

Challenges Facing Garment Producing Industries under AGOA in Ghana

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Abstract The general objective of the study was to look at the challenges facing garment producing industries under AGOA in Ghana. The study was conducted using 116 workers from four garment producing industries in Accra and Tema. Questionnaires and interview schedules were developed and used to collect data from the sampled workers. Statistical techniques such as means and percentages were used to analyse the data collected. The industries and workers have major challenges such as lack of motivation, inadequate facilities and amenities, lack of funding, and insufficient managerial ability. Strategies that will help improve operations in the industries were mentioned by workers and this were grouped in two i.e. welfare and factory running. The following recommendations were made: 1. The Ghana Trades Union should monitor the industries and make sure the workers are duly paid for what they work for and on time. 2. The Government should help the industries financially or help them assess loans or the US credit facilities that will enable them acquire modern equipment and pay their workers well.

Keywords Challenges, Garment Production, African Growth and Opportunity Act (AGOA), Ghana

1. Introduction

The textile and garments industry is one of the largest in the world,[1]. As one learns about the various aspects of textiles and garment production, it is apparent that it plays a major role in the economy of a country,[2]. As in[3], textiles and clothing contribute to employment in developed countries, particularly in regions where alternative jobs may be difficult to find and in the European Union, for example, the sector is dominated by small and medium-sized enterprises concentrated in a number of regions that are highly dependent on this sector. Textiles and clothing are also said to be among the sectors where developing countries have the most to gain from multilateral trade liberalization. The garment industry is one of the largest and fast growing industries. As in[4], the clothing industry is labor-intensive and it offers entry-level jobs for unskilled labor in developed as well as developing countries and job creation in the sector has been particularly strong for women in poor countries, who previously had no income opportunities other than the household or the informal sector. Moreover, it is a sector where relatively modern technology can be adopted even in poor countries at relatively low investment costs. These technological features of the industry have made it suitable as the first rank on the industrialization ladder in poor

countries, some of which have experienced a very high output growth rate in the sector (e.g. Bangladesh, Sri Lanka, Viet Nam and Mauritius). It has become an economic force to reckon with and employs a lot of people. It is in light of this among others that the government of Ghana has set up the Gold Coast Garment as training centre.

As in[5], nearly two decades after independence, the textile sub sector was the major key play in Ghana and this industrial sector contributed significantly to employment and growth in the economy. However, the sub sector which was once the leader in Ghana's industrial sector has undergone a considerable decline over the years. Some of the reasons for the decline were low demand for local textile products, influence of second hand clothing and lack of competitiveness of local textiles against imported textiles due to their high cost resulting from high cost of production but a few companies managed to survive operating at 5% installed capacity since 1995.

The importance of export to the economy of a nation need not be overemphasized. For a developing economy such as Ghana's which has been over-reliant on a few selected products notably cocoa, timber and minerals of which world prices continues to fall over the years, the need to diversify the country's export base has become imperative. The establishment of the Export Promotion Division of the Ministry of Trade in 1965 to offer advice and assistance to Ghanaian business enterprises on export procedures and regulations among other things is an indication of the government's awareness of the importance of the export sector of the development of the nation. It is in this light of

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this that Ghana freezone act was established in 1995 by the government to allow imports and exports on duty free basis. Garment producing companies also qualified under the freezone Act but it was the inception of African Growth and Opportunity Act (AGOA) that has brought many apparel producing companies into the freezone enterprise.

On 18th of May 2000, the US congress approved a legislation known as the Africa Growth and Opportunity Act. The purpose was to assist the economies of sub-Saharan Africa and to improve economic relations between the U.S. and the region by providing jobs, giving technical assistance and providing credit facilities to them. Thirty Eight countries are eligible under the Act, as in[6].

After the passage of the AGOA Act in 2000, Ghana was one of the first to receive U.S. approval of its textile visa system and accordingly benefited from the unprecedented U.S.A African trade relationship on the 20th of March 2002 as in[7]. To benefit from this provision and to continue to enjoy the apparel provisions, there are some conditions to fulfill which is known as AGOA'S 'Wearing Apparel' Rules of Origin which states that, in order for countries to be eligible for apparel benefits, they must have in place an effective visa system to prevent illegal trans-shipment and use of counterfeit documentation, as well as effective enforcement and verification procedures.

Initially, AGOA was set to expire in 2008 but the AGOA Acceleration Act of 2004 "AGOA III" extended the legislation to 2015. The Acts apparel special provision was also to expire in 2007 but the Africa Investment Incentive Act of 2006 signed by President Bush on December 20, 2006 amended the textile and apparel portions of AGOA. AGOA IV provides duty-free and quota-free treatment for eligible apparel articles made in qualifying sub-Saharan African countries through 2015, as in[8]. Ghana has benefited from the initiative and still enjoys the extension of this advantage for another eight years during which time the U.S.A market can be accessed easily on a duty free status. The textile and garment industry has therefore become an attractive investment area.

Problem statement

The Government of Ghana came out with an Export Action Programme for Garments and Textiles in 2001 as part of the President's Special Initiative (PSI) on accelerated export development. This initiative is expected to benefit from the favourable market opportunity of AGOA thus maximizing this advantage. A briefing document on this initiative stated that, the project will involve three levels of production platforms namely, large scale manufacturing firms, medium size manufacturing companies and merchant exporters. As in[9], Mr. Alan Kyeremanteng the former head of the PSI stated that, the large scale manufacturing firms were expected to be 10 in all employing 10,000 Ghanaians over a four year period. The medium sized ones were expected to be 25 employing 12,500 Ghanaians within the same period and 20 merchant exporters are expected to work with 1000 small scale producers of garments thence

employing 10,000 Ghanaians within the same period. Ghana has therefore maximized this advantage by creating a 178 acre Textile and Garment village located within the Tema export processing zone.

Ghana became eligible to AGOA's apparel provision since 2002 and continues to enjoy the opportunity. The above aim of the PSI should have been achieved by 2005 but was this dream realized? Currently, there are only few garment industries accessing the AGOA opportunity and even some of those who started it, have dropped out. Among the nine industries in Accra and Tema, two had their machines installed in August 2008 though they were supposed to have started production under the Act in 2007. 2002 to 2012 seems enough to have more garment industries producing under the Act and the same time too short a time for three industries to drop out.

This research was therefore conducted to find out the challenges being faced by the industries under AGOA and the strategies that will help the industries have a smooth operation in order to reap the full benefits of AGOA.

Research Questions

The study tried to answer the following research questions

1. What are the challenges faced by garment producing industries under AGOA in the freezone areas of Ghana?
2. What are the stakeholders view on strategies to improve upon operations of the Garment Industries under AGOA in the freezone?

Delimitation of the Study

There are several garment producing industries in Ghana but this study focused on those that are operating under the Freezone Act. The apparel industries under the Freezone are all over the country but the study focused on only those operating under AGOA in Accra (Adjabeng) and Tema (Garment village) which are all in the Greater Accra region of Ghana.

2. Methodology

Research Design

The study is a qualitative research and a descriptive research design was employed for the study. As defined in[10], a descriptive research as a research which specifies the nature of a phenomenon. He explained that, descriptive research is important because it gives a picture of a situation or a population and any consideration of phenomena generally begins with a full understanding (description) of the phenomena.

The study looked at the current trends, the practices, processes, effects and attitudes in the garment production sector under AGOA and the freezone in order to ascertain the challenges being faced and strategies being put in place or when put in place will help the industries and provide understanding of the AGOA phenomenon. It is against this background that the descriptive survey design was used in order to achieve the objectives or purpose of the study.

Population

The study covered all the garment producing industries in the Freezone areas of Ghana. The accessible population is the garment producing industries in the Freezone areas at Tema and Accra in the Greater Accra region of Ghana. There are nine garment producing industries under AGOA in Accra and Tema. There are four in the garment village located within the Export Processing Zones at Kpone, Tema; four are located at Adjabeng and one at PSI on garment at industrial area Kaneshie, Accra all in the Greater Accra region of Ghana.

Sample and Sampling Technique

Four industries were selected to represent the population because they are among the eight industries which started operating at the inception of AGOA's Apparel Provision in Ghana. The four at Tema (Kpone) started earlier but two are currently not operating hence the purposive sampling method was used to select two industries out of the four in Tema. A purposive sampling technique was also employed to select two out of the four industries at Adjabeng, Accra. Purposive sampling was used because, the two have been in operation for long and one is on the verge of collapse in terms of the number of employees present compared to the total capacity of employees and the other is almost full to its capacity. As in [11], cases are purposively sampled when they are typically or particularly knowledgeable about the issues under study. These industries were therefore chosen because; the one on the verge of collapse provided a good picture of the problems associated with the garment production sector under AGOA. On the other hand, the one producing at full capacity portrayed the strategies put in place to sustain the industries, and all the other factories helped to answer all research questions posed and created a good balance of the sample chosen.

The sample for workers was drawn from homogenous groups comprising the management and the workforce (cutters, machinists, pressers and conveyers) hence a systematic sampling was used to put the respondents into two homogenous groups or strata. One hundred and sixteen respondents representing about 50% of the total population at the time of data collection was selected from the four industries. A non-probability sample (purposive sampling) was then used for selecting each subject of the management strata and respondents in the workforce category in order to get responses from people who have knowledge on the subject under study. Approximately 40% of the total workforce in each industry was selected to answer the items in both the questionnaire and interview guide for the workforce. For factory A, B, C, and D, 40, 20, 8, and 32 respondents were selected from each industry respectively. These summed up to 100 respondents for the workforce. General Managers, Production managers, Human resource managers and stock controllers were the respondents at the management level. Responses from all the four various designations in the management position were necessary. Responses were elicited from 16 management staffs.

Instrument

Questionnaire and interview were used to collect data for this study because; they are appropriate instruments for collecting data in the descriptive survey design. The questionnaire was used because, it is economical compared to other instruments such as observation, it can be used to cover a wide range of respondents, there is uniformity in questions, convenient and offers a greater chance of anonymity. Though the questionnaire does not offer opportunities for motivating respondents, probing into matters of concern, cannot be used on the illiterate population and non-response from some of the respondents might occur, we put measures such as making appointments with the respondents for the collection of the questionnaires, and making time with the respondents in order to explain issues to respondents when needed.

Questionnaire is also low in reliability and validity for this reason, internal validity threats such as longitudinal, location, instrumentation (testing, history, and instrument decay), subject attitudes (Hawthorne effect) may threaten the study but we employed techniques such as standardizing the conditions under which the study occurred, obtaining and using more information on the subjects of the study, obtaining and using more information on the details of the study. The questionnaire was used for the personnel at the management level and the workforce who can read and write. It was developed to answer the research questions posed.

Interview was used to collect data on the workforce, personnel at the lower level who could not read and write. Specifically, a personal interview was conducted using an interview schedule. This is the most effective way to enlist the cooperation of respondents in a survey. It helps to establish rapport, classify questions, provide an opportunity to follow up unclear and incomplete questions, lessens the reading and writing skill of the respondents and if necessary, permits spending more time with respondents as in [12]. As stated in [13], data gathered using interviews had been found to be fairly reliable.

Interview on the other hand has weaknesses such as interviewer biases, high cost, covering a small sample size and offers less anonymity than the other methods but the researcher took steps such as giving elaborate training to the interviewer (research assistant) in order to minimize or control some of these weaknesses.

Two different types of questionnaires and one interview schedule were developed. The first questionnaire was for the respondents at the management level, second for the workforce and the interview schedule for respondents who cannot read and write. These were in three parts. The Demographic information of the respondents constituted the first part of the questionnaire. This includes age, sex, academic qualification and position at the workplace of respondents.

The second part looked at the challenges being faced. Some of the questions were close ended and some are open ended questions. This tried to elicit responses from

respondents as to whether they benefit from AGOA in terms of credit facilities, ease in exportation, the problems faced during exportation, importation, marketing, funding and problems faced being faced among others. The third part looked at the strategies that when put in place will help improve the operations of the garment industries. This part is mainly open ended questions.

Data Analysis

Both questions were analyzed using qualitative based analysis since all the items under this section were open ended questions and sought to know the challenges being faced within the industries and strategies that are in place for improving upon the operations of the garment industries.

The respondents mentioned various challenges but these were categorized under the following headings; funding for training, protocols at CEPS, marketing, inadequate management skills, lack of proper motivation, low efficiency and infrastructure (e.g. no generators). Poor facilities and amenities.

The strategies mentioned were also categorized under the following heading; proper motivation. Management should demonstrate sufficient management ability, Provision of good facility and amenities and access to effective and regular credit facility and help from the government of Ghana.

3. Results and Discussions

Research Question 1: What are the Challenges Faced by the Garment Producing Industries within the Freezone?

There were a number of challenges noted by the workers. Those at management level mentioned challenges such as inability to fund training programmes for workers, protocols at CEPS, marketing (competition from China, cheap imports from China), inadequate managerial skills (inadequate negotiation skills, improper supervision, poor communication and inability to meet workers regularly), lack of motivation (low salary, financial difficulties), low efficiency infrastructure (no generators inadequate machinery).

The workforce mentioned almost the same challenges as the management but mentioned the following in addition. Poor facilities and amenities; these include absence of a canteen and infirmary, poor transportation system and inadequate equipment. The workforce reiterated that they are not well motivated and these includes no insurance policies, poor remuneration, nonpayment of medical bills and delays in payment of salaries.

The above challenges will impede productivity. It was mentioned in [14] that, workers must be well motivated in order to get them to work wholeheartedly. If their remuneration is good, they will definitely work hard and effectively and all things being equal this will also solve the low inefficiency mentioned by both management and workforce as their challenges.

Before any organization, factory or industry can be productive, they must have effective management structure

in place. Some of the workers mentioned that, they are having problems because, the owners of the industries do almost all the work for instance sourcing, marketing (negotiations) etc themselves though they have no technical know-how in these areas. This is in line with what is in [14] that, in order to have maximum productivity, you must have sufficient management ability, thus they must have exceptional qualities of strength of character, ability to give attention to details, enthusiasm, motivation to succeed and patience with its staff. They mentioned that, a manager without the above qualities will not achieve his goals in spite of the technical ability. It is therefore not a healthy thing for Ghanaian industries to have this challenge.

The workers need facilities and amenities to work in a good environment and also work in order to maximize profit. Lack of modern machinery coupled with lack of facilities to motivate workers could be the cause of the low efficiency mentioned. Accessibility to some of the industries is very poor because, they are sited almost at the outskirts of town; the Kpone, site especially being about 25km long from the nearest town of Tema. If the industries have problem with their transport system, it will definitely affect productivity since the workers will not be able reach the work easily and even if they make it they will be late.

The foregoing situation can even make the country lose its eligibility to AGOA since it was stated that the US president may designate sub-Saharan African countries if they are making progress in areas such as increased availability of health care and educational opportunities, protection of human rights and worker rights, elimination of barriers to US trade and investment, protection of intellectual property and efforts to combat corruption, as in [15].

Inadequate funds for training was also noted as a challenge. Since US promised to provide technical assistance and even give access to US credit facility hence the authorities responsible for the Apparel sector under AGOA must help the industries access these benefits from AGOA. According to [16], the United States has provided an extensive technical assistance to sub-Saharan African countries and also, AGOA legislation empowers Ex-Im Bank to expand its financial commitments in sub-Saharan African under its loan, guarantee and insurance programs. Ghana should try and take advantage of these if they have not yet done so.

The respondents mentioned protocols at Customs, Excise and Preventive Service CEPS as one of their challenges and this is as a result of political affiliations. It was reported in [16] that, the U.S. customs service have conducted training seminars for officials from the sub-Saharan African countries and also sent technical teams to provide guidance on requirement for AGOA apparel benefits hence the above challenge must be checked since CEPS is to do the right thing in order to help the country maximize this profit. AGOA has its own rules for apparel hence when protocols are observed here and the articles are exported and they are rejected, these and other factors may be accounting for the decline in apparel exports in Ghana as was reported by [17].

Research Question 2: What Strategies have been put in Place for Improving upon Operations of the Garment Industries under AGOA in the freezone?

This section sought to look at the strategies that the industries have put in place or when put in place, will improve upon the operations of the industries.

Ninety eight percent of the respondents are of the view that when the following are put in place, the industries will become more productive and help Ghana to better benefit from the AGOA Act.

The strategies suggested could be grouped in two i.e. 'welfare' and 'factory running'. In terms of welfare, the workforce noted motivation in terms of payment of medical bills, insurance, accessing leave, should be given a reasonable remuneration and this must be done promptly and show appreciation when they do well, provision of canteen, infirmary, and effective transportation system and a resting place during lunch time. When these are done, people will love to work efficiently which will help in producing quality goods that would be accepted internationally in order to get good market abroad. They also mentioned they are abused verbally by management.

In terms of factory running, the workforce mentioned that, management should demonstrate sufficient management ability that is communicate effectively, supervise properly, and conduct training regularly. Effective communication will lead to workers understanding each other and in case orders are given, it will be taken in good faith and acted upon promptly. Regular training will also aid the workers to be abreast with the fashion world and know current trends of production which at the end will bring about maximum productivity.

Secondly, they should provide good facility and amenities. We are now in a technological world where things are being done swiftly and fast with advanced machinery. The clothing industry is also blessed with such technology hence some of these machines should be acquired and used to enable the industries produce garments of better standard that can sell anywhere in the world and also produce them fast enough to meet deadlines in order to prevent their goods from being rejected due to delays.

The management mainly made 'factory running' suggestion and this includes access to effective and regular credit facility which will help them run the industries better than they are doing now. Politics should not be a basis for funding but deserving industries should all be treated equally and fairly.

Management is also of the view that, the government of Ghana should help in marketing apparel thus put ban on import and cheap clothing, help in sourcing market for their goods, marketing the industries in order to attract investors. They should also pay regular visits to the industries to know what is happening and also see to it that, standard rates for garments are agreed upon by both US and Ghana government in order to stop US customers from 'bullying' the Ghanaians. These will help boost productivity and help

Ghana to continue to maximize the benefits of being eligible to the AGOA's act on wearing apparel.

4. Conclusions

The unavailability of an adequate management system, lack of motivation, inadequate infrastructure and amenities and the inability to access the U.S. credit facility is having a very great effect on the Apparel industries and in case the above is duly corrected, we will be able to meet up with the world market and Ghana will benefit fully from the AGOA act.

5. Recommendations

Based on the findings of the study, the following were recommended.

1. The Ghana trades union should monitor the industries and make sure the workers are duly paid for what they work for and on time.

2. The Government should help the industries financially or help them access loans or the US credit facilities that will enable them acquire modern equipment such as those under the merchandised workplaces and transfer lines and pay their workers well. Also this will enable them organize training for their workers in order to educate them on new garment producing techniques, garment performance, good finishing practices etc using technical men in the area and also run the industries at maximum capacity.

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