees and region, 1993

	Lom- bardy	Veneto	Emilia Roma- gna	Tusca- ny	Umbria	Mar- ches	Campa- nia	Molise	Apulia	Total
<hr/>										
% of turnover accounted for by large retail chains and wholesalers										
- firms up to 20 employees	52,4	57,1	67,1	73,7	27,1	57,4	63,3	81,4	76,2	63,2
- firms over 249 employees	18,8	14,5	2,4	53,4	10,1	0,0	31,0*	10,0	0,0	13,3
<hr/>										
% of turnover accounted for by retailers and franchise shops										
- firms up to 20 employees	35,5	37,6	27,8	19,1	69,5	30,3	35,1	16,3	21,7	30,0
- firms over 249 employees	80,9	85,5	97,6	45,5	89,9	100,0	51,5*	90,0	100,0	86,6

* The data is referred to firms with 100-249 employees.

Source: Italian Observatory of textile and clothing sector

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These data show the problems that small enterprises encounter when they try to build up their own sales network and bear out the fact - often advanced and not just for these sectors - that "small enterprises are much better at producing than selling" (i.e. product marketing, if it is to be managed efficiently, requires a larger enterprise dimension than is required by the production process alone). These same data also prove that in many cases many small enterprises manage to overcome these problems - for 30% of their output as mentioned above. The hypothesis that the proportion of output that small enterprises sell through retail channels is destined for a hypothetical "local market" undoubtedly fails to explain this capacity: the wide-ranging and transparent structure of supply that characterises this sector may even call into question the existence of this market.

An important confirmation of the fact that small enterprises can successfully market their products can be found if the data relating to exports are examined. Unexpectedly, the data show that the proportion of total output sold abroad does not vary significantly with enterprise size. The data differ greatly among the regions. Tuscany and the Veneto are again at the extremes. In Tuscany micro-enterprises export almost half of their output and the proportion of exports decreases as enterprise size increases; the opposite is true of the Veneto where micro-enterprises export only 25% of their output.

Tab. 4 Final enterprises - Ratio of turnover accounted for by exports by class of employees and region, 1993

Class of employees	Lombardy	Veneto	Emilia Romagna	Tuscany	Umbria	Marches	Campania	Molise	Apulia	Total
up to 20	34,7	24,5	26,0	49,3	44,0	32,4	9,6	10,6	29,1	34,5
20-49	35,2	25,7	37,0	37,8	59,1	33,8	18,2	30,0	20,3	33,9
50-99	30,9	29,4	34,3	40,9	38,7	36,6	12,8	20,0	13,1	31,5
100-249	29,8	43,4	26,9	25,1	12,0	33,1	43,0	17,0	70,9	33,8
250 and over	19,7	46,3	37,2	22,2	20,2	53,0	-	55,0	5,0	38,8
Total	30,9	37,7	32,3	41,3	43,0	36,1	17,6	47,4	28,2	34,9

Source: Italian Observatory of textile and clothing sector

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The organizational structures that make it possible even for micro-enterprises to export such a substantial proportion of their output cannot be deduced from the survey data. Experience of the way in which this sector works, however, suggests some explanations and may rule out others. "Travelling round the world with a suitcase of samples" is obviously no longer common practice, although many commercial relationships were built up in this way in the past. While this may still happen in some cases, it is undoubtedly no longer a widespread or significant practice. Sales consortia do not play a key role either. Any survey shows that there are few consortia, and those that do exist are fraught with problems and short-lived.

Much more important than consortia, in terms of numbers and turnover, are the commercial representatives who look after the foreign sales of several enterprises, promoting several collections of models at the same time. These commercial agents have two tasks. The first is to put together different collections that are suited to their customers. This may take the form - depending on who the customers are and therefore the sales strategy decided upon in advance - of a range which covers the whole span of possible qualities or which restricts the range of possible styles to a particular level of quality or which includes all possible qualities of a particular style. The second task, which is even more difficult, is to put together different clothes (a skirt, a jacket and a blouse, possibly also a belt and a cardigan) which, although produced by different producers, can be sold together as "coordinates". In most cases this "coordination" is not the result of harmonised design, but is an astute selection of different samples by the agent. The resulting economies of scale and savings of overall marketing costs do not differ, however, from those that would be provided by a consortium, largely because competition keeps the profits of these operators at a reasonable level. The key factor, as regards the consortium, is that the task of building up the group of enterprises and products to be promoted together is left in this case to the discretion and ability of another entrepreneur whose particular occupational skills, in addition to his ability to sell, include precisely these abilities.

The key factor in explaining the ability of small enterprises to sell abroad, however, may perhaps be what has been called the "trade fair effect".

It is worth bearing some data in mind. The Benetton system (group enterprises, enterprises controlled by the group and subcontractor enterprises linked to the group) employs around 18 000 people, has a sample range of 2000 models and channels some 2% of its turnover into the production of these samples. The Carpi area (final and subcontractor enterprises in Carpi, employees of subcontractor enterprises outside Carpi) has approximately the same number of employees and 500 final enterprises which prepare, each season, the same number of sample ranges on a scale that includes some 100 000 models. The cost of these sample ranges is equivalent to some 6-7% of the overall turnover of the area's final enterprises. The costs of the output of the Carpi area - unless enterprises in Carpi have some way of making this up that Benetton does not: for instance, greater labour intensity - are higher than those of Benetton. A foreign buyer arriving in Emilia, however, in the same way as the buyer who lives in Tuscany, finds for each season an immense trade fair, open for months, within which he is able to find anything he needs. He can order short or long runs, embroidered products ranging from the kitsch to the very elegant, T-shirts that last one season or cardigans that last a lifetime. It seems to be this particular person, i.e. the foreign buyer who pays a visit before the season has started to see what is happening in Italian textile areas, who is the key structural factor in explaining why Italian micro-enterprises are able to export. These enterprises obviously pay a price for these advantages: not least, as the data in Figure 2 show, the fact that 90% of enterprises prepare their own sample collections.

Other factors come into play for slightly larger enterprises. Fashion shows, participation in trade fairs, trading agreements, the construction of sales networks and franchising contracts are also important and make it possible to avoid the stranglehold of large retail chains or even, as is the case of Benetton in the United Kingdom, force large retail chains to change products and strategies .

What is the quality of the products that Italian enterprises sell abroad? Repeated comments would tend to show that the quality of the products sold varies substantially. It is undoubtedly true that in Germany only products with a relatively high intrinsic quality are successful because the Germans do not like clothes that lose their shape and colour after a few washes and last only one season. The French, however, tend to place more emphasis on fashion content. And so on, although the experts might well find the brief comments made above fertile ground for discussion and argument. What is certain, however, is that exports are of many different kinds. The other certainty is that exports consist largely of that proportion of output which is shown to customers six to eight months before the season using collections of models for which orders are collected. (This output is known in the trade as *programmato*). A very high proportion of the winter season models exported to Germany have to be delivered in July, because it is normal practice for German shops to display these models before the end of the summer, while the Italian market is still dominated by the sales. A very low proportion of *pronto moda* is therefore exported.

In conclusion, the choice of the top end of the market is not the predominant choice and does not characterise the production and commercial strategy of most Italian enterprises. The knitwear and clothing produced in Italy seems, however, to be made up of a range of outputs that differ greatly in terms of both quality and distribution channels. A whole range of products is on offer, ranging from high fashion output to

low quality and low price products, destined both for the domestic and foreign markets. Even though regional product/market specializations are very accentuated and it is possible to identify the predominant type of production in each region, output intended for different markets coexists within each area and reaches the different groups of consumers through different distribution channels.

It is possible to speculate in different ways about the probable destination of the low quality output which is still being marketed today by Italian enterprises. It seems obvious to consider, at first glance, that enterprises that have chosen to use this market strategy are heading for defeat by enterprises operating in countries where labour costs are lower. It also seems to be true, however, that these enterprises play an important role in supplementing the range of products on offer, and supplement and complement more sophisticated enterprises that provide them with market strength and the ability to survive while they, in their turn, help to strengthen enterprises working in more demanding market segments. It could be, therefore, that capable enterprises that can work in difficult markets make it possible for a certain number of less sophisticated enterprises to survive because of the complex relationships of interaction and synergy that they have with one another. The notion that a strong supply market is a complete market that contains a whole range of qualities is obviously an audacious idea that runs counter to the current opinion that the only way forward for European enterprises, faced with competition from the Mediterranean and East Asian countries, is to move towards the top end of the market. The data gathered, the fact that different qualities often coexist in all the Italian regions, and the vitality of enterprises working at the lower end of the market, seem to provide enough confirmation of this notion to justify a serious effort to verify its validity.

Degree of vertical integration

In the context of the sector of study, at both domestic and international level, the outsourcing of production stages by final enterprises is subdivided into three items. The first of these is subcontracting: the final enterprise subcontracts to other firms in its country one or more of the stages needed to produce the article. (Hence, from time to time we shall speak of “single-stage” or “multistage” subcontracting.) In each case, however, the final enterprise, according to how it has been defined, performs in-house design of the product, coordinates the production process (even if an important part of this is performed elsewhere) and looks after relations with distributors. When stages are commissioned to subcontractors outside the country of the final enterprise, the term used is no longer “subcontracting” but outward processing trade, which is the second item of outsourcing. Lastly, there is trading or direct sourcing, as it is sometimes called in an engaging euphemism. In this case, the final enterprise designs the finished product, commissions it, *does not* coordinate production, receives the finished product from the subcontractor and sells it to the distribution system. Alternatively, the final enterprise may directly purchase a finished article, without even designing it, in order to sell it together with its own products. In these two instances of trading the final enterprise performs none of the tasks that belong to it by definition, but preserves the status of final enterprise if the share of goods that it designs and whose production it coordinates continues to be prevalent in its turnover.

Trading, by its very name, makes explicit allusion to the fact that in this case industrial firms perform a commercial activity that could be defined as “statistically improper”. In effect, the above-described behaviours evidenciate a sharp conflict more evident and more important here than in other sectors between manufacturing industry and the distribution sector. What is at stake between the two sectors is the margin of profit that accrues to the operator who, as perceived or imagined by the consumer, guarantees the intrinsic quality, the fashion content and the price of the product. Each article sold bears a brand name⁹, and the margin of profit goes to the owner of that brand name whose reputation guarantees the mix of qualities featured by the article. In order to secure this margin, some industrial firms seek to subordinate other such firms (and this is the “trading” mentioned above); some commercial enterprises themselves design the article and control the producer firms, treating them as subcontractors; or, conversely, some producer firms encroach on the territory of the commercial enterprises with franchising.

The above remarks enable precise description of the data in Table 5 and make it possible to give an accurate evaluation. As noted at the foot of the table, the data measure the amount of manufacturing account as a proportion of total turnover. The manufacturing account is defined as the sum of subcontracting, outward processing trade and trading (net of cost of yarn or fabric). The structure of costs of the sector studied is such that the value of the yarn (or fabric) accounts for about 35% of the industrial price of the product, while the tasks performed by the final firm (i.e. costs of design, coordination of production and sale to the distribution system) represent about 25% of this price. It follows that if trading were equal to zero, the manufacturing account could not exceed 40% of turnover¹⁰. When yarn, fabric, design, coordination of production, or sale to the distribution system are particularly expensive and difficult, or particularly cheap and easy, this value may slightly diverge. But it can never be very far from 40%, so that this value represents a useful point of reference, because it signals the situation of maximum outsourcing, in which the final enterprise is responsible only for design, coordination and looking after sales¹¹.

In the nine regions studied, the overall volume of trading, net of cost of yarn or fabric, is fairly low, especially if compared with other European countries, standing at around 13% of the total manufacturing account. Trading, as a proportion of manufacturing account, reaches highest values in Umbria (24%), Emilia (20%) and Lombardy (19%). In other regions it is lower, touching a minimum of 1% in Apulia.

⁹The brand name may be explicit, as when the label on the garment carries a well-known name, or implicit, when the brand name coincides with the name of the retailer (individual, or belonging to a distribution chain) who offers the garment to the consumer.

¹⁰The value of manufacturing account as a proportion of turnover is, of course, a measurement of degree of vertical integration, and is the measurement habitually used in the literature and by operators in the sector. However, the traditional measurement of level of vertical integration is by the ratio of added value to turnover. Given the statistical definition of the sector and its cost structure, the two measurements can be deduced from one another. In knitwear and clothing, where, for statistical purposes, production begins with purchase of the yarn (or fabric) and ends with delivery of the garment to the distribution system, and where the cost structure is as described in the text, in the absence of trading the ratio between added value and turnover can reach a maximum value of 65%.

¹¹If, instead, the volume of trading becomes positive and important, the manufacturing account (as defined in the text) as a proportion of turnover may reach a higher value. For example, in France, where trading is very widely practised, the Ministry of Industry estimated that in the clothing sector the manufacturing account was 48% of turnover in 1986 and 60% in 1992.

While caution is necessary, especially as regards the regions with the highest levels of trading, the data of Table 5 can still be legitimately evaluated with reference to the fact that for this sector, as was said, statistical conventions and cost structure mean that the manufacturing account represents a maximum 40% of turnover.

From the data of the table it can therefore be deduced that a large majority of firms, of all sizes and in all regions, outsource between half and all production that it is possible to outsource. The ratio of manufacturing account to turnover falls to 13-14% only in a very few instances, and is mostly over 30%. Though featuring differences that will be dealt with in what follows, another characteristic of this sector of Italian industry clearly emerges: namely, the very large degree to which firms resort to outsourcing.

Tab. 5 Final enterprises - Ratio of manufacturing account* to turnover by class of employees and region, 1993

Class of employees	Lombardy	Veneto	Emilia Romagna	Tuscany	Umbria	Marches	Campania	Molise	Apulia	Total
up to 20	22,9	19,8	28,3	33,7	37,4	27,6	15,4	35,8	19,8	27,3
20-49	33,2	25,7	31,5	26,0	29,0	23,6	13,1	-	17,2	28,5
50-99	14,1	25,9	29,6	24,8	24,8	28,3	25,9	-	14,3	24,3
100-249	17,1	26,2	29,1	29,8	17,0	17,1	4,8	12,0	16,7	23,1
250 and over	14,2	30,3	21,8	4,9	19,9	13,9	-	47,3	15,0	24,9
Total	21,8	27,2	27,8	28,7	29,6	22,1	15,0	41,5	17,9	25,9

*includes subcontracting, outward processing trade and trading (net of cost of yarn or fabric).

Source: Italian Observatory of textile and clothing sector

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Vertical integration does not have close links with enterprise size. In Apulia and in particular in Campania final enterprises are small and integrated while in other areas, such as Tuscany, enterprises are small because they are not integrated. In some regions, such as Lombardy, Umbria, the Marches or Campania, the degree of vertical integration decreases with enterprise size. In other regions, such as Emilia, the average degree of vertical integration remains constant for different sizes of enterprise. In the Veneto, small enterprises are more integrated than large enterprises. The result of these opposing tendencies is that the overall data calculated for the nine regions studied clearly show that there is a very tenuous relationship between vertical integration and size which is probably not significant from a statistical point of view. In substance, the data persuasively and definitively show that the common practice of deducing the degree of vertical integration of enterprises from size is unfounded and misleading.

The characteristics of the various regional productive systems play a much more important part than size in determining the intensity of outsourcing and the outsourcing model used.

Those enterprises that are least integrated provide the first model and are large in number in particular in the Tuscan and Emilian productive systems. These enterprises outsource almost all the stages of production and carry out only product design and marketing in-house.

In contrast, the most integrated enterprises are in Lombardy and the Southern regions. This was an unexpected finding for the Southern regions. On the basis of the well documented hypothesis that undeclared work is obviously more practicable in the South, it might have been assumed that outsourcing would have been more widespread in these regions. The fact that this is not the case can be simply explained. The greater flexibility of the labour market - or, to be more explicit, the more widespread evasion of the regulations on social security and job security - affects not only small subcontractor enterprises but also small-scale final enterprises. Outsourcing is not used, therefore, precisely because of the widespread nature of evasions and infractions of contractual and social security rules. It is well known that there is an incentive to outsource in a segmented labour market, where one band of enterprises may behave in a different way from another and where the "outsourcing" of some processing helps to move it to a labour market band which is less regulated. If all the rules are uniformly disregarded, except in really large factories and perhaps even in these, there is less incentive for outsourcing and vertical integration is still prevalent. The only objection is obviously that organization in the form of a local productive system gives rise to a lack of vertical integration for other reasons. In outline, however, this is not the case in the South of Italy.

The Veneto seems to have a third model, which is original and differs from the two models described above. In this region final enterprises, although large, have an intermediate degree of vertical integration. This result is not achieved by keeping some processing stages in-house and outsourcing other processing stages. In the outsourcing model common in the Veneto final enterprises carry out all - or almost all - stages of the production cycle in-house, but at the same time outsource a significant proportion of their overall output to enterprises which carry out all - or almost all - of the necessary processing. This would seem to be "capacity outsourcing", i.e. outsourcing which gives subcontractors the task of coping with unforeseen peaks in demand. Some experts have interpreted the outsourcing of Veneto enterprises in this way. A closer examination seems to suggest, however, that the relationship between final and subcontractor enterprises in the Veneto has nothing to do with output and market uncertainties and fluctuations, but rather takes the form of an established system in which subcontractor enterprises are stably connected to final enterprises.

A number of findings - worth noting even though they were not provided by this survey - show that the three models described above have many features in common. The contract that links the customer and subcontractor is a long-term unwritten contract in which the only formal element is often the order form (which contains, as we know, very few specifications). Prices are almost always fixed by the customer, but if during production the subcontractor realizes that the price is too low, he may request that prices be reviewed, and this is often granted. The prices depend not only on the sophistication of and hence the time needed for the stages, but also on the delivery times, and are in any case established in such a way as to allow the subcontractor sufficient margins to make the investments necessary for him to keep up with the latest technology. Prices are also closely linked to the economic situation. In Carpi, at the end

of 1980s, when the sector was going through a very favourable period, prices were particularly high; since 1990, however, they have remained at the same level and have not increased at the same rate as inflation. Price variations between customers and subcontractors linked by long-term relationships are much lower than market price variations: prices rise less sharply when the market booms and tend not to drop as sharply when the market is sluggish. There are much greater price variations, however, between customers and occasional subcontractors.

Relationships between customers and subcontractors also differ from region to region. In the Veneto it is conventional for a subcontractor to work almost exclusively for a single customer. Many Benetton or Stefanel subcontractors work in this way and it is significant that large enterprises can even calculate how many subcontractors they replace every year by other more efficient and capable subcontractors. (The unions calculate that large enterprises in the Veneto replace 5% of their suppliers every year).

The large enterprise almost always exerts strong pressure on the subcontractor to translate the largest part of the profit margins allowed by the agreed prices into investments, and if necessary gives financial assistance for these investments. Large enterprises act as consultants for subcontractor enterprises, often provide them with financial assistance for investment, offer them the know-how needed to optimise factory layouts, visit them frequently when orders are being processed and adopt an attitude which some see as tight control and others interpret as a willingness to cooperate in optimising production techniques.

In Emilia, *à la* Lorenz, it is a common strategy among subcontractors not to depend on a client for more than 20% of their own turnover. This makes it possible to forearm themselves against the traumatic effect that the termination of a contract might exert on the enterprise. The financial and technical capacity of the customer is often no better than that of the subcontractor. The division of tasks is such that the final enterprise - especially if small - merely provides an outline design of the garment and the small subcontractor enterprise solves all the problems connected with its production, often proposing changes that make it possible to reduce costs without substantially modifying the final outcome. In this case, paradoxically, it is the subcontractor enterprise that acts as a consultant for the final enterprise, in keeping with Brusco and Sabel's 1981 model.

The destination of outsourcing and the trade balance of processing

The three outsourcing models discussed above describe relations between final and subcontractor enterprises that are geographically close, i.e. in the same or in a neighbouring region. The quest for lower labour costs means, however, that orders are often sent outside the region and go to other more distant regions or abroad.

In Table 6, which is based on declarations by final enterprises, the manufacturing account is broken down between the region where the final enterprises operate, the other regions of Italy, and abroad. On average, in all the regions studied, final enterprises keep some 60% of orders in their region. The propensity to go further away from home varies substantially, however, from enterprise to enterprise and from region to region for a variety of reasons. The geographical distance of outsourcing is linked to some extent to the dimension of enterprises, as only large enterprises are able

to build up the organizational structure needed to manage orders sent far from their centre of activity. Consequently, it is often very large enterprises that outsource furthest away. There are, however, substantial differences between the regions.

Tab. 6 Final enterprises - Degree of vertical integration and destination of outsourcing by region, 1993

	Lom- bardy	Veneto	Emilia Roma- gna	Tusca- ny	Umbria	Mar- ches	Campa- nia	Molise	Apulia	Total
% of firms with all the stages of production in-house	41,0	50,5	16,3	30,0	20,1	38,7	68,1	48,7	58,3	37,9
% of firms outsource one or more stages of production	64,6	76,2	90,4	73,9	74,1	81,2	49,4	37,5	66,1	72,4
destination of outsourcing										
% that remains in the region	52,9	67,9	48,1	65,7	61,8	67,7	72,2	7,1	91,0	59,5
% exported to the other Italian regions	37,1	12,5	41,7	29,3	20,9	29,7	13,9	92,9	8,7	29,0
% exported abroad	10,0	18,2	10,2	6,0	17,3	2,6	6,9	0,0	0,3	11,5
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Italian Observatory of textile and clothing sector

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In the Veneto and Tuscany, outsourcing policy, even among large enterprises, is to give priority to regional subcontracting and the proportion of orders that remains in the region may be as much as 70%. In these cases, the division of work between enterprises means that little work goes outside the region and the regional productive system tends to be self-contained geographically. Exports to other Italian regions often go to neighbouring regions and, even when there are substantial wage differences between neighbouring areas (for instance the difference between average wages in Vicenza and Rovigo), seem to be shaped more by trading network and traffic current traditions in the region than by cost motivations.

An even higher proportion of orders, equivalent to 91% of all outsourcing, remains in the region of Apulia. It would be difficult for final enterprises in this region to find lower labour costs unless they were willing to tackle the problems connected with going abroad.

In contrast, the proportion of orders that remains in the region is only 50% in Lombardy and 47% in Emilia Romagna which, of all the regions studied, imports the highest proportion of external processing. A substantial proportion of orders goes to distant regions along the Adriatic coast or in Southern Italy.

As an aggregate for all the regions studied, slightly over 11% of the 40% of orders that go outside the region go abroad and 29% remain in Italy. Foreign outsourcing is therefore less significant than is normally thought.

The amount of processing that is commissioned from foreign enterprises is determined by three factors.

The first is the geographical location of the region. The only region in which foreign outsourcing is significant is the Veneto which sends around 18-20% of its total outsourcing to Slovakia and the neighbouring countries of the former Yugoslavia.

The second factor is enterprise size. The aggregate data for the nine regions show that the threshold at which this factor becomes significant is around 50 employees. While micro and small enterprises use almost no foreign subcontractors, enterprises with 49 or more employees (which, as mentioned above, generate approximately half of the turnover of the sector) send 18 to 20% of their outsourcing abroad.

Tab. 7 Final enterprises - Ratio of foreign outsourcing of total outsourcing by class of employees and region, 1993

Class of employees	Lombardy	Veneto	Emilia Romagna	Tuscany	Umbria	Marches	Campania	Molise	Apulia	Total
up to 20	0,7	0,2	3,5	3,4	14,5	0,0	0,1	0,0	0,0	3,2
20-49	5,4	13,2	10,3	0,0	1,6	0,1	0,0	0,0	0,0	7,1
50-99	8,1	30,3	15,5	1,9	0,0	0,9	13,3	0,0	0,0	17,0
100-249	22,6	22,7	15,1	15,4	0,0	6,6	91,0	0,0	3,1	18,9
250 and over	34,4	18,5	13,4	51,4	22,7	7,7	-	0,0	0,0	17,7
Total	10,7	18,7	10,7	4,7	10,3	2,3	9,4	0,0	0,3	11,5

Source: Italian Observatory of textile and clothing sector

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There are major differences between the regions here as well; this is the third significant factor which is often connected with the general labour market situation and with wage levels. In Southern regions, foreign outsourcing is negligible for obvious reasons. In the Marches, no group of enterprises sends more than 7% of its total outsourcing abroad. In Tuscany and Lombardy, only enterprises with 100 or more employees outsource abroad and enterprises with 250 or more employees send 35 to 50% of their total outsourcing abroad. The overestimate of foreign outsourcing - frequently encountered in economic literature and in the minds of those involved - is probably due to a knowledge of what is happening in these large Lombard and Tuscan enterprises and to an unjustified generalisation of the few facts available.

The choice of the foreign country to which orders are sent is much less clear-cut than in other European countries. In France, almost all foreign orders go to Algeria,

Tunisia and Morocco. In the United Kingdom, they almost all go to India and the countries of South East Asia. In Italy, which does not have long-standing relationships with low-income countries, almost half of orders go to the countries of central Europe and the remainder to a whole range of other countries: from Tunisia and Turkey to India and Taiwan.

Up to a few years ago, in contrast to what was and is happening in German enterprises, which often outsource single processing stages abroad, but like what is happening in France and the United Kingdom, Italian foreign outsourcing almost always involved the outsourcing of finished garments. Men's and women's cotton or silk shirts commissioned in India, Bangladesh or China were typical cases. Italian enterprises often bought the fabric, frequently produced to their own specifications, in these remote areas and then had it made up into shirts of medium or medium-to-high quality. In the early 1990s, when the frontiers of Eastern Europe opened up, some large Italian enterprises started to design the garment, buy the fabric (either material or knitted depending on the case), cut it and then send it to Rumania, Hungary, Slovakia or Poland to have it made up. The finishing stages (checking, ironing and packaging) were carried out in Italy. This is, therefore, not a case of trading but of outward processing trade. One of the visible results of this policy was that those Italian subcontracting enterprises that were least affected by the recession were weaving and finishing enterprises. (As mentioned, cutting was in any case carried out by final enterprises with few repercussions on the subcontracting market). Nowadays this strategy of work division is being rethought, since Italian enterprises have become aware that, apart from a few exceptional cases, Eastern European enterprises cannot guarantee the required level of quality.

Outsourcing to other Italian regions is fairly widespread, however, in all regions and among all final enterprises. Micro-enterprises send 25% of their processing outside the region (almost always to neighbouring regions), small enterprises send 40% and all the others send approximately 50%. As mentioned above, this is partly a question of administrative boundaries. The only region that does not export processing to a substantial extent is Apulia.

As regards outsourcing, not only the destination of orders needs to be studied, but also the trade balance. If the flow of incoming commissions balanced that of outgoing commissions, this would mark a situation of equilibrium in which the high volume of exchanges does not affect the employment level of the region. But if the positive or negative balances reach significant values, this signals imbalances and requires industrial policy measures, and in any case points to various kinds of problems connected with the structural weakness of final or subcontracting enterprises.

For each of the regions studied, Table 8 estimates the trade balance of processing. The estimate is necessarily approximate, is based on declarations by final and subcontracting enterprises, and is closely dependent on two hypotheses: that all the workers in the subcontracting firms have the same productivity, and that the balance of manufacturing exchanges among the nine regions studied is equal to zero. The first assumption is not entirely justified, and the second may even appear audacious, since Abruzzo, which has 18 000 employees in the sector and is not included in the regions of study, certainly shows a positive trade balance of orders. However, the margin of error involved in the two hypotheses is fairly small and enables at least an approximate evaluation of the order of magnitude of the phenomena in question. The data are

expressed in terms of employees instead of, as is usual practice, in values, in order to give an idea of the number of workers involved in these flows of orders which intersect one another nationally and abroad. The data are estimated both as absolute values and as proportion of regional employment in the sector, in order that the effects of these trends can be assessed on a local basis.

The results of this exercise are very significant. In overall terms, Lombardy, Veneto and Tuscany show a negative trade balance of orders equal to the output of about 14 000 workers. Emilia alone commissions outside the region, net of orders received, a volume of work sufficient to employ around 26 000 workers. Molise, which is the only Southern region which has a negative balance, provides work - again net of orders received from outside - for 4 000 workers outside the region. In total, the balance of orders that go outside the region for these five regions provides work for slightly over 44 000 workers. (It is perhaps useful to bear in mind that the total number of workers in subcontractor enterprises in this sector is 180 000). Since the orders that Italian subcontractors receive from abroad are negligible, it is evident that about half of these 44 000 workers are foreign workers (Italian orders abroad provide work for some 22 000 workers), and that the remaining 22 000 workers represent net movements of work between the Italian regions.

As we have seen, Lombardy, the Veneto, Emilia and Tuscany are the main regions in this sector that send such a significant volume of orders abroad and nationally. This may well show that there is a tendency among final enterprises in these regions to keep only some particular products and particular types of processing within the region and to send others far away in a quest for lower labour costs. The products that remain in the region are the more complex products that do not require fabric produced in far-off countries, such as the Indian cottons or Chinese silks mentioned above. The types of processing that remain in the region are those that are very capital intensive, such as weaving, where the better quality of looms more than offsets higher labour costs, sophisticated processing requiring considerable skill to ensure that the garment produced is of high quality and processing that has to be carried out very rapidly, such as that connected with *pronto moda*. Everything else can be sent elsewhere and a large proportion goes to remote areas.

The destination of this processing is Umbria, the Adriatic coast and Southern Italy. Umbria, the Marches, and Campania receive orders from the Northern regions sufficient to provide work for some 11 000 workers. The others 11 000 workers are in Apulia. These 22 000 workers account for approximately one third of the workers employed in this sector in these regions, with a peak of 40% in Apulia. In substance, the production structure of these Southern regions complements that of the Northern regions. Even these regions have productive systems in which the trade balance of processing purchased and sold outside the region is not equal. In this case, however, the **(TAB 8)**

imbalance of trade with other regions is a result of the flow of orders that subcontractors receive from distant customers.

These orders that come from outside undoubtedly place these regions in a dependent situation. Many indices suggest that in a period of recession there is a reduction in the number of orders sent by strong regions to distant regions and that the flow of orders towards these regions is governed not by the economic situation but by a long-term trend held at bay by the constraints mentioned above.

At the same time, however, under the guidance of the strong regions, these regions gradually improve their know-how, learn initially to produce the product, then to design it, then to deal with the market, with the result that their industrial ability increases to a point at which they are able to compete with those regions that have long derived advantages from their low labour costs. The case of Molise, whose final enterprises employ 600 workers and which gives work to over 4000 employees outside the region, is typical. Up to now a large enterprise has not managed to stimulate the growth of a surrounding production fabric that is strong enough to cope with its needs. It seems likely that, in future, some of the 4000 workers that final enterprises in Molise seek outside the region will be found in local enterprises.

2.2 Subcontractor enterprises

In the knitwear and clothing sector, subcontracting accounts for approximately 75% of enterprises and just under 60% of employment. The role and prospects of this segment of the productive system are among the most important themes of the debate that is currently taking place. This has to be related both to the fact that employment is falling in some regions (in particular, as mentioned above, in Lombardy and Emilia) because almost half of orders are sent out to other regions and to the potential effects of the internationalisation of the sector. Evidence for this phenomenon is provided by the data collected by the Emilia region in 1990 and 1993, and by the increase in outward processing trade recorded in international statistics. Subcontractor enterprises are undoubtedly most exposed to competition from countries where labour costs are low.

Few data are needed to describe the production situation of this segment. The average size of enterprises is slightly above seven employees and is therefore very low. 45% of enterprises in the nine regions studied have a turnover of less than LIT 100 million; it is evident that a turnover of LIT 100 million is not enough to pay the wages of two employees. There are 190 enterprises employing over 49 employees, accounting for less than 9% of employees in the sector. Enterprises with a turnover of more than LIT 500 million - which is equivalent to the threshold of LIT 2.5 billion mentioned above for final enterprises - account for less than 15% of the total number of enterprises. There is a clear-cut and obvious difference with respect to other European countries.

The survey data show, although with some exceptions¹², that the size of subcontractor enterprises is closely linked to the number of stages that they are equipped to carry out in-house and therefore to the extent to which they can produce a finished product. In overall terms, enterprise size depends therefore on production specialization. In turn, the fact that different models of work division are used in different regions has a substantial impact on production specialization.

The various models used to divide work between enterprises have already been mentioned in our discussion of the degree of vertical integration of final enterprises. It may be useful to look at these models in greater depth.

The Veneto and Apulia have a large number of relatively large and integrated enterprises. Enterprises with 20 to 49 employees account for a proportion of the

¹²In this sector, it is not difficult to find enterprises of substantial size which carry out only weaving or specialize in a very specific type of processing such as embroidery.

workforce which is well above the average. Half of the 190 enterprises with over 49 employees mentioned above operate in these two regions. In the Veneto, these relatively large and integrated enterprises produce finished garments commissioned by large enterprises and also by that group of medium-to-large enterprises that gives the region's

Tab. 9 Subcontractor enterprises - Size firms by region, 1993

	Lom- bardy	Veneto	Emilia Roma- gna	Tusca- ny	Umbria	Mar- ches	Campa- nia	Molise	Apulia	Total
Turnover (bn lire)	1640	2342	1229	883	347	467	245	49	506	7707
number of firms	4274	5480	5893	4582	1382	1415	901	75	1539	25542
number of employees	34483	55264	25833	20678	8217	11962	8390	1546	17329	183701
number of employees by firm	8,1	10,1	4,4	4,5	5,9	8,4	9,3	20,6	11,2	7,2
number of firms with 50 and over employees	30	61	13	10	8	23	13	3	27	190
% of employees of the firms with 50 and over employees	7,3	9,8	5,1	4,2	6,5	18,7	16,5	11,0	11,1	8,9
% of firms with a turnover up to 100 million lire	38,8	29,4	47,5	53,0	48,9	50,3	50,0	22,3	40,6	43,0
% of firms with a turnover over 500 million lire	14,9	22,7	8,2	6,4	10,8	18,3	9,9	30,6	13,0	13,2

Source: Italian Observatory of textile and clothing sector

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productive system its particular nature. Large final enterprises and integrated subcontractors are very close to one another geographically, often in the same province or production area, and are linked by the long-term relationship discussed above.

Paradoxically, in Apulia and the Marches¹³, it is precisely the remoteness of the customer that has led to the growth of a group of enterprises offering a wider range of processing stages so that they can deliver the finished product. Managing single-stage orders would in fact be much more problematic for customers even 500 km away. There is a close link between the distance of outsourcing and the production of finished products. Only more structured subcontractor enterprises are able to operate in markets that are not local. In fact, the very few foreign orders that go to Italian subcontractors go to a few full-cycle enterprises with 100 or more employees¹⁴.

¹³In effect, the position of the Marches is unique and might be said to be polarised between full-cycle subcontractor enterprises which work for distant customers and single-stage enterprises which work for regional customers.

¹⁴There are ten or so of these enterprises located in Lombardy, Apulia and Campania.

In Emilia and Umbria, and in particular in Tuscany, single-stage enterprises, i.e. carrying out a single production stage, play a much more significant role. These enterprises depend entirely on regional orders. In this case, as mentioned above, the production process is managed by final enterprises with a complicated toing and froing of intermediate products from one subcontractor to another. In some cases, the customer undertakes inspections to ensure that every stage is correctly performed; if this is not the case, it is solely because the long-term relationship with the supplier means that the possibility of inspection is enough to ensure the subcontractor's commitment to quality. The "teams" described by Becattini are largely to be found in these regions. In each case the final enterprise picks a team of subcontractors that is in keeping with the product's characteristics: a weaver specializing in a particular yarn of a particular fineness and quality, a cutter able to provide the required cut, a seamstress who knows how to work to the appropriate level of finish and, if necessary, an embroiderer who knows how to work on the fabric correctly. If the product changes, however, an entirely new team may need to be picked.

Alongside production specialization and size, subcontractor enterprises are defined by a third variable: degree of dependency on the main customer.

The key factor in a correct interpretation of the relationships linking these three variables is that the degree of dependency does not depend on size but, once again, on the characteristics of the productive system of which the subcontractor enterprise is part. Full-cycle subcontractor enterprises in the Veneto, the Marches and Apulia are often large and depend on a single customer. The single-stage subcontractor enterprises of Tuscany, and in particular Emilia, are very keen to avoid becoming dependent on a single final enterprise.

Measurement of the level of dependency does not make it possible, however, unequivocally to assess the status of subcontractor enterprises, i.e. the degree of dependency is not closely related to the profit level that the subcontractor enterprise can achieve. In other words, a high level of dependency is not closely related to the final enterprise's ability to squeeze the subcontractor enterprise's profits.

In the Veneto, large final enterprises are often linked, with a high degree of dependency, to large subcontractor enterprises. The customer, who is often an exclusive customer, commissions a volume of orders that is intended to saturate the subcontractor's production capacity; the subcontractor can plan production in the best possible way and the large size of orders may make it possible to keep production costs down. Prices, as mentioned above, are fixed in the first instance by the customer, but the subcontractor can modify them if they do not allow for normal profits and are not high enough to provide for the investment needed to achieve the highest productivity levels that technical progress allows. The strength, from the subcontractor's point of view, lies in the relatively high volume of output that he produces (and therefore the relative difficulty that the customer would have in replacing him by another enterprise) and in particular in the knowledge that he can satisfy the customer's requirements and work in the way that the customer has taught him to work. The customer would find it expensive to teach his working standard to anyone else and the high-quality work provided by the subcontractors may make it possible for the customer to contain inspection costs. Some of the factors in play, as can be readily seen, are those known in economic theory as prime-mover advantages.

Tab. 10 Subcontractor enterprises - Specialization and market by region, 1993

	Lom- bardy	Veneto	Emilia Roma- gna	Tusca- ny	Umbria	Mar- ches	Campa- nia	Molise	Apulia	Total
% of single-stage firms	36,0	56,2	70,2	66,4	63,2	52,1	20,7	6,6	34,6	55,2
% of full-cycle firms	20,6	10,5	6,3	6,2	9,1	18,3	40,8	47,9	28,1	13,1
% of firms specialized in short runs	52,1	49,9	73,9	56,1	69,9	60,7	60,4	25,8	50,3	58,9
% of firms with only one customer	27,5	30,7	13,8	22,4	28,4	24,3	31,4	19,3	40,8	24,9
% of firms with a main customer*	59,7	70,4	53,9	57,7	64,0	73,3	67,4	85,1	72,2	62,4
% of turnover accounted for by customers of:										
- the same region	57,7	72,4	89,9	80,5	36,2	40,8	50,7	27,8	30,6	65,7
- other Italian regions	35,2	26,4	9,3	11,9	55,8	54,7	39,6	65,1	63,2	30,0
- foreign countries	7,1	1,2	0,8	7,6	8,0	4,5	9,7	7,1	6,2	4,3
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

*Firms in which the 50% or more of production capacity is saturated by a customer.

Source: Italian Observatory of textile and clothing sector

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In Emilia, there is an initial structural difference which lies in the fact that, much more than in the Veneto, final enterprises bring to the market short runs, which give rise to a much smaller volume of orders than is the case for Veneto enterprises. In contrast to the Veneto, keeping the degree of dependency low is the top priority of subcontractor enterprises in these areas. Here again, however, the price is fixed by the customer and the subcontractor can object if this price does not make it possible for him to remain in the market using the best technology available. The factors on which the subcontractor bases his bargaining ability are more or less identical to those of Veneto subcontractors. The difference lies in the fact that in the Veneto the final enterprise knows that it may be problematic to find an enterprise able to produce a large volume of output, while in Emilia the final enterprise knows that, if it does not behave correctly, the subcontractor can readily find another customer.

Changing subcontractors is always very costly for the customer. It is worthwhile to behave correctly as a high price may otherwise have to be paid. In the Veneto it

would be necessary to find another large subcontractor with free capacity. In Emilia, tightening the noose too far might cause a small subcontractor to look for another customer.

None of this has any meaning, however, unless a basic hypothesis is borne out, which is valid for the two regions discussed above, but it is perhaps less so for Apulia or Campania. The hypothesis is that final and subcontractor enterprises acquiesce in accepting a climate of substantial cooperation and agree to coexist in a complicated system of rules that includes a highly structured, although unwritten, mixture of trust, inspections and sanctions. The impact that the degree of dependency has on subcontractors' profit levels is determined by the existence and efficiency of this system of rules. Without these rules, as was the case in Italy at the beginning of the 1970s and is probably still the case today in some Italian regions, the proportion of turnover emanating from the main customer is undoubtedly the variable that determines a subcontractor enterprise's profit level. Where these rules do exist, however, the whole production system becomes, in overall terms, much more competitive and the degree of dependency becomes a variable which is not very significant in determining both profit level and the overall productive system's ability to remain at the leading edge of technology.

2.3 Regional productive systems

Regional differences have been mentioned several times in the preceding sections and it has been demonstrated that each region has developed its own particular productive system, in some cases with very clear-cut distinguishing features. If the focus of the analysis is reversed it is possible to look at the sector not in terms of problems, as has been the case up to now, but in terms of areas and to provide at least an outline picture of those regions with the most distinctive characteristics. The most significant unit of geographical analysis is not so much the regional as the local productive system. Examining the regions, however, may provide significant findings. If it were true that local productive systems in the same region are more similar than distant productive systems, examination of the regions would provide an initial approximation, albeit diluted, of the local productive systems.

Among the regions studied, models vary most in the Veneto and Tuscany which to some extent have the "purest" models with respect to the other regions.

The Veneto has medium-sized and large final enterprises that are integrated and outsource finished products to relatively large and full-cycle local subcontractor enterprises. A significant proportion of the processing work subcontracted goes abroad. The trade balance of processing is equal in overall terms. Final and subcontractor enterprises have long-term relationships regulated by a highly structured code of conduct. The product is of average-to-high quality and is sold through chains of franchising stores or to retail shops and orders are collected on samples presented six months before the season. While *pronto moda* accounts for a very small proportion of turnover, the proportion for which output for restocking accounts is among the highest. A significant proportion of output is exported. Because of the limited size of the sample, the data do not enable more detailed provincial breakdowns. The data available (and experience of the sector) do show, however, that what has been said up to now is

true for the areas of Padua, Treviso and Vicenza in particular. Rovigo, on the other hand, is from this point of view the closest destination for outsourcing from Emilia.

In Tuscany, small final enterprises that are not integrated buy in processing from subcontractors who often work on a single stage, thereby setting in motion, each season, the complicated game of picking and repicking of Becattini's "teams" as discussed above. The trade balance of processing is also more or less equal in this case. Much shorter runs are produced than in the Veneto. Output is of average-to-low quality, is sold wholesale and to large retail chains and includes a high proportion of flexible output. The product is very successful on foreign markets.

These two regional models to some extent represent the extremes of the production differences possible in this sector, even though they have some aspects in common: a high propensity to export and a trade balance of processing which is substantially equal. The structural elements listed above to describe the two regions, however, can be combined in many-ways giving rise to an extraordinarily varied set of regional productive systems.

Like the Veneto, Apulia has a large number of relatively large and integrated enterprises which outsource practically everything within the region. In this case full-cycle subcontractor enterprises work to a large extent on orders arriving from far away and the trade balance of processing is very strongly positive. As in Tuscany, output is of average-to-low quality and the main distribution channel is wholesale, but in this case output remains almost entirely within the domestic market.

Emilia shares Tuscany's enterprise and outsourcing model, but output - in short runs as in Tuscany - is of a higher quality as is borne out by the clear-cut preference for retail sales. Unlike Tuscany, however, exports are relatively small and the trade balance of processing is strongly negative.

Table 11 contains all the information needed to assess the extent to which regional productive systems vary, making it unnecessary to continue. The most interesting problem, from the analytical point of view and in view of the repercussions that it has on training and the formulation of industrial policy measures, is to ascertain whether there are general models of entrepreneurial behaviour valid for the whole of Italy or whether there are characteristic regional models. If the first hypothesis were correct, regional differences could be explained by differences in the relative importance of the different models. Emilia Romagna would be characterised by the greater importance of the Tuscan entrepreneurial model and Lombardy by the greater importance of the Veneto model. The problems of professional training and business services could then be studied and tackled with reference to the few types of enterprise present in Italy, and the Regional Governements would be confined to the task of directing interventions in a correct way, each region according to the importance and urgency of the intervention for its own particular territory. If, on the other hand, the second hypothesis were correct and each area possessed characteristic entrepreneurial models, the problems of training and design of industrial policy would differ from region to region, and each Regional Governement would have to plan policy expressly for its own specific types of enterprise.

It may be very useful, for the purposes of this in-depth examination, to compare the situation of the Italian regions with the situation characteristic of this sector in other European Member States. The high level of output for restocking characteristic of Lombardy brings to mind the productive system of the United Kingdom; the high

degree of vertical integration of some enterprises in Apulia brings to mind the situation of the sector in Valencia or Terrassa; the long-run output of many subcontractor factories in the Veneto brings to mind the organization of work and the output of Troyes. If this is true, cooperation with experts and workers in this sector in other European countries could prove to be useful. Comparing similar productive systems may be as valuable as comparing different productive systems and may highlight strengths or weaknesses that have not yet been considered, such as technological level, division of work among enterprises, management of working hours or shifts and the role of vocational training.

Even if our examination is limited to what is happening in Italy, it needs to be said that, in addition to the use of statistical techniques that are more sophisticated than those hitherto employed, more accurate information on the actual situation of the sectors studied can be provided only by an analysis of the single local productive systems.

Tab. 11 Regional productive systems in the knitwear and clothing sectors in Italy, 1993

Lombardy	Veneto	Emilia Romagna
Mediumsized-small firms	Large firms	Mediumsized-small firms
Low concentration of production*	High concentration of production*	Average concentration of production*
Retail and wholesale sales	Retail and franchising sales	Retail and wholesale sales
Average exports levels	High exports levels	Average exports levels
Average use of customers' brands	Brand recognised by consumers	Average use of customers' brands
High quota of during season production but little <i>pronto moda</i>	Low quota of during season production	Low quota of during season production
Integrated firms	Intermediate degree of vertical integration	Non-integrated firms
Trade balance of processing almost equal	Trade balance of processing almost equal	Trade balance of processing very negative
Tuscany	Umbria	Marches
Small firms	Mediumsized-small firms	Mediumsized-large firms
Low concentration of production*	High concentration of production*	High concentration of production*
Wholesale and large retail chains	Retail and franchising sales	Retail and wholesale sales
High exports levels	High exports levels	High exports levels
High use of customers' brands and unbranded sales	Low use of customers' brands	Average use of customers' brands
High quota of during season production	Low quota of during season production	Low quota of during season production
Non-integrated firms	Intermediate degree of vertical integration	Intermediate degree of vertical integration
Trade balance of processing almost equal	Trade balance of processing positive	Trade balance of processing positive

Campania	Molise	Apulia
Small firms	Region dominated by a large final firm	Small firms
High concentration of production*		Low concentration of production*
Wholesale and retail sales		Wholesale and large retail chains
Low exports levels		Low exports levels
Low use of customers' brands		High use of customers' brands
High quota of during season production		High quota of during season production
Integrated firms		Integrated firms
Trade balance of processing positive	Trade balance of processing almost equal, high import and high export	Trade balance of processing very positive

* The concentration of production is measured by the ratio between the turnover of the five largest firms and the total turnover of the region. In the regions studied this ratio varies from 9% for Tuscany to 36% for the Marches.

Source: Italian Observatory of textile and clothing sector

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3. Training and service needs

3.1 Practical implications of this analysis and regional powers

What practical use can be made of this analysis in order to plan training schemes and industrial policy measures likely to make the various regional productive systems more competitive?

The starting point is very clear. The far-reaching differences in the productive systems studied, which it has been possible to appreciate and highlight only partially at this stage of the analysis, mean that different regions require different measures. No measure planned uniformly for the whole of Italy could remedy, at one and the same time, the excessive extent to which Apulian enterprises depend on orders from outside the region or the excessive fragmentation of subcontractor enterprises in Tuscan and Emilian knitwear sectors. Measures have to be formulated in different ways for different regions because the actual situations in which they are destined to operate differ and require different solutions.

The very close links between final and subcontractor enterprises, whatever the size of final enterprises, show that the sectors studied operate as unitary systems where the strengths and weaknesses of both large and small enterprises are passed on to and pervade the whole of the production structure, through every possible channel, with the result that no production unit can remain unaffected by them. This must be seen as a major criticism of current Italian legislation which gives regional governments powers only over small enterprises and reserves measures involving larger enterprises for central government.

The fact that regional situations are specific and that local productive systems are probably even more specific, along with the close links that connect all enterprises together, consequently provide the theoretical basis for an extension of regional powers over vocational training and industrial policy. This call for increased regional powers is not based on abstract questions of principle or on power division models justified only by their formal elegance, but on simple, well-nigh commonplace considerations of efficiency which are cogent because they are based on a careful examination of the actual situation.

Over and above a discussion of the institution best fitted to design those measures that are necessary or merely desirable, there is the question of worth. What measures need to be taken? What suggestions can be drawn from the above analysis? It is obviously not our task to offer suggestions as to what needs to be done in this or that region. In this respect, specific reports devoted to the individual regions, which can be drawn up from the data gathered, would be the best starting point for the formulation of more accurate suggestions. Some points of reference have started to emerge, however, and need to be made explicit.

3.2 Vocational training, real services and artisans

The first point that needs to be made is that training for the sectors in question involves training for small entrepreneurs. In the regions studied entrepreneurs number over 60 000, equivalent to 20% of employees, and are even larger in number in some

areas such as Tuscany and Emilia Romagna where they account for one third of regional employment.

Some business functions are fraught with problems for small enterprises. Entrepreneurs are mainly involved in coordinating the production process and keeping, or at least checking, accounting records, and pay little attention to the other functions. Often they end up using information gathered as and when necessary in a very disorganized and piecemeal way.

Cases of this type are very frequent. Entrepreneurs throughout the fashion sector do not always have reliable and adequate information on fashion trends with the result that in some instances they work in less profitable market segments. Many entrepreneurs cannot find detailed information on technological innovations when they need it and are forced to rely on suppliers' goodwill to obtain this information. In all sectors in which small enterprises manage to export, they find it very difficult to keep themselves informed about regulations in foreign countries, which are often very changeable; if they do not possess this information exporting becomes risky and difficult. The end result is that their ambitions are restricted to countries that are close at hand or to those about which their network of personal acquaintances can provide at least a minimum level of information.

In some cases enterprises try to use the few resources they have available to counter this shortage of information. Trade fairs, for instance, which are the main way for many small entrepreneurs to find out about technological innovations and trends in their product market, play a very important role in disseminating information. In some cases regional trade fairs, although less prestigious, may play a significant role in this connection.

In many other cases, however, enterprises become convinced that a whole range of information is beyond their grasp and consider it normal to work in a position of inferiority with respect to other enterprises which have this information. This causes them to scale down their ambitions and objectives and raises doubts as to their own ability to master this information and use it profitably with the result that they end up by considering it to be of liable use. What this entails is a kind of process of adaptation where the enterprise locates itself a market segment which does not require continuous technological updating or continual attention to changes in consumer tastes or, more generally, the product market. In so doing - and this is the crucial point - enterprises make themselves less efficient and competitive.

This downward adaptation - which calls to mind the fable of Phaedrus, where the fox, unable to jump, convinces himself that the grapes *nondum matura est* - is less marked in places where many small enterprises coexist alongside one another and cooperate in the same production process, as is the case in industrial districts. Even in these productive systems, however, there is a very clear-cut case for convincing enterprises that they need to set themselves higher targets and move into more demanding market segments which are more problematic and therefore less beset by competition of any kind.

The measures normally taken in the past to solve the problems of small enterprises include grants of capital loans or interest-bearing loans intended to reduce, through public intervention, the cost of the information to be acquired.

This policy, which still has many supporters today, is based on a very simple idea. A large enterprise generally has all the information that it needs to operate

correctly. In some cases this information is generated internally, in some cases it is purchased from specialist agencies. In both cases, however, the cost of this information is too high for small enterprises which have to offset it against very small production volumes. It is therefore necessary to lower this cost artificially which is precisely what the system of grants tries to do.

This argument would be valid if small entrepreneurs knew exactly what information they needed to help them carry out their work better and knew where to buy it at the lowest possible cost: in substance, if the information market were a perfect market.

This is not the case in practice. The downward adaptation mentioned above means that there is no paying demand for this information among small enterprises. Entrepreneurs do not know how to evaluate the advantages that they could gain from this information and do not know exactly what information to look for or which supplier to trust. Enterprises have a substantial need for information, but this remains unacknowledged and unexpressed, and is not converted into a paying demand even when incentives are available in the form of grants. In order to convert this need into an active paying demand, schemes designed specifically to achieve this objective are needed. It may also be that the information market cannot become efficient unless action is taken by the public institutions. People do not know what information is worth until they know what the information is, and when they know what the information is and what it is worth, they no longer need it. This is what economists call "the Arrow paradox".

A policy intended to make small enterprises more competitive must therefore be based on measures other than incentives. Experience suggests that it may be of particular use to provide enterprises with the real services that they need. This means, in short, providing enterprises not with the resources to purchase information, but with the information itself.

The point is that an industrial policy intended to stimulate development through the direct provision of information is also providing training. The process of convincing people to try out and, as a corollary, make efficient use of new forms of enterprise management or new production techniques, can undoubtedly be seen as a training process.

This association of real services and training has a number of major consequences. The first is that training is broadened out considerably into areas which are not normally taken into account. The second is that the supply of services must be governed by regulations similar to those that govern the supply of training. This means, in short, that service centres must be financed out of funds destined for training, that pricing policy must be such as to provide an incentive to use services, that great care needs to be taken to ensure that the supply of services is available to all and does not lead to restrictive practices that give some operators priority over others, that the choice of services to be supplied must meet criteria of general usefulness and so on. It is obviously also true that the services supplied, in exactly the same way as training, must be continually evaluated for efficacy and efficiency so that the resources channelled into service agencies are not wasted on pursuing goals that are not in keeping with the enterprises or objectives that are not shared by them.

3.3 Vocational training, real services and business counselling

Even when vocational training takes an institutionalised form and consists of courses to be attended and not information to be requested from a service centre, the connection between training and counselling remains indissoluble.

The key factor in this case is that training for small enterprises, whether for employees or artisans, needs to be completely overhauled so that it includes, at one and the same time, an examination of the strengths and weaknesses of the individual enterprise, a programme of training for employees and a programme of training for the entrepreneur as well. As in the other cases discussed above, real services and training are so closely interwoven that they become merged in this case as well. Before providing training for the employees of a small enterprise it is necessary precisely to identify the needs of this enterprise and to improve the skills of the entrepreneur so that he is able to make his own decisions about the suggestions that he receives. In practice, this process, as past experience has shown, is simpler than might be thought and, in the case of small enterprises, is actually more explicit and visible than in large enterprises. Even in large enterprises, major organizational innovations and effective action on workers' occupational skills make it necessary, before any other issues are tackled, carefully to analyse the needs of the enterprise and enter into long discussions with its management: these discussions do not differ to any great extent from the training courses for entrepreneurs discussed above.

As Vittorio Capecchi has often pointed out, the main problem entails a complete overhaul of the present vocational training system in Italy which focuses entirely on the needs of employees. Overhauling the system so that it also takes account of the needs of small enterprises and designing courses and teaching systems geared to the needs of these enterprises are not impossibilities. Increased regional powers, considerable design imagination and determined political commitment would, however, be needed.

3.4 The content of training and real services

Those responsible for formulating and promoting vocational training proposals have to include a strategy of action on the existing industrial structure. The content of courses intended for the artisans must be chosen so that it is geared towards a particular way of managing the enterprise, designing products and placing the product on the market. Choosing the content of courses intended for employees implies choosing as a target a certain type of work organization and a particular division of responsibilities and powers in the factory. For this reason it is very reductive to contend that the training system must "give enterprises what they want" or "place itself at the service of enterprises". Designers of training have a difficult task: namely, to design training programmes offering a reasonable compromise between the optimum, most competitive and most socially desirable situation and the actual situation of the sector at the time at which the project is being prepared. It is precisely the ability - or the art - of finding the correct compromise that makes it possible simultaneously to obtain two results which are to some extent contradictory: predicting the optimum situation and encouraging people to move towards it, and providing training that is useful and acceptable to

existing enterprises so that workers who have attended courses can play a useful role in enterprises.

This mediation work has to remain the task of those who design the training system and is a heavy responsibility. Our survey may, however, provide significant information about the situation towards which the sector studied should move, region by region. An examination of the wide range of regional models pinpoints obvious strengths and weaknesses.

Imbalances in the trade balance of processing point to specific fields of action that go beyond unjustified concerns of autarchy or self-sufficiency. This is true of Emilia, where a policy to improve subcontractors' productivity, placing the emphasis on a greater capacity to work on a full cycle, would be reasonable. It is also true of Apulia, where there is an obvious shortfall in design ability which could well be remedied by a high-quality system of information on fashion trends. The different degrees of vertical integration of subcontractor enterprises - the most significant examples of which are in Tuscany and the Veneto - clearly show their advantages and disadvantages and provide a basis for work that needs some thought. The excessive importance of wholesale and large retail chains may prove, in the long term, to be a weakness in both Tuscany and Apulia and also suggests specific measures endeavouring to build up alternative routes to the consumer. The small size of enterprises and lack of flair in Campania are probably correlated and it may well be possible to formulate measures that promote an increase of both. The high proportion of output for restocking in Lombardy highlights the need for innovations that places the technology used in Lombardy on the same footing as the technologies currently used in the United Kingdom or in France.

Strategies differing from those that operators themselves have chosen in different places should never be imposed. The range of alternatives that locally available know-how makes practicable does, however, need to be extended; steps also need to be taken to prevent a lack of know-how from stopping people from moving towards innovative paths. A knowledge of what is happening elsewhere, far from home, and familiarity with the measures that others use in the competitive arena may suggest methods and practices able to overcome the problems that crop up from time to time. In substance, what the research proposes is a generalisation of experience that allows everyone to position themselves in the market in the way that they consider to be most congenial, with greater awareness and with a wider range of practicable choices.

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Abstract

This paper refers to a survey based on 6000 interviews to a sample of Knitwear and Clothing firms in nine Italian regions.

The findings of the study show that each region has developed its own particular productive system, with very clear-cut differences both in the features and in the training and services needs. Among the regions studied, there are two principal

“models” of productive system. The “Tuscany model” that is made up of small “final” firms that are not integrated. These firms buy processing from subcontractors who often work on a single production stage, thereby setting in motion, each season, the complicated game of picking and repicking of Becattini’s “teams”. Short runs are produced and subcontracting goes to the firms of the same region. Output is very successful on foreign markets and is sold to wholesalers and large retail chains. On the other hand, there is the “Veneto model” with medium-sized and large “final” firms that are integrated and outsource to relatively large and multi-stage subcontractors. The production runs are longer than in Tuscany and a significant proportion of subcontracting goes abroad to the neighbouring East European Countries. Output is exported in high proportion, but unlike Tuscany it is sold through chains of franchising stores or independent retailers. Between these two extreme models, there is an extraordinarily varied of regional productive systems. For example, the Emilia region has small “final” not integrated firms, but a large proportion of processing subcontracted to other Italian regions. Or Apulia, in which forty per cent of employees work for “final” firms of Northern Italian regions, ect. So the findings of the study also show that the productive system of some Southern Italian regions complements that of Northern regions. These differences in the regional productive systems hint to very different training needs. For instance in Emilia could be useful to improve the technology of subcontractors, and in Apulia to improve the design ability of the firms.