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COMMUNICATION FROM THE COMMISSION

TO THE COUNCIL, THE EUROPEAN PARLIAMENT,
THE ECONOMIC AND SOCIAL COMMITTEE
AND THE COMMITTEE OF THE REGIONS

The competitiveness of subcontracting in the textile and clothing industry in the European Union

CONTENTS

1. INTRODUCTION

Small subcontracting firms working for local or distant manufacturers make up a large proportion of the textile and clothing industry in the European Union, varying from 10% to 60% depending on the Member State. These subcontracting activities are spread between a web of thousands of small businesses, often taking the form of cottage industries, which play an essential role as a source of employment and income, particularly in certain regions.

The latest estimates suggest that subcontracting employs 650 000 people, of whom around 200 000 are home-based. Approximately 150 000 undeclared workers must be added to this. This accounts for a considerable proportion (approximately one third) of all jobs in the textile and clothing industry in the European Union.

Subcontracting is highly labour-intensive and an extremely important source of jobs. However, these firms suffer from certain structural weaknesses. They have to cope with far-reaching changes and the adjustment strategies adopted by their customers (industrial manufacturers and distributors), on which they often depend heavily. They are also vulnerable to competition from low-wage countries. Finally, a series of cultural and psychological barriers have given rise to underinvestment in training and innovation and difficulties in building strategies tailored to the changes and with access to the markets. Small subcontractors, in particular, have extremely lean management structures unwilling to take action not connected directly with running the firm.

In a climate of major industrial change and fiercer international competition, strengthening the competitiveness of subcontracting is essential in order to maintain significant industrial activity in Europe, bearing in mind the close links existing within the textile and clothing industry.

While the bulk of the efforts to adjust must be left to the skills and capacities of the firms themselves, the public authorities must contribute towards creating an environment conducive to making the firms more competitive and capitalizing on the advantages stemming from completion of the internal market.

The objective of this communication is to propose a package of measures and a structure for supporting the efforts made by subcontractors in the textile and clothing industry to improve their competitiveness. The Commission, assisted by a Group representing the industry, could play a promoting and organizational role to ensure complementarity and synergies between the various levels and partners.

Dissemination of information and of best practices, in the context of the competitive advantages of the industry, and strengthening of industrial cooperation are the two lines of action to be given priority. The action envisaged consists, in particular, of intangible investment to implement a work programme initiated with the collaboration of both management and workers.

Accordingly, in December 1992 the first subcontracting forum was held in Madrid, followed by several sectoral conferences. In 1994 a study on subcontracting in the clothing industry analysed the importance and structure of subcontracting, identified the difficulties encountered by finishers and manufacturers and studied the competitiveness strategies needed in order to find solutions in the form of redeployment and the measures taken by the public authorities and firms.

In March 1994 the European Commission organized a European forum on subcontracting in the clothing industry in Brussels, attended by over 200 representatives of the industry. This provided an opportunity to exchange information on the programmes in progress or being prepared and on the action best suited to the needs of the subcontracting sector (finishers, industrial manufacturers and distributors).

In the wake of these moves, a series of pilot projects has been launched to test the viability of the action envisaged. At the same time, five round tables have been organized in various Member States (Belgium, France, Italy, Greece and Portugal) to examine the suitability of the programme in the field.

The entire exercise has been carried out in close collaboration with management and labour. To this end, a steering committee has been set up, bringing together representatives of the Commission departments concerned, the relevant trade associations, including small businesses, and the trade unions. Depending on the subjects discussed, various independent experts have also been asked to contribute.

On 28 March 1996, the Industry Council asked the Commission to present it with a communication on the position of subcontracting in the European textile and clothing industry.

2. SITUATION OF SUBCONTRACTING IN THE EUROPEAN TEXTILE AND CLOTHING INDUSTRY

Subcontracting involves all the areas in the textile and clothing industry, but is particularly widespread in the finishing and made-up articles sectors (knitwear/clothing). It covers a multitude of undertakings, including large numbers of small firms, many of them located in rural regions where they offer local employment, mainly for women, and thereby make a considerable contribution to local prosperity.

Subcontracting firms vary widely in terms of size, areas of activity, development and relations within the industry. It is a relatively unknown world from the statistical point of view. With the cooperation of the firms concerned the Commission has launched a statistics programme to fill at least some of the gaps.

Subcontracting today is subject to a series of constraints stemming from the major structural and cyclical changes affecting the entire textile and clothing industry. The firms face a market with increasing outside competition, stagnant demand in Europe and big changes in consumer preferences. To develop subcontracting and keep it profitable, a shift in the comparative advantages of these activities is required, principally by using flexible, quick response systems and harnessing know-how.

In particular, subcontractors in the textile and clothing industry face:

(a) **Internationalization of production and, in particular, relocation** to low-wage countries, which are the basic competition facing subcontractors. The relocation of making-up activities to these countries has been accentuated by transfers of orders by leading manufacturers. A number of third countries have attained high standards of sophistication and quality, while transport costs and times have fallen. Flexible relocation is increasingly within the reach major distributors who take decisions on the basis of an in depth analysis of all the relevant economic factors, both positive and negative. Such distributors also have the capacity to control complex logistics, information and management systems for relocated plants.

(b) **The greater influence of distributors** (specialist chain stores, department stores, etc.). Initially, subcontracting benefited from this. However, more rational management of major distribution structures in Europe, particularly the development of mass distribution, has stepped up the pressure on prices. Moreover, in response to less predictable demand, distributors have attempted to reduce their commitment at the start of the season and increased their mid-season orders for restocking and responding to demand. Consequently, subcontractors for made-up articles are forced to accept the risk of rapid response to more flexible demand across the product range and renewal of collections at prices competitive at world levels.

(c) This situation is reflected in the new regulation on **outward processing traffic**[1] which aims at keeping relocation of production within certain limits and under equitable conditions to enable undertakings in the Community to develop and promote industrial cooperation. Subcontractors can also benefit from these measures in order to keep competitive by cutting their costs.

(d) **The cost** of managing the complex demand has fallen as a result of computerization and the introduction of new sophisticated management and organization methods. However, labour costs remain fairly high (75% to 80%) because of the seasonal, irregular workload which requires more flexible use of working time.

Some operators have turned to **clandestine work** to cut costs and satisfy the needs for lean production. There are an estimated 150 000 clandestine workers (20% of the regular workforce). According to the study mentioned earlier, every year these activities cost, in unpaid taxes, an amount equal to the support paid to the textile and clothing industry in the EU. In view of the pressure which they exert on prices, these practices provide no lasting protection for jobs or for the competitiveness of the undertakings. They are opposed by the workers' associations and cannot be tolerated by the public authorities.

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1 Council Regulation (EC) No 3036/94, OJ L 322, 15.12.1994.

Today, **four rationales** dictate subcontractors' operating strategies, namely:

(a) **costs,** based on low labour costs and direct competition with low-wage countries;

(b) **response and flexibility,** drawing advantages from competitive speed of response to demand in phase with the diversification and volatility of demand and distribution trends;

(c) **expertise and know-how,** on the niches of the market where know-how, experience, learning or specialization offer significant competitive advantages;

(d) **service,** where finishers offer manufacturers added services such as cooperation in design, coordination of subcontracting networks, logistical support, fabric purchases, etc.

In some regions, particularly in Northern European countries, response, service and flexibility are the predominant concern under the pressure exerted on prices by developments on the distribution side. In others, by contrast, the situation is less uniform, with costs the overriding rationale for approximately one-third of subcontracting in Europe, the same share as response and flexibility. The remaining third is divided equally between expertise and service.

Subcontracting based purely on cost considerations is the area which faces the biggest challenges and will continue to do so. In particular, the gap between costs in Europe and in certain of its trading partners is too wide to preserve competitive advantages on this point, particularly in the case of bottom-of-the-range products. **By contrast, Europe still holds other competitive advantages allowing productivity improvements, particularly in terms of qualifications, service, better use of flexible logistics, style and product quality.**

Another major challenge faces small subcontractors in particular. These are an important source of jobs, but often they are compartmentalized into their regional markets and find it difficult to seize the opportunities created by the opening-up of the markets and by the changes in demand, technology and the industry.

3. FACTORS FOR IMPROVING COMPETITIVENESS

The steady loss of comparative advantages on labour costs, in comparison with low-wage countries, has triggered adjustments in the subcontracting sector in Europe to realign the competitive advantages of its activities.

The greatest successes in this area have been with the development of intangible investment and industrial cooperation in particular.

The competitiveness factors related with intangible investment have developed in step with trends on the markets and in demand. **In terms of flexibility and response, production has been reorganized by using just-in-time and rapid-response methods combined with all-round vocational training.** In addition, **quality, innovation, know-**

how and service have assumed growing importance in firms' strategy. Use of **information technologies** appears an extremely important means of improving the competitiveness of firms in this sector, including subcontractors. In practice, these technologies are an appropriate means of meeting the needs imposed on firms by the reorganization of production, the changes in consumer behaviour and, more generally, the development and globalization of markets. For small subcontractors in particular, these technologies provide a faster, cheaper means of organizing contacts and reducing some of the handicaps of distance, making it easier to participate in activity or information networks and in restructuring the industry.

However, to develop and strengthen these factors in competitiveness greater efforts are needed on dissemination of information and training. The first thing is to overcome the psychological, cultural and willingness barriers in order to demonstrate the advantages of the reforms within firms and to **whet the appetite for training** on the part of workers and managers alike. Modern means of communication, with appropriate assistance, would then allow specific schemes tailored to finishers' availability.

Subcontractors should also be able **to benefit fully from the single European market** or to acquire an international dimension. Cooperation between firms should enable them to find complementary strengths which would contribute to more competitive positioning of subcontracting activities within the textile and clothing industry, **by developing and consolidating clusters and activity and information networks, organizing** ways of **harnessing know-how, promotion measures and access to non-Union markets.**

Moreover, successful cooperation between manufacturers and finishers has shown that this area is also a major means of strengthening competitive advantages and stability, not only for subcontracting but also for the industry as a whole.

The measures taken by the Union as part of its general competitiveness policy, the policies to support industrial adjustment and a more offensive commercial policy should encourage the essential synergies and act as a catalyst for decentralized moves and projects at national and European levels.

4. ACTION TO PROMOTE THE COMPETITIVENESS OF SUBCONTRACTING IN EUROPE

4.1 *MULTISECTORAL PROGRAMMES AND INSTRUMENTS*

Several of the Community programmes and instruments under the existing policies can be used by subcontractors to support the action taken by the private sector to improve its competitiveness.

A budget of ECU 141 billion, in 1992 prices, has been allocated to action financed by the **Structural Funds** from 1994 to 1999 (to which ECU 4,724 billion for the new Member States must be added). Funding can be provided for subcontracting under the action programmes for industry in the Community support frameworks and the Member States' single programming documents and under the Community initiatives.

In the objective 1 regions with a heavy concentration of textile and clothing firms, the existing industrial programmes offer great potential, both in terms of resources and of the measures planned to improve industrial competitiveness. To this end, the follow-up to the programmes provides an opportunity to make the action on subcontracting more effective, by acting on the conclusions of this communication.

In the case of the objective 2 regions, the Member States will be submitting the new 1997-1999 programmes to the Commission for approval soon. Consequently, this would give objective 2 regions an opportunity to include action on the competitiveness of subcontracting in their programmes (for which a Community contribution of ECU 8 billion, in 1992 prices, is planned).

The **Community initiatives** consist, in particular, of:

- **PME,** which was allocated a budget of ECU 1 billion for 1994 to 1999 to encourage small businesses to adapt to the requirements of the single market and international competition;

- the **RETEX** programme for modernization and conversion of regions dependent on the textile and clothing industry which has a budget of 522 million ECU for the period 1994-1997. The extension of this programme to 1999 is being considered .

- **ADAPT,** with a budget of ECU 1.4 billion (in 1994 prices) for 1994 to 1999, to encourage the workforce to adapt to industrial changes by means of innovatory transnational projects. An additional ECU 170 million is planned to finance action on the information society, an area of particular interest for developing relations between manufacturers and subcontractors.

Furthermore , the **LEONARDO** programme worth 620 million ECU, aims to promote quality and innovative capacity in the area of professional training on a trans-national basis, supporting pilot projects, exchange programmes, studies and analyses.

In addition, the financing from the **European Social Fund** takes account of the special difficulties which small businesses have in improving their staff's qualifications and with in-house training in general. Encouragement has been given to improve the quality of the outside training available and to develop distant learning methods in order to provide more efficient, more flexible training. Between 1994 and 1999 some ECU 6 billion from the Social Fund could go towards promotion of a more systematic approach to continuing vocational training.

The action for the **new objective 4** in turn offers a more effective response to subcontracting firms' training needs. In particular, objective 4 encourages diagnosis of firms' needs for training and requalification in their specific environment and provides a means of defining a strategy to organize training and run continuing training schemes. To this end, it also encourages action on transfers of technology and professional experience from big businesses to their small suppliers.

In the **fourth framework programme on research and technological development,** more has been done to make it easier for small businesses to participate in the Community research programmes and to gain access to the results.In particular, in the field of Industrial Technology and Materials (Brite Euram III) more than 60 research projects are underway, most involving SMEs within the sector. A targeted research programme[2] consisting of networks of R&D projects in the textile/clothing sector is in progress.

Various other **financial instruments** (EIB global loans, the "PME facility" interest-rate subsidy mechanism and the European Investment Fund) are available to support action by small businesses in various fields.

Finally, measures have been taken to promote **cooperation between small businesses,** such as the BC-Net and BRE networks for seeking potential partners and the Europartenariat and INTERPRISE programmes for direct contacts as well as local inter-regional initiatives like subcontracting promotion centres.

The Council approved in 1995 a special budget line of 400M ECU to support the modernisation and restructuring of the Portuguese textile and clothing industry This programme will be implemented over the period 1995-1999 and incorporates measures which will help the subcontracting sector become more competitive.

4.2 COMMUNITY ACTION IN SUPPORT OF SUBCONTRACTING

The action taken in support of subcontracting has been concerned principally with **creating a favourable environment** for subcontracting in the context of the single market and **improving information and communication** between manufacturers and subcontractors.

4.2.1 Creating a favourable environment for subcontracting

(a) *Statistics programmes to improve information on subcontracting*

The object of this exercise is to supply regular information on trends in subcontracting. It is coordinated by Eurostat in collaboration with the national statistics institutes and the relevant trade organizations.

(b) *Practical guide to the legal aspects of subcontracting*

To improve contractual relations between manufacturers and subcontractors, the Commission has published a practical guide outlining the main legal issues arising in this connection and examining the legislation in force in the Member States on subcontracting relations. The guide will be updated to take account of legislative developments in Member States and to extend the comparative analysis to Austria, Finland and Sweden.

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2 The targeted research project*(Total Quality Textiles)*groups the projects in 4 clusters: "Advance Processing Machinery", "Innovation in Processing Techniques", "Modelling and Planning", "Monitoring and Control".

(c) *Code of practice*

In collaboration with UNICE (Union of Industrial and Employers' Confederations of Europe) and trade associations, in order to improve relationships between manufacturers and purchasers, the Commission has started the elaboration of a Code of Practice setting out standards of good practice in quality, certification and periods for payment.

4.2.2 <u>Improving information and communication between manufacturers and subcontractors</u>

(a) *Multilingual sectoral terminology*

A preliminary series of glossaries of multilingual sectoral terminology has been published to deal with language problems connected with international subcontracting. These are now being brought up to date, with the cooperation of workers and employers to take account of the technical advances in the sector and the development of the single market.

(b) *Networking of data bases on subcontracting*

In 1994 the Commission launched the SCAN (Subcontracting Assistance Network) project to improve the accessibility, regularity and quality of information on subcontracts by means of interconnection and interoperability of subcontracting exchanges and data bases in Europe.

(c) *Directory of intermediary agencies for subcontracting*

This Directory was published for the first time in 1992 and updated in 1994. It provides an overview of all agencies representing undertakings interested in subcontracting.

4.3 PROMOTION OF THE COMPETITIVENESS OF SUBCONTRACTING IN THE TEXTILE AND CLOTHING INDUSTRY

In response to the conclusions of the forum on subcontracting in the clothing industry, held in Brussels in March 1994, the Commission, in cooperation with the two sides of the industry and with technical support from independent experts, has promoted a series of studies to assess the impact and feasibility of certain **support measures** to make the industry more competitive.

The general lines of action considered were tested in the field by five round tables in Belgium, France, Greece, Italy and Portugal. These covered four fields:

(a) *Information*

In essence, the action envisaged forms part of the Commission's general programme. In addition, a **user guide to European Union financing programmes** targeted, in particular, on small businesses in this sector, was published recently.

(b) *Cooperation between manufacturers and subcontractors*

Improvement of the channels of communication between manufacturers and subcontractors is broadly considered a key means of promoting competitiveness and further progress in the situation of subcontractors. It helps to bring this sector out of its isolation.

The work done so far has focused on technical relations, particularly on three means of communication:

- the **manufacturer's technical file**, which should offer a clear, comprehensible definition of the characteristics of the product to be made;

- **technical glossaries** bringing together the corresponding terms in different languages;

- **electronic data interchange (EDI)** covering the broader needs for the firms' activities.

These instruments were considered useful by the undertakings questioned and by representatives of the industry, who stressed the support which they would lend for creating an environment conducive to participation in the single market.

(c) *Training*

In the clothing industry, several areas of training have been identified and studied with regard to the qualifications required in the light of developments in the international environment, on the markets and in the situation of the industry.[3]
Particular attention must be paid to the qualifications on business management strategies, on logistics and flow management, on international relations and human relations (motivation, communication, etc.), and the flexibility and versatility of the entire workforce.

Generally, the qualifications required by subcontracting firms are no different from those required by the industry as a whole. Nevertheless, there are certain specific problems connected with the **limited availability of staff and lack of time, insufficient information, fragmentation and other difficulties** which entrepreneurs experienced in attending or releasing their staff to attend training courses.

A first step in this area would, therefore, be the development of awareness **campaigns** to demonstrate the benefits of training and, generally, of firms' adaptability, in conjunction with ways of restoring the competitive advantages essential to their future.

The next essential step would then be to offer **training geared to subcontractors' specific problems**, tailored to the conditions in which such firms operate (distant learning and in-house training) and at an acceptable cost.

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3 *Study on employment and qualification needs in the European clothing industry*, sponsored by the Commission and conducted by the Institut Français de la Mode (IFM).

The Community and national training programmes offer opportunities to make progress in these fields. Nevertheless, proper synergies must be developed between the Commission, the national authorities, representatives of both sides of the industry and the firms themselves in order to take the action necessary.

(d) *Promotion*

The partners' thoughts on activities to promote subcontracting centre principally on events such as fairs. The feasibility study sponsored by the Commission, in collaboration with the two sides of the industry, stressed the importance of developing effective promotion instruments and also **a wide variety of needs and opinions, particularly on the possible establishment of a European subcontracting fair for the textile and clothing industry.**

Firms' interest in this type of promotion depends, naturally, on the predominant thrust of their marketing strategies (national, Community or international market).

Trade fairs specifically on subcontracting already exist in France, Italy and, more recently, Greece. A similar event has been announced in Spain. Clearly, it is up to the private sector to establish and develop events of this type. The Commission supports the **coordinating efforts** made by the industry in this field and, in particular, the establishment of a computerized network for collaboration between subcontracting fairs in Europe.

The Commission is also considering the possibility of supporting the "inverted trade shows" between purchasers and subcontractors. Furthermore, promotion activities should include participation by these firms in fairs organised in the framework of different activities in the textile and clothing industry.

Nevertheless, it must be borne in mind that participation in such fairs is limited in comparison with the number of subcontracting firms in operation. Further thought is therefore needed on other means of promoting subcontracting, which would be more permanent, open to a larger number of businesses and capable of harnessing the advantages of the European dimension.

5. CONCLUSIONS

- European subcontractors are at the heart of the textile and clothing industry. They face crucial challenges. Their growth and greater competitiveness will shape the future of the entire industry.

- Experience shows that firms' efforts to adapt allows subcontracting to remain **competitively placed** in the context of the European textile and clothing industry, particularly if they continue to develop means of offering greater quality, innovation, reliability and flexibility.

- Various **programmes and multisectoral instruments** under the national and Community policies could be used by subcontracting firms. It would be particularly important to secure greater participation by small firms in programmes and action to support the **efforts to improve competitiveness associated with intangible investment** (quality, innovation, training, etc.). However, in view of certain characteristics of subcontracting (very diversified, fragmented activities and cultural and psychological barriers), further efforts must be made on awareness-raising and information by the trade associations and public authorities.

- **International cooperation** between subcontractors to harness potential complementary strengths on both the Community and export markets should be considered carefully by the industry and encouraged and supported by the public authorities. **Partnership agreements** between operators in the textile and clothing industry, particularly between manufacturers and subcontractors, should likewise be encouraged.

- Further efforts must be made to promote **coordination of action and synergies** at regional, national and European levels. The Commission can play a promoting and coordinating role. However, the effectiveness of this process will depend on the participation of subcontracting firms. Sometimes it has proved difficult to ensure that they are represented, because of the highly varied fragmented nature of their activities. Under these circumstances, the Commission proposes organizing a permanent **Group on subcontracting in the textile and clothing industry**, bringing together European and national representatives of the industry and of the trade unions. This Group will examine developments and priorities in the sector, with particular attention to the economic situation and the impact on competitiveness and employement, the impact and effectiveness of individual measures, programmes and multisectoral instruments, means of increasing the involvement of small firms in particular and the need for any supplementary support measures targeted on the specific requirements of subcontractors in the textile and clothing industry.

TABLE 1

Employment in subcontracting in Europe (1992)

	Belgium	Germany	Ireland	Greece	Italy	Spain	Netherlands	France	Portugal	United Kingdom	Denmark	Total
No of jobs												
Textiles[1]	46 000	188 000	7 000	14 000	304 000	139 000	18 000	116 000	98 000	141 000	8 000	1 080 000[2]
Clothing	35 000	230 000	15 000	60 000	370 000	180 000	15 000	180 000	130 000	230 000	10 000	1 455 000[2]
of which subcontracting in the clothing sector	5 000	40 000	5 000	35 000	195 000	90 000	6 000	90 000	60 000	120 000	3 000	650 000[2]

Source: Mercer Management Consulting

1. Knitwear and hosiery are included under clothing.
2. Excluding undeclared or clandestine jobs.

TABLE 2

Clandestine employment in the clothing industry[1] (1992)

	Belgium	Germany	Ireland	Greece	Italy	Spain	Netherlands	France	Portugal	United Kingdom	Denmark	Total
No of jobs	7 000	6 000	2 000	12 000	39 000	20 000	10 000	20 000	20 000	14 000		150 000

Source: Mercer Management Consulting

1. Estimates by Mercer Management Consulting for which the European Commission is not responsible.

TABLE 3

Breakdown of subcontracting jobs in Europe

Total workforce: 650 000*

Italy	30%
United Kingdom	18%
France	14%
Spain	14%
Portugal	9%
Germany	6%
Greece	5%
Netherlands	1%
Belgium	1%
Ireland	1%
Denmark	1%

Source: Mercer Management Consulting
* Excluding undeclared or clandestine workers

TABLE 4

Breakdown by size of establishment and number of jobs in subcontracting (1992)*

	France		Portugal		Germany	
	No of establishments	No of employees	No of establishments	No of employees	No of establishments	No of employees
500+	10	5 000	5	2 000	6	2 000
200-500	50	10 000	35	8 000		
100-200	150	15 000	70	9 000	15	2 000
50-100	300	15 000	210	13 000	150	10 000
20-50	800	16 000	320	10 000	550	16 000
10-20	800	8 000				
0-10	5 500	20 000	3 500	18 000	1 500	10 000
Total	7 600	90 000	4 140	60 000	2 168	40 000

Source: Mercer Management Consulting
* Excluding undeclared or clandestine workers

TABLE 5

Overriding factors in subcontracting in Europe[1]
(percentage of jobs)

	Portugal	Greece	Belgium	Ireland	Netherlands	France	Denmark	Germany	Spain	Italy	United Kingdom	European average
Costs	65%	60%	40%	40%	40%	30%	-	5%	30%	30%	20%	32%
Response and flexibility	15%	30%	30%	20%	40%	30%	80%	55%	40%	30%	25%	33%
Marginal work	-	5%	5%	5%	-	10%	-	5%	10%	10%	-	6%
Service	-	-	15%	25%	20%	20%	20%	25%	10%	10%	50%[2]	16%
Expertise and know-how	20%	5%	10%	10%	-	10%	-	10%	10%	20%	5%	13%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

1. Including clandestine work, which is divided between costs and response and flexibility
2. A large proportion of jobs downstream from services have been included under costs.

Source: Mercer Management Consulting

<u>TABLE 6</u>

Primary problems mentioned by subcontractors

	Germany	Belgium	Denmark	Spain	France	United Kingdom	Greece	Ireland	Italy	Netherlands	Portugal
Payment delays/risk		●		●	●		●		●		
Imprecise orders											
Development of customer portfolio	●	●	●		●	●	●	●		●	●
Lack of protection in the event of any downturn in activity	●	●	●	●	●	●	●	●	●		
Lack of contract											
Lack of aid for modernization				●		●	●				
Social legislation	●				●		●		●	●	●
Language problems											●

● Problems frequently mentioned in the surveys

Source: Mercer Management Consulting questionnaire

Financial Sheet

Budgetary line B5-4110 Industrial Competition policy of the European Union

1. **TITLE OF THE ACTION:** PROMOTION OF THE COMPETITIVENESS OF THE SUBCONTRACTING TEXTILE AND CLOTHING INDUSTRY

2. **CONCERNED BUDGET LINE:** B5-4110

3. **LEGAL BASIS:** Communication from the Commission to the Council on the implementation of a Community action programme in favour of the competitiveness of the European industry COM(95)319.

4. **DESCRIPTION OF ACTION :**

4.1. General objective: of the action — To support the efforts of improving the competitiveness of subcontracting in textile/clothing in areas of information, training, co-operation, promotion. The action is included in the framework of the action programme on the competitiveness of the European industry.

4.2.Period covered by the action: 3 years, i.e. 1996/1997/1998.

5. **CLASSIFICATION OF RECEIPTS AND EXPENDITURE**

5.1. DNO

5.2. CD

5.3. Types of receipts aimed at
No purpose

6. **TYPE OF RECEIPTS AND EXPENDITURE**

- *subsidy for co-financing together with other sources from the public or private sector:* Co-financing of initiatives undertaken by the public sector as well as by professional associations.
- *Others:* The Commission has the intention to ask for the realisation of operational tools (e.g. technical file of production) that will be at the disposition of the economic operators.

7. FINANCIAL IMPACT

7.1. Mode of calculation for cost of the action for 1996 fiscal year (connection between individual costs and the total cost)

4 pilot project related to 4 areas quoted beneath

7.2. Breaking down by elements of action

CE in MioEcus

Breaking down	Budget 96	APB 97	Var. in %
Technical file of fabrication		0,13	
Promotion of specialised fairs	0,075		
Diagnosis finishers		0,12	
Projects for management training	0,075		
TOTAL	0,15	0,25	66,7

8. **DISPOSITIONS FOR ANTI-FRAUD FORESEEN (AND RESULTS OF THEIR IMPLEMENTATION)**

Contract

9. **ELEMENTS OF ANALYSIS COSTS-EFFICIENCY**

9.1. Specific quantitative objectives, population aimed at

– Specific objectives : the Commission envisage to finance 4 pilot projects in order to improve the attractiveness of intellectual investments in the small and medium size firms of the sector by the creation of a favourable environment for subcontracting in textile and clothing. These firms, isolated from their economic environment have neither the capacity, nor the time necessary to participate in multi sectoral actions. The measures aim the improvement of a) their relations with the finishers b) entrepreneurs' information of the solvency and the perspectives of their firms, c) the promotion and evaluation of the participation at fairs and at similar manifestations and d) the improvement of the level of management training of finishers through the logistics adapted to their level of knowledge and time.

– *Population aimed at :*
The subcontracting firms of the European union.

9.2. Justification of the action

– *Necessity of Community budget intervention*
For reasons of cultural and economic compartmentalisation, the subcontracting firms have difficulties to start this kind of action and to utilise the Community means

– *Choice of intervention mode*
* *advantages compared to alternative measures (comparative advantages)*
Decrease the costs of the starting up of the envisaged actions.
* *analysis of similar actions, possibly carried out at Community or national level*
It has been noted that a series of Community actions have not attracted the interest of small and medium sized firms, in particular not the subcontracting firms. In most of the cases these actions are expensive and are not adapted to the specific needs of their structure (size, lack of management structure, staff training etc.).

– *Main uncertainties that could affect the specific results of the action.*
The non mobilisation of the subcontracting small and medium sized firms in order to use these tools.

9.3. Follow up and assessment of the action

– *Indicators of performance*

* *indicators of output (measure of activities displayed)*

* *indicators of the impact according the objectives*
Increased use of the actions foreseen in the Community programmes. among the small and medium sized firms.

–Modes and periodicity of the planned assessment
Unit III/E/4 has the intention to assess the situation in 1998.
–Valuation of obtained results
The envisaged assessment here beneath leads to a written report and a re-assessment of the situation.

10. Administrative expenditures (part A of section III of General Budget).
The effective mobilisation of necessary administrative resources will result from the annual decision of the Commission on the allocation of resources, including in particular supplementary staff and capital that have been granted by the budget authority.

10.1 Impact on the number of jobs: NONE.

Type of employment	staff to allocate to the adminis tration of the action		of which		duration
	permanent employment	temporary employment	by use of existing resources within the DG	by appeal to supplement tary resources	3 years
Temporary civil servants or officials	1 A 1 B	1 A	yes	no	3 years
Other resources	no	no	yes	no	
Total	2 persons	1 person	yes	no	3 years

For the supplementary resources, indicate according to which pace their disposal would be necessary.

10.2 Global financial impact of supplementary human resources :NONE.

	Sums	Mode of calculation
Civil servants Temporary officials Other resources Total		

The sums state the total cost of supplementary employment for the total duration the action if this one is at a determined duration, for 12 month if the duration is undetermined.

10.3 Increase of other expenditures following the running of the action

BUDGETARY LINE	SUMS	MODE OF CALCULATION
A0-2500 meeting expenses	32.000 ECU*	Two meetings a year of the Working group of 20, experts from professional associations from member states . (2X16.000 ECU)

* These sums correspond to expenditures for 12 month