

COMPETITIVENESS PROFILE

Name of Sector: FOOTWEAR

1. STRUCTURE AND PERFORMANCE

Structure:

- The Canadian footwear industry covers all non-rubber footwear including those made of canvas and plastic. Its major products are women's shoes, women's high boots and men's shoes. In 1984, domestic shipments were an estimated \$727 million, exports \$52 million and imports \$460 million.
- The industry comprises 159 establishments located primarily in Ontario (48%) and Quebec (45%). The major footwear producing centres in Canada are Quebec City and surrounding area, Montreal, Toronto, and the Kitchener/Cambridge area. The industry is fragmented; with only 13 establishments (8%) employing 200 or more persons, and 76 establishments (47%) employing 50 or less. This size distribution is generally comparable to other OECD countries. The largest four and largest eight firms account for some 22% and 36%, respectively, of total shipments. In terms of overall manufacturing, the footwear industry represents less than 1% of production and employment.
- It is estimated that 95% of firms are Canadian owned and these account for approximately 86% of employment. Average hourly earnings in 1982 were 3.2% lower in Canada than in the U.S.

Performance

- Over the period 1973-84, employment fell by 326 (5%) to reach 16,000 in the latter year. Although the volume of production dropped 10% over that period, GDP (in constant 1971 dollars) increased by 22%. Imports grew very rapidly (more than quadrupled) and their share of the ACM in 1984 increased to almost 39% by value (from 16% in 1973), and in volume terms to 57% (from 47% in 1973).
- The relatively stable employment maintained during a period of falling production volume can be explained by the restructuring of the industry which has been ongoing since 1974. Canadian firms have been gradually upgrading their product lines by ceasing to produce non-leather sandals and jogging type footwear which compete directly with low-cost imports, and concentrating on the manufacture of more fashionable and higher quality leather footwear, which requires more labour input per pair but less labour as a percentage of the total value of the product.
- After tax profits on capital employed in the industry were less than the all manufacturing average from 1974 to 1977. However, this situation was reversed from 1978 to 1982, the latest period for which data are available.

2. STRENGTHS AND WEAKNESSES

a) Structural

With the restructuring that has taken place, the Canadian industry is competitive in the domestic market with