



A LIVING WAGE IS A HUMAN RIGHT

A proposal for Italy, for the
fashion industry and beyond

June 2022



Campagna Abiti Puliti is the Italian section of the Clean Clothes Campaign (CCC), an international network of human rights, labour and trade union organisations. CCC fights for the improvement of working conditions in the fashion and sportswear industry worldwide. One of its priority objectives is the recognition of a living wage that allows workers in global supply chains to live in dignity and a fairer distribution of the value produced. CCC believes that this goal should be a priority for governments and companies.

This report is in continuity with the work initiated by AFWA in Asia and then developed by the European Production Focus Group (EPFG), a working group consisting of several national sections of the Clean Clothes Campaign and other organisations active in several Central, Eastern and South-Eastern European countries. In 2020, the EPFG launched the concept and method of calculating a cross-border decent basic wage for Europe (Europe Floor Wage)¹, based on the developed methodology. With this new report, the Clean Clothes Campaign applies the Europe Floor Wage proposal to the Italian context. The resulting living wage level can be used as a minimum wage threshold not only for the fashion sector, but also for other sectors.

The concept of a floor living wage that we propose is based on the concept that a decent wage is a human right. A concept not subordinate to market logic but anchored to the real needs of workers and their families, hence to the cost of living. Our elaboration is intended to be a tool at the service of workers, social partners and legislators, so that they can implement effective policies and measures to effectively protect the most vulnerable workers, as well as to eliminate poverty and reduce growing inequalities from a gender perspective.

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¹ How to calculate the Europe Floor Wage. (2020). Clean Clothes Campaign (<http://www.abitipuliti.org/news/europe-floor-wage/>)



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SUMMARY OF THE REPORT

In-work poverty is a complex social phenomenon: it goes beyond the pure wage issue, depending not only on several factors (individual, family, public policies) but also on how global value chains are structured.

In order to address its structural causes, different and complementary economic and fiscal, legislative and contractual policy measures are needed, both at national and international level.

In this report we specifically address the issue of wages as the first, but not the only, urgent issue we need to act on in order to tackle the problem of in-work poverty and inequality in Italy, starting from the fashion supply chains. The **concept of wage** we are referring to is the **floor living wage** adopted by the Clean Clothes Campaign, which can be defined as **the value of the net basic wage able to guarantee the worker and his/her family the satisfaction of basic**

needs and decent living conditions. The net basic pay is calculated without overtime bonuses, before incentives and allowances, and after taxes, taking into account only monetary disbursements.

The floor living wage proposed here, which is a **human right as recognised in international law and in Italian Constitution**, while representing a base threshold for all wages in the Textile, Garment, Leather and Footwear (TGLF) sector, **differs from the legal minimum wage in that it is not based on market values but on the satisfaction of the basic needs of the worker and his/her family.** It is based on a rather simple calculation methodology, so as to be replicable and updatable over time, as well as immediately understandable by workers. The idea is to divide total household expenditure into two major components: food expenditure and other expenditure. Once the monetary value of household food expenditure has been defined - as detailed in the report - and assuming that this represents a certain percentage share of total expenditure, we obtain the value of the living wage as the sum of food and non-food expenditure at household level.

Once we have defined the assumptions (household composition, energy requirements for an individual of working age and the share of household food

expenditure in total expenditure) and the calculation methodology described above, we have obtained a value of the floor wage of €1,905 net per month. Assuming a standard working week of forty hours per week, this wage is equivalent to €11 net per hour.

The floor living wage, in our view, shall take into account the basic needs of workers and their families and strengthen the existing system of protections to enable them to enjoy a free and decent life. The legal minimum wage therefore, if set at an appropriate level to protect workers' purchasing power, can be a suitable measure to provide effective protection to all workers and their families, especially the most vulnerable ones employed in complex supply chains (populated by small and very small enterprises with low union density) and affected by the worst forms of precariousness, insecurity and exploitation.

Regardless of whether or not the Italian Parliament will approve a legislation on minimum wage, and indeed to usefully inform the ongoing debate on this issue, we advocate for an implementation of a floor living wage that could be articulated in three steps, detailed in the report, in view of the 2030 Agenda for Sustainable Development goals.

It is clear that in-work poverty is a complex and multidimensional phenomenon, affecting working time, employment continuity, family composition and the redistributive action of the State. **A strategy to combat in-work poverty, along the entire supply chain in Italy and abroad, requires a variety of instruments and economic, legislative, contractual and cultural measures, fit to protect workers in a productive context anchored to the dynamics of international trade and strongly globalised, even if new trends of deglobalisation and relocation are emerging.**

In addition to the floor living wage and in order to encourage stable, secure and lasting employment relationships, in the report we call for the

implementation of other measures that could be experimented starting with the TGF sector and then extended to the whole economic system: **the introduction of instruments to supplement and support lower incomes, the so-called *in-work benefits* and the start of a multi-year, gradual pathway to a collective reduction in working hours, for an equal floor wage**, with a view to a marked improvement in the quality of life for the workers, greater efficiency for companies and a reduction in the rhythms of production and consumption based on poverty wages, long working hours and poor quality products, typical of the TGF sector, in particular the well-known phenomenon of fast fashion, which has now even worsened in the ultra fast fashion business model.

Our recommendations to political institutions and companies detailed in the report are aimed at **tackling in a systemic and structural way the problem of in-work poverty as well as the urgent transition to a sustainable fashion industry, which can only be so if it is inclusive, fair and democratic.** These measures include **guaranteeing a floor living wage to all workers** in the supply chain, in Italy and abroad, through a **coherent and innovative mix of binding regulations, incentives and enforceable supply chain agreements.** All of the above shall be characterised by a **strong level of transparency** on the part of companies and a **renewed quantitative and qualitative investment in public labour inspections**, for effective and easily enforceable protection for workers, with the utmost attention to the most vulnerable.

1 The fashion system in Italy and the impact of the pandemic

The fashion system is traditionally recognised as one of the excellences of the Italian economy as well as one of the greatest carriers of '*Made in Italy*' worldwide.

It is a complex system, which in 2019, considering the textile, clothing and footwear sectors alone, counted more than 55 thousand companies, employing a total of 473 thousand people, according to the National Institute of Statistics (NIO) and trade association data.²

The *Made in Italy* is a system articulated in supply chains embedded in global production networks with close relationships with territories. Italy represents a fundamental junction of the global dynamics that regulate supply chains, in particular the way the workforce is composed and disciplined for the production of value, feeding the structural asymmetry of power that characterises supply chain relations.

The focal point of the valorisation of brands, especially luxury brands, occurs through a mechanism that only shows off the 'noble' parts of the supply chain (artisans, leatherworkers, tailors, designers), while it conceals the phases where less qualified and often migrant labour is concentrated and where it is easier to slip into the jungle of irregular work and abuse. These are the men and women workers mainly employed in subcontracting, at the service of first-tier suppliers in direct relation with the brand³, who dictate the business conditions. They are the vulnerable links in the chain that brands do not want to show, those who intercept labour dispossessed of their rights and escape rules and controls, fuelling the downward competition typical of the sector.⁴ This occurs in a continuous interaction with territorial, political and institutional dynamics, which contribute significantly to the success of the bottom-up value extraction strategies implemented by contracting companies.⁵ In 2021, according to our elaboration on Institute of Foreign Trade (IFT) data, the fashion system (in the textiles, clothing, footwear component alone) contributed with around EUR 24 billion to the Italian trade balance, with a share of around 11% of total

² https://www.infomercatiesteri.it/public/osservatorio/interscambio-commerciale-settoriale/Interscambio_Settoriale_Moda_17_01_2022_1642414760.pdf

³ The first level of supply is generally made public by companies when they adopt supply chain transparency policies, still a minority in the sector. On the other hand, sub-suppliers, where the main problems of abuse and violation of human and labour rights arise, usually remain totally concealed.

⁴ Italy Risk Assessment (2020) Fair Wear Foundation <https://www.fairwear.org/resources/italy-risk-assessment-2020>

⁵ Read in this regard the interesting analysis of the Italian luxury sector proposed in the text 'I cieli e i gironi del lusso. Processi lavorativi e di valorizzazione nelle reti della moda.' (2017). D.Bubbico, V.Redini, D. Sacchetto. Read also the report 'The true cost of our shoes' (2017) CNMS, FAIR for Campagna Abiti Puliti, (<https://www.abitipuliti.org/report/2017-report-il-vero-costo-delle-nostre-scarpe/>)



Picture: Pexels.com

Italian exports and 7% of imports.⁶

Undoubtedly, the fashion system has also been hit hard in the last two years by the Coronavirus pandemic, with a strong impact on workers and companies. In January 2021, the textiles, clothing, leather and accessories sector was the one that recorded the sharpest fall in industrial production in the Italian economy, with a drop of - 20.8% compared to January of the previous year, compared to a - 2.4% reduction in the general indicator.⁷ In January 2022, there was a new year-on-year contraction in industrial production in the sector, this time smaller, but still - 4.8%, or 2.2 percentage points more than the general indicator.⁸

At the height of the crisis, as a result of the closures of almost all trade channels (the only exception being online sales), retail sales in the sector also fell dramatically, the most drastic of all sectors of the Italian economy: - 33% for clothing and - 36.4% for footwear and leather goods.⁹ With the gradual reopening of trade channels, retail sales recovered during 2021 and in January 2022, there was a recovery, compared to January of the previous year, of +20.5% for clothing and +17.5% for footwear and leather products.¹⁰

⁶ https://www.ice.it/statistiche/Short_stat.aspx

⁷ https://www.istat.it/files//2021/03/Produzione-industriale_gennaio2021.pdf

⁸ https://www.istat.it/files//2022/03/Produzione-industriale_gennaio_22.pdf

⁹ https://www.istat.it/files//2021/03/CS_Commercio_al_dettaglio_0121.pdf

¹⁰ https://www.istat.it/files//2022/03/CS_Commercio_al_dettaglio_0122.pdf

2 Why it is desirable to establish a legal minimum wage also in Italy

On 28th October 2020, the Council and the European Parliament put forward the proposal for a directive (COM (2020) 682) on Adequate Minimum Wages in the European Union (EU), urging Member States to ensure wages that allow decent living conditions for workers and their families, in line with the EU social market economy model. On 7th June 2022 they reached a political agreement on the content of the Directive.¹¹

The proposal points out that in most Member States minimum wages have remained too far away from the reference levels of 60% of the median gross wage or 50% of the average gross wage at national level and calls for measures to increase wages within a European coordination framework, but taking into account national specificities and without the introduction of a common determination mechanism. From this perspective, the goal of adequate wages has to be pursued either through collective bargaining (as it is the case in Italy) or through the use of statutory minimum wages. Indeed, within the 27 EU Member States, a varied situation can be observed, where the legal minimum wage is in force in 21 countries, while in Austria, Cyprus, Denmark, Finland, Italy and Sweden, minimum wages are determined by sectoral or company collective agreements.

In Italy, where for historical reasons relating to the evolution of industrial relations minimum wages are determined by collective bargaining at the sectoral level, the debate on the introduction of a legal minimum wage was particularly lively in the first part of the 18th legislature, before the resignation of the Conte I Cabinet and the Covid-19 health emergency changed the order of priorities on the national political agenda.

In this report, it seems useful to briefly describe the main motivations behind the current reflections on

¹¹ <https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:52020PC0682>

the advisability of adopting a legal minimum wage, emphasising how this *policy* may prove particularly useful if used in combination with other economic policy instruments without, however, representing a *one-size-cure-all* solution with respect to all the ills afflicting the Italian economy in general and the conditions of those in employment in particular.

Moreover, it is necessary to emphasise that our proposal for a floor living wage goes beyond the idea of a legal minimum wage, both conceptually and in the method of determining the value to be attributed to it, differences which will be explained in detail in the course of the report. In this section, therefore, we limit ourselves to presenting the rationale behind the proposals to introduce a legal minimum wage in Italy.

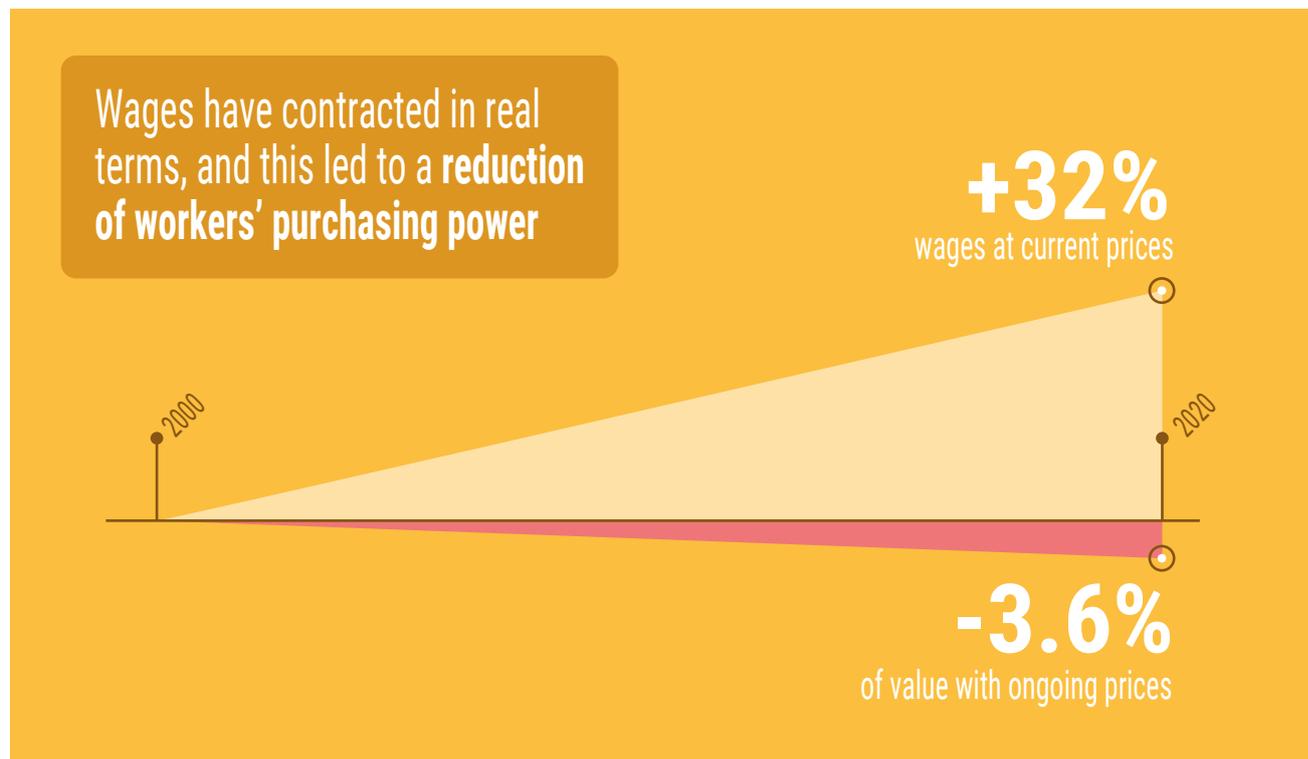
LOSS OF PURCHASING POWER OF WORKERS' WAGES

Processing OECD data for the period 2000-2020 shows that although average annual wages (wages and salaries) at current prices increased by 32% from €21,259 in 2000 to €27,997 in 2020, the value at constant prices (base year 2020) in the same

time interval decreased by 3.6%.¹² In other words, wages have contracted in real terms over the period considered, resulting in an erosion of workers' purchasing power.

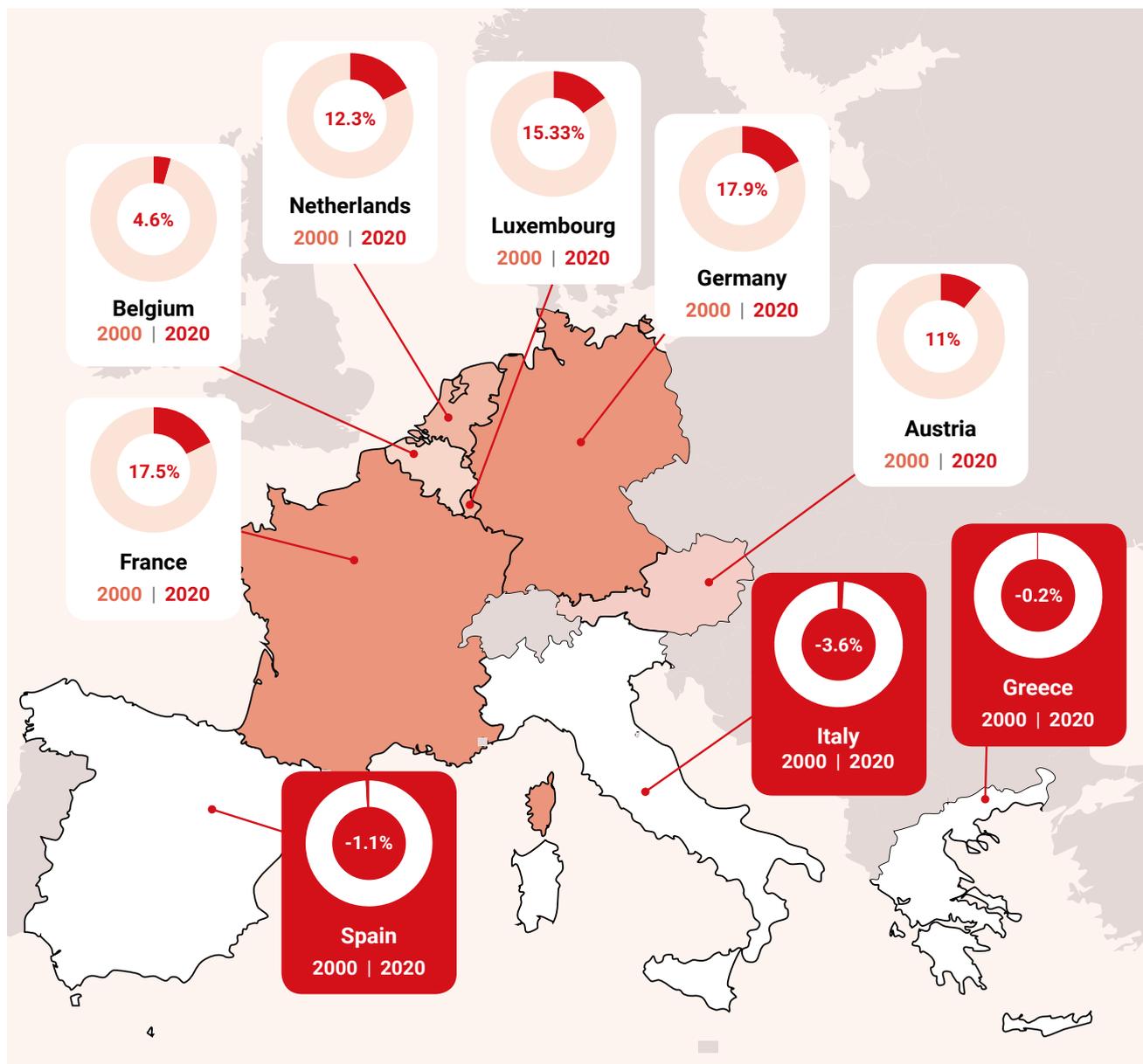
In the same period, by comparison, average annual wages at constant prices in Germany increased by 17.9%, in France by 17.5%, in Luxembourg by 15.33%, in the Netherlands by 12.3%, in Austria by 11%, in Belgium by 4.6%. Again in the euro area, only Spain and Greece saw a contraction similar to Italy's, albeit smaller, at -1.1% and -0.2% respectively.

A further concern regarding the loss of purchasing power of wages is determined by a particularly strong inflationary dynamic between the end of 2021 and the beginning of 2022, driven by the prices of energy goods and to a lesser extent by those of foodstuffs. In February 2022, the NIoS reported an increase in the national consumer price index for the entire community, before tobacco, of 5.7 % year-on-year, a value not seen since November 1995.¹³



¹² Source: <https://stats.oecd.org/index.aspx?DataSetCode=CBC>. Data refer to full-time and full-year equivalent workers. Average annual wages per full-time equivalent employee are obtained by dividing the total wage bill, derived from national accounts, by the average number of employees in the total economy, and then multiplying this value by the ratio of the average weekly hours for full-time employees to the average weekly hours worked by all employees.

¹³ Source: <https://www.istat.it/it/archivio/266800#:~:text=Inflation%20acquired%20by%20the,%2C1%25%20of%20January>.



Elaboration from OECD data showing the variation of average wages with stable current prices between 2000 and 2020.

WIDESPREAD IN-WORK POVERTY

According to the economic and sociological literature, this phenomenon is increasingly seen as the result of the spread of *non-standard* forms of work that affects all productive sectors across the board, but particularly those in which the most vulnerable workers are concentrated.¹⁴ In the definition adopted at European level, a working poor is anyone who has worked (either as an employee or self-employed) for at least 7 months during the reference year and lives in a household whose disposable equivalised income is below the relative poverty threshold (60% of the median equivalised income at national level).¹⁵

In 2019, Eurostat found for Italy a working poverty

risk rate for workers aged 18-64 of 11.8 per cent, i.e. 2.8 percentage points above the EU-27 average, with higher values for fixed-term, part-time and self-employed workers. Over a time horizon, from the early 2000s to the present, the in-work poverty risk indicator in Italy has increased by about 3 percentage points.¹⁶ From the definition, it is clear that in-work poverty is a complex phenomenon, linked to three types of factors: (i) *individual*, such as the worker's wage level, number of hours and months worked, level of education (ii) *family*, such as the work intensity of the household, number of income recipients, number of minors or other dependents, (iii) *institutional*, such as the level of minimum wage coverage, minimum wage level (legal

14 In the social sciences, a standard job is considered to be one employed by an employer, with an open-ended, full-time contract.

15 The concept of equivalised income is applied to take into account differences in household composition and size as well as the presence of economies of scale at household level. Currently, the equivalence scale used by Eurostat in the calculation of the in-work poverty rate is the modified OECD scale, which gives a different score to each household member according to their age. Once all household incomes are added up, they are divided by the number of equivalent individuals under the assumption that all household members can benefit from the same level of income.

16 Source: https://ec.europa.eu/eurostat/databrowser/view/ILC_1W01__custom_2329109/default/table?lang=en

IN-WORK POVERTY RATE



Age 18-64 = 11,8%

2.8% > average in the EU27

From the early 2000s to present, the indicator of in-work poverty risk has increased in Italy by about 3 percentage points

or contractual), tax and social protection system. Given this complexity, the legal minimum wage can only act on some of the causes of in-work poverty, being in itself an insufficient policy to combat it. However, the legal minimum wage can be a tool from which to implement a package of measures that in combination can be effective.

THE OLD QUESTION OF THE *ERGA OMNES* EFFECTS OF COLLECTIVE AGREEMENTS AND THE PROLIFERATION OF PIRATE CONTRACTS

The partial implementation of Article 39 of the Italian Constitution concerning the *erga omnes* effects of National Collective Labour Agreements (NCLA) poses problems with respect to the ability of contracts entered into by the most representative employers' and trade union organisations to give adequate coverage to all workers in the sector to which the contract refers. Without entering into legal issues, which are beyond the scope of this report, with respect to this point there has been debate for some time on the advisability of adopting a law on representation that would attribute the much-needed *erga omnes* effects to contracts concluded by the most representative organisations. Such a law, which in some respects would in fact be an alternative measure to a legal minimum wage, nevertheless encounters problems of no small importance, both of a technical nature (how to measure the representativeness of trade unions and employers' organisations, how to take into account those organisations that, though minority, in specific sectors have a particularly significant weight) and of a legal nature (by requiring the registration of trade unions for the stipulation of contracts with

erga omnes effects, art. 39 of the Constitution might not constitute the legal basis for a possible law on representation). This situation, especially in the last decade, has led to the uncontrolled proliferation of so-called '*pirate contracts*', i.e. agreements entered into by unrepresentative trade unions and employers' organisations (often fictitious or of convenience). These agreements, which promote lower wages than those provided for by the NCLAs stipulated by the most representative unions, exercise forms of social and *wage dumping*, deteriorating the wage conditions of thousands of workers and denoting a now 'pathological' aspect of the Italian system of industrial relations.¹⁷ Consider, for example, that at the end of 2021 in the TC sector alone as many as 32 collective agreements were filed in the National Institute for Work and Economy archives. Faced with this situation and the difficulties in achieving the adoption of a law on representation, a legal minimum wage could be an instrument capable of offering immediate protection to workers, effectively putting out of play those contracts that provide for worse pay conditions.

WORKERS' AWARENESS OF THE REMUNERATION TO WHICH THEY ARE ENTITLED

A legally established minimum wage could provide workers with an easier reference for understanding the hourly wage to which they are entitled and for activating possible remedies when this value is not respected by the employer. Under the current contractual system, it is much more complex to understand what is the net hourly wage to which one is entitled, depending on the relevant NCLA, classification level, seniority and other factors.

¹⁷ In the latest Report on the labour market and collective bargaining published by the National Institute for Work and Economy (NIWE), as many as 933 collective agreements for private sector workers were filed in the NIWE archives at the end of 2021, 77 more than the previous year.

3

Guaranteeing the right to a free and dignified existence

The right to a free and dignified life through work has been enshrined in international public law since the beginning of the 20th century.

The preamble to the **Constitution of the International Labour Organisation (ILO)** (1919) already referred to the “guarantee of a wage that ensures decent living conditions”.¹⁸ The concept of decent work is then reaffirmed in the **ILO Conventions**, in particular: **No. 26 of 1928**, supplemented by **Recommendation No. 30**, urges States to introduce methods for setting minimum wages and is today among the most ratified in the world with more than 100 countries having adopted it, including Italy; **No. 131 of 1970**, which extends No. 26 and, supplemented by **Recommendation 135**, includes the commitment to define a minimum wage that takes into account the needs of workers and their families and to ensure its effective implementation. C131 has so far been ratified by 52 member states but not by Italy.¹⁹ The concept of decent work was officially born in 1999 at the International Labour Conference with the presentation of the Decent Work Report, which for the first time stated: “Today the primary objective

of the ILO is to ensure that all men have access to productive work, in conditions of freedom, equality, security and human dignity”. This concept was then institutionalised in 2008 with the adoption of the ILO Declaration on **Social Justice for a Just Globalisation** which will give a clear programmatic impetus to the Decent Work Agenda.²⁰

The right to earn a decent wage is enshrined as a human right in the UN Universal Declaration of Human Rights, which states in Article 23(3): ‘Everyone who works has the right to just and favourable remuneration ensuring for himself and his family an existence worthy of human dignity’.

More than 60 years later, the United Nations approved the 2030 Agenda for Sustainable Development, the essential elements of which are the 17 goals (SDGs) to end poverty and fight inequality. Among these, the 8th has the goal of achieving full and productive employment and decent work for all women and men by 2030.²¹

¹⁸ Report submitted to the Peace Conference by the Commission on International Labour Legislation (1920a), ILO (http://www.ilo.org/public/libdoc/ilo/1920/20B09_3_engl.pdf)

¹⁹ Conventions ratified by Italy, ILO (https://www.ilo.org/dyn/normlex/en/f?p=1000:11200:0::NO:11200:P11200_COUNTRY_ID:102709)

²⁰ Decent Work Agenda (2008), ILO (https://www.ilo.org/rome/approfondimenti/WCMS_166085/lang-it/index.htm)

²¹ Sustainable Development Goals, AICS (<https://www.aics.gov.it/home-ita/settori/obiettivi-di-sviluppo-sostenibile-sdgs/>)

The European Social Charter of 1965, later revised in 1999, includes the right to a decent wage in Article 4, No. 1: “All workers have the right to a fair wage that provides them and their families with a satisfactory standard of living”.²²

In 2017, the European Union endorsed the **European Pillar of Social Rights**²³ which in principle No. 6 sets out the “right to fair remuneration that provides a decent standard of living” for the worker and his or her family. As a concrete implementation of the European Pillar of Social Rights, in 2020 the European Commission published a proposal for a **Directive on ‘adequate minimum wages in the European Union’** (COM (2020)682) and on 7 June 2022 the European Parliament and Council reached a political agreement on the text. After decades of inaction, resulting from the predominance of the neo-liberal ideology over that of a social Europe, for the first time the EU intervenes directly and legislatively in wage matters. The goal is the **improvement and harmonisation of wage policies** in Europe, while fully respecting the specificities of states and the bargaining autonomy of social partners. The proposal aims both to **increase the coverage of collective bargaining** to at least 80% of workers (a critical threshold below which Member States must introduce an action plan to promote it), and to **ensure adequate legal minimum wages** through clear, stable and up-to-date criteria and determination mechanisms every two years with the involvement of social and employer parties. The proposal does not dictate to Member States the way forward. Beyond the presumably limited impact it will have in the Italian context due to its peculiar characteristics, it is nevertheless important to note a discontinuity in the neo-liberal narrative that saw wages and collective bargaining as a mere obstacle to competition and growth. Instead, it is now recognised by the EU that adequate wages not only reduce poverty and inequality in income and gender

distribution but also support domestic demand, hence the economy.²⁴ For Italy, among the six EU countries still without a legal minimum wage and with a very high collective bargaining coverage rate, at least on paper, the directive will change little.

Against this background, strikingly the European Commission included ‘minimum living wages’²⁵ among the pillars of decent work to describe its concept of social protection in its *Communication to the European Parliament, the Council and the European Economic and Social Committee on decent work worldwide for a just global transition and sustainable recovery*, published on the occasion of the adoption of the proposal for a directive on companies’ human rights supply chain due diligence (23 February 2022). In any case, it is desirable that the European process will act as a driving factor and positively influence the Italian public and parliamentary debate, in order to identify effective legislative solutions to guarantee the large and growing number of workers at risk of in-work poverty because they are victims of the so-called pirate contracts and the proliferation of atypical contracts, because they are not covered by the NCLAs signed by the most representative trade unions, or again because, due to the high fragmentation of production favoured by subcontracting, the same NCLAs signed by the most representative trade unions provide, in some cases, minimum wages that are not in line with the real cost of living for the lowest classifications.

Fortunately, the Italian Constitution comes to the legislator’s aid and clarifies the main way to deal with the apparent opposition between the legal minimum wage and collective bargaining in a complementary and productive manner.

Article 36 reminds us that “the worker has the right to remuneration commensurate with the quantity and quality of his work and in any case sufficient to ensure for himself and his family a free and dignified existence.”

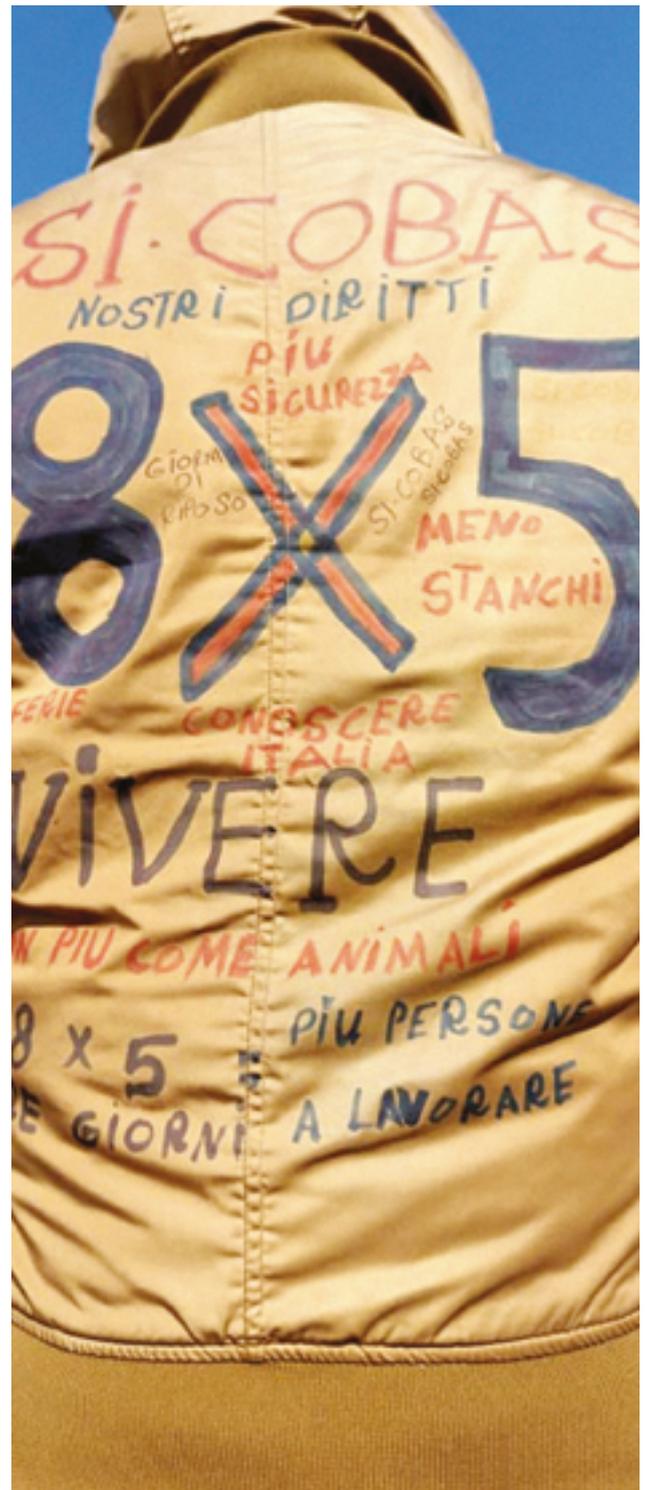
22 European Social Charter (<https://rm.coe.int/168006b642>)

23 European Pillar of Social Rights (https://ec.europa.eu/info/strategy/priorities-2019-2024/economy-works-people/jobs-growth-and-investment/european-pillar-social-rights/european-pillar-social-rights-20-principles_it)

24 Explanatory Memorandum, EU Monitor (https://www.eumonitor.eu/9353000/1/j4nvhdfdk3hydzq_j9vvik7m1c3gyxp/vldbokqawzn)

25 European Commission Communication on Decent Work (2022) <https://eur-lex.europa.eu/legal-content/IT/TXT/PDF/?uri=CELEX:52022DC0066&from=IT>

In this distinction lies, in our view, the perfect balance between the task of the legislator, who is called upon to define a decent (i.e. sufficient) minimum standard of protection for all workers and their families, and that of the social partners, who are called upon to improve wage levels, recognising the different professional levels and quality of work (proportionate pay), in addition to all the other components of the total wage. The definition of a decent minimum wage as an impassable legal limit, together with the *erga omnes* extension of the treatments provided for by the NCLAs signed by the most representative trade unions, would therefore fully implement our Constitution.²⁶



Texprint workers' strike. Texprint is a print company owned by Chinese people in the Prato area.
Picture: www.infoaut.org

²⁶ See the many positive opinions expressed by experts during the hearings in the Senate Committee on Labour and Social Security on the proposal for a directive of the European Parliament and of the Council on adequate minimum wages in the European Union https://webtv.senato.it/4621?video_evento=151501 <https://www.senato.it/3381?comunicato=262101>

4 Beyond the legal minimum wage: the Campagna Abiti Puliti's proposal for a decent wage in the fashion industry

With a **LIVING WAGE**

Workers and their families would have access to:



- 1 food
- 2 rent
- 3 healthcare
- 4 education
- 5 clothing
- 6 transport
- 7 savings



Living wage is a HUMAN RIGHT



DEFINITION OF A FLOOR LIVING WAGE AND DIFFERENCES WITH THE LEGAL MINIMUM WAGE

Following on from the proposal for a living wage in the TCF sector put forward by the *European Production Focus Group* for the countries of Central, Eastern and South-Eastern Europe, which in turn was inspired by the *Asian Floor Wage Alliance's* 2009 initiative for the Asian continent, in this report we try to determine a basic living wage in the same sector for Italy, providing a simple and reliable method of calculation for both workers and companies.

The concept of the floor living wage to which we refer in this report is borrowed from the two initiatives mentioned above and can be defined as the value of the net basic wage that guarantees the worker and his or her family the satisfaction of basic needs and decent living conditions.

The net basic wage is calculated without overtime bonuses, before incentives and allowances, and after taxes, taking into account only monetary compensation (any *fringe benefits* paid by the employer to the employee are not included in the determination of the decent wage).

Consistent with the orientation of the *Clean Clothes Campaign*, **basic needs are considered to be food, clothing, transport** (own car or public transport passes), **housing** (rent or mortgage payments, routine house maintenance), **household utilities** (electricity, heating, water, rubbish collection, telephone, internet), **education, culture and leisure, routine medical expenses, holidays** (a week-long trip for the whole family within their own country).

The living wage proposed here, although representing a minimum threshold for all wages in the TGLF sector, has conceptual differences from the legal minimum wage. In fact, the living wage is not based on market values of the workforce, but on the fulfilment of the basic needs mentioned above, in a perspective that is not individual (as in the case of the legal minimum wage), but benchmarked around an entire household. Both must be paid by the employer, but whereas the legal minimum wage is a legal obligation, the living wage we propose here would, at least initially,

represent a *benchmark to which employers* in the TGLF sector should aim to. However, also in view of the provisions of Article 36 of the Constitution, which enshrines the worker's right to *remuneration that is proportionate to the quantity and quality of his or her work and in any case sufficient to ensure a free and decent existence for oneself and one's family*, and taking into account the general value of this requirement, we hope that the basic living wage and its calculation method can become the benchmark for determining wages' minimum thresholds in all sectors.

The calculation of the living wage is based on a rather simple methodology, so that it can be replicated and updated over time. The central idea is to divide overall household expenditure into two major components: food expenditure and other expenditure. Once we have defined the monetary value of household food expenditure - in the manner set out below - and assuming that this represents a certain percentage share of total expenditure, we obtain the value of the living wage as the sum of food and non-food expenditure at the household level.

But let's go in order, and see what are the three main assumptions underlying the calculation and how this was done.

HYPOTHESIS

1. HYPOTHESIS 1 - THE AVERAGE HOUSEHOLD CONSISTS OF 3 CONSUMPTION UNITS.

As with the *Asian Floor Wage* and the *Europe Floor Wage*, the average household is considered to consist of three consumption units. This is above the average number of household members on a

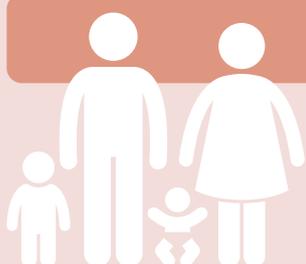
national basis provided by the NIoS, which was 2.3 in 2018-2019.²⁷

However, it seems to us correct to assume a higher value, since the living wage proposed here must also be able to give adequate protection to workers in more vulnerable situations, those living in larger households or where there is only one adult with several dependents. In the definition of three consumption units, a weight of 1 is given to each adult and 0.5 to each child. Thus, a household with 3 consumption units may consist of 3 adults, 2 adults and 2 minors, 1 adult and 4 minors.

2. HYPOTHESIS 2 - THE ENERGY REQUIREMENT FOR AN INDIVIDUAL OF WORKING AGE IS 2,453.5 KCAL

In order to define the expenditure on foodstuffs,

we first had to construct a typical week's diet with the advice of biologists and nutritionists, so as to respect the correct intake of the various macronutrients. In order to determine the energy requirements of an individual of working age, reference was made to the *LARN IV Revision tables (Reference Intake Levels of Nutrients and Energy)* which are a leading source in the field of nutrition.²⁸ Averaging between men and women and considering a physical activity level (PAL) of 1.60, the value obtained is 2,453.5 Kcal per day. This daily energy requirement, with the appropriate rules for healthy and balanced nutrition, has therefore been translated into terms of the foods that ideally make up the food basket of an Italian family, using the energy values per food expressed in Kcal indicated by the *CREA-Foods and Nutrition Research Centre*.²⁹



ASSUMPTION NO. 1

The average household consists of

three consumption units

ASSUMPTION NO. 2

The energy intake requirement for a working age individual is

**2.453,5
kcal**



ASSUMPTION NO. 3

Food expenditure: **30%** of total household expenditure

Floor living wage value: €1905 net monthly / **€11** net per hour

²⁷ <https://www.istat.it/it/files/2020/12/C03.pdf>

²⁸ <https://sinu.it/larn/>

²⁹ <https://www.alimentinutrizione.it/introduzione>

The basic principle underlying the composition of the basket is to ensure a fair and quality diet, consistent with the idea that a floor living wage should ensure the satisfaction of basic needs and guarantee decent living conditions for workers and their families.

3. HYPOTHESIS 3 - FOOD EXPENDITURE IS 30% OF TOTAL HOUSEHOLD EXPENDITURE

In line with what was assumed for the calculation of the *Asian Floor Wage and the Europe Floor Wage*, we assumed that food expenditure represented on average 30% of the total expenditure of a household where the income earner was employed in the textile sector.

In the report published by NIoS in June 2021 on household consumption expenditure in Italy in 2020, on a national basis the share of food and non-alcoholic beverages in total expenditure stood at 20.1%, albeit with a strong variability between the different geographical areas of the country.³⁰ The decision to assume a higher share than that indicated by NIoS lies in the operation of the so-called *Engel's Law*, according to which the proportion of income that a family devotes to food decreases when income increases. It seems to us to be consistent with this law to assume that for the households of workers occupying the lowest positions in the distribution of wages in the garment and textile sector (those to which the cross-border living wage is primarily intended to provide coverage) the share for food expenses is higher than the average share indicated by official statistics and in any case higher than for the households of workers earning higher wages.

we then multiplied the weekly value by 4.33, i.e. the average number of weeks in a month. Now, assuming that the share of household food expenditure was 30% of the total expenditure, we derived this latter value, which is equal to the basic living wage, by means of a proportion.

An important aspect in the calculation of household food expenditure is the allocation of prices to the different foodstuffs included in the typical weekly diet. To determine these prices, we calculated an average of food prices in the main Italian provinces in the textile sector, weighted by the number of workers employed at provincial level in that sector.³¹ The prices used were those of February 2022 recorded by the Observatory of Prices and Tariffs, at the Ministry of Economic Development, for consumer goods and services.

Following the assumptions and calculation methodology described above, we obtained a living wage value of €1,905 net monthly (assuming a standard working week of forty hours per week, this wage is equivalent to €11 net per hour).

CALCULATION AND RESULTS

Based on these three pivotal assumptions, once the typical weekly diet of an individual was constructed, we assigned a price to the individual foodstuffs considered (in the manner described below), in order to calculate the weekly food expenditure for the individual, and thus for the household. To obtain the monthly value of the household food expenditure,

30 https://www.istat.it/it/files/2021/06/REPORT_CONSUMI_FAMIGLIE_2020.pdf

31 The choice of provinces in the calculation of the prices to be attributed to individual foodstuffs was made taking into account their centrality in the CT sector. The provinces referred to are the following: Florence, Naples, Biella, Modena, Arezzo, Pistoia, Bari, Vicenza, Macerata, Bologna, Prato.

5 Analysis, implementation and adjustment of the basic living wage

In our view, the basic living wage is an instrument that takes into account the basic needs of workers and their families and strengthens the existing system of protections to enable them to enjoy a free and decent life.

Three aspects, related to the introduction of this instrument in the Italian system, seem to us of particular importance: (i) the implementation strategy (ii) the quantitative analyses of the effects of the living wage (iii) the adjustment and re-evaluation mechanism.

With respect to the first point, as it has been made clear, at least initially the basic living wage should not be conceived as a legal minimum, i.e. a compulsory

value to which employers must adhere, but rather would represent a benchmark for trade unions, companies and workers in the garment sector on which to start bargaining for wage aspects.

However, keeping in mind the reference to the Italian Constitution, which in Article 36 affirms the right of workers to a wage proportionate to the quantity and quality of work and in any case sufficient to ensure a free and dignified existence for themselves and their families, the calculation method we propose here, which is not limited to the market value of labour, can subsequently be thought of as a tool for determining a minimum wage established by law for all workers.

Regardless of whether or not the Italian Parliament approves a law on the legal minimum wage, and indeed to usefully feed the debate on the point, in anticipation of the goals set by the 2030 Agenda for Sustainable Development, we hope for an implementation that could be articulated in the following steps, in a sort of *roadmap* towards 2030.

STEP #1

The basic living wage and its calculation methodology should be used as a **benchmark** in the contractual definition of minimum wages in the garment and textile sector. It would not take the form of a legal obligation, but as a **value to which minimum wages should aspire** in order to guarantee all workers and their families a free and decent existence.

STEP #2

After the first test phase, the living wage and its calculation method should be raised from a simple benchmark to a **legal minimum wage in the garment and textile sector**, which would serve as a **pilot sector** to evaluate its effects on companies and workers.

STEP #3

Once the effects in the garment and textile sector have been assessed, the basic living wage could be **extended to the Italian economy** as a whole, changing the method of calculation to the use of price levels on a national basis and becoming the *de facto* method for calculating the legal minimum wage.

The introduction of this instrument requires regular quantitative analyses, which can assess the effects on workers' and employees' wages, in-work poverty and income inequality. To this end, we propose the establishment of a *Commission for the Living Minimum Wage* for the evaluation, analysis and implementation of our proposed method. This Commission should be composed of trade union, employer and academic representatives (along the lines of the Mindestlohnkommission established in Germany after the introduction of the legal minimum wage in 2015).

This Commission should also be entrusted with the

task of monitoring and analysing the effects of the introduction of the decent minimum wage, and on the basis of these assessments, opinions should be provided to the legislator with respect to the transition from one stage to the other of those described above.

With respect to the third point, concerning re-evaluation, the decent minimum wage should be adjusted annually against the consumer price index, so that its value is not eroded by inflation. Furthermore, the Commission shall review the composition of the basket, adjusting it to possible changes in household consumption choices, when appropriate.

6 The living wage as a driver for a sustainable fashion industry: an open and urgent debate

The fashion industry, particularly fast fashion, has a growing and increasingly damaging social and environmental impact.

Due to a business model based on maximum speed, flexibility and constant changes of collections at affordable prices, since the 2000s and in just 15 years, the number of garments produced worldwide has doubled from 50 to 100 billion while their utilisation has plummeted. In fact, it is estimated that more than half of the products purchased are discarded within the first year with the average usage rate falling by 36% in 15 years, in China by as much as 70%.

This means that every year some USD 460 billion goes up in smoke in products that could continue to be used and that, in the most extreme cases, are worn a maximum of 10 times.³²

A study conducted in 20 countries, through interviews with 18,000 households, showed that people on average do not use 50% of their clothes, and this figure gets much worse for countries like Italy where 81% of the wardrobe remains unused.³³

In fact, we buy clothes that we do not wear and which quickly become mountains of waste, as the global textile-clothing industry produces 92 million tonnes per year³⁴ while only 1% of materials are recycled. In Italy about 150,000 tonnes of waste from used clothing are collected every year, 2.5 kg per inhabitant, of which only 5-10% is sent for reuse.³⁵

This is a trend generated by the distribution model that pushes consumers to buy for pure pleasure, even though they are aware that they are buying low-quality and short-lived products intended for instant consumption.³⁶

After the temporary drop in consumption linked to the Covid 19 crisis and also thanks to the stratospheric boom in online trade, global clothing consumption seems destined to grow and in 2030 is expected to rise from the current 62 to 102 million tonnes of

³² Redesigning Fashion's Future. (2017). Ellen MacArthur Foundation

³³ Research conducted by Movinga (2018) (<https://fashionunited.uk/news/fashion/people-do-not-wear-at-least-50-percent-of-their-wardrobes-according-to-study/2018081638356>, <https://allongeorgia.com/national-news/wasteful-world-study-reveals-we-dont-wear-82-of-closet-contents/>)

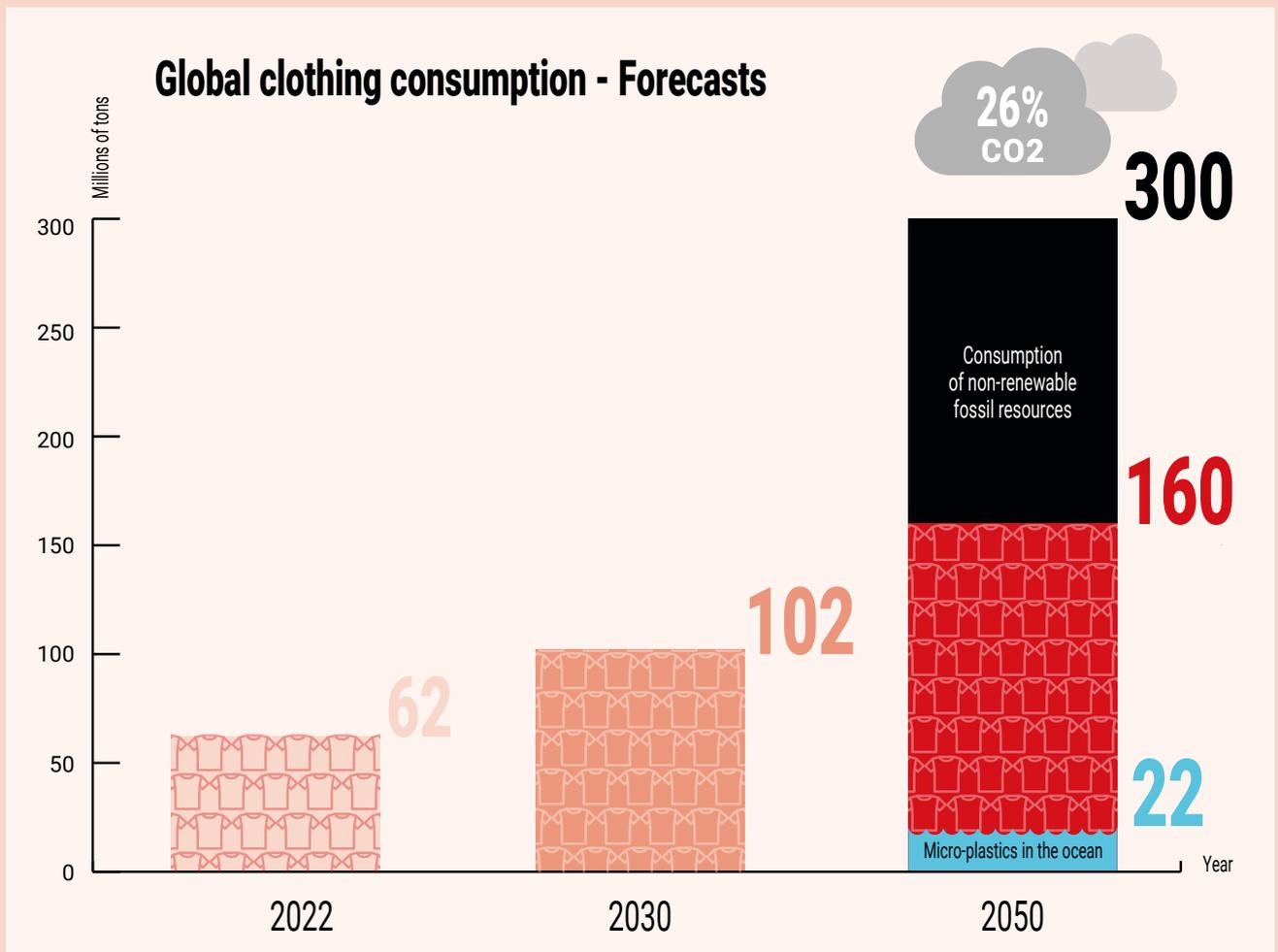
³⁴ Pulse of the Fashion Industry. Global Fashion Agenda and The Boston Consulting Group. (2017) http://globalfashionagenda.com/wp-content/uploads/2017/05/Pulse-of-the-Fashion-Industry_2017.pdf

³⁵ Interview with Roberto Cavallo for the film *Le Ali non sono in vendita*. (2021) Fair . (<http://www.abitipuliti.org/le-ali-non-sono-in-vendita/>)

³⁶ Fast fashion, fashion brands & sustainable consumption (2019), Subramanian Senthilkannan Muthu

garments, an increase of 63%, the equivalent of an additional 500 billion tonnes of T-shirts. If the growth estimates continue as predicted, these figures could triple by 2050, with a production of 160 million tonnes of garments³⁷ and a catastrophic environmental impact that would lead, to name but a few indicators, to a consumption of 300 million tonnes of non-renewable fossil resources, the release of a further 22 million tonnes of microplastics into the oceans, and 26% of global CO2 emissions (according to the scenario of global warming increasing by 2°C). We know that this linear production model, based on the unlimited and irresponsible exploitation of natural resources, on overproduction and overconsumption³⁸, has dramatic impacts on the working and living conditions of

millions of workers, who are forced to work in unsafe factories and environments, for long hours and poor wages. The growth of a highly globalised business model, driven by fast fashion³⁹, has produced immense pressure on long supply chains to produce more and more, in less time and at the lowest price, in order not to be thrown out of the market. In recent decades, and also during the crisis caused by the pandemic, there has also been a progressive reduction in purchase prices and a lengthening of payment terms on the part of ordering brands, with negative effects on the financial and economic capacity of suppliers to pay adequate wages, guarantee quality and continuity of employment and comply with occupational health and safety regulations.⁴⁰



37 Redesigning Fashion's Future. (2017). Ellen MacArthur Foundation

38 It is estimated that European citizens consume an average of 26 kg of textiles per year (2017) Ellen MacArthur Foundation

39 Giants such as Boohoo, Shein have entered the fashion market with an even more aggressive model aimed especially at the very young, the ultra fast fashion promoting micro trends with thousands of new items every day. Social media and online trading platforms are a further accelerating factor (<https://www.theatlantic.com/magazine/archive/2021/03/ultra-fast-fashion-is-eating-the-world/617794/>, <https://fourweekmba.com/ultra-fast-fashion/>)

40 See in this regard the international PayYourWorkers campaign, a coalition of over 200 organisations calling on fashion brands and distributors to pay textile workers the wages and benefits due during the pandemic, <https://www.abitipuliti.org/payyourworkers/>

The fall in purchase prices in export-oriented global supply chains serving the major international brands⁴¹, has exacerbated downward competition even in countries such as Italy, a key hub of global textile-clothing-footwear production, where suppliers and subcontractors suffer from the same asymmetrical power dynamics imposed by the brands at the head of the supply chains, which are among the main causes of poor work and insecurity for workers in the sector.

During the pandemic, the fashion sector in Italy was among those that made most and longest use of state aids and subsidies to combat the crisis,⁴² having obtained the extension of the layoff freeze precisely because it was among the industrial sectors most in crisis. This has highlighted the structural sufferings of a sector dominated by small and very small enterprises, which are forced to compete on costs in order to stay on the market, jeopardising labour rights and safety, particularly in subcontracting.

The crisis that erupted with the pandemic has made clear the structural limits of a system of which Italian-made goods are an integral part, held up thanks to the competitive advantage offered by the opaque undergrowth of subcontracting, which allows for the production of excess goods that do not adequately incorporate the true social and environmental costs while, as we have seen, driving millions of consumers to buy products that are largely unused and quickly ready for landfill or incineration. This is why it is urgently necessary to implement a concrete conversion towards a truly sustainable fashion system that puts the quality of work at the centre through innovation in production processes and a different distribution of the value produced, because environmental and social sustainability are linked.

The payment of living wages to all workers in the supply chain, a fundamental human and social right,

is a decisive step in this direction as it would oblige companies to reprogram production, with potentially positive impacts on workers' welfare, the environment and the economy itself.⁴³ This would finally move towards a new model of business organisation that is more sustainable, democratic and based on a rethinking of working and living times.

In this respect, the recent approval of the European Strategy for Sustainable and Circular Textiles⁴⁴ undoubtedly marks an important step forward in the ecological transition process to be completed by 2030. It outlines the framework to be followed by implementing measures that are still being defined and submitted to public debate.⁴⁵

A lengthy process that immediately caused disappointment in European civil society, among human and labour rights defenders. In fact, from a social point of view, the strategy is rather weak because it does not include specific measures for the garment and textile sector and does not address the structural problems that generate suffering and abuse for millions of workers employed in the sector, including in Europe, starting with unfair commercial practices and excessively low purchase prices practised by the contracting brands that are at the root of poverty wages.

A missed opportunity, according to the European civil society coalition for fair and sustainable textiles, which reiterated⁴⁶ the need for a much more ambitious systemic approach, which must hold together the environmental and social dimensions, including the respect of high social standards through binding measures.⁴⁷

The above-mentioned revolution towards sustainability under the motto *#ReFashionNow* that

41 Put your money where your mouth is. Swedish banks and living wages in the garment sector. (2022). Fair Action

42 In the period 2020-2021, the TAC sector used 246,660,877 and 218,998,496 hours between ordinary, extraordinary and exceptional redundancy respectively, compared to a total of 23,469,175 hours in 2019, i.e. before the outbreak of the pandemic crisis (data extracted on 7.04.2022) INPS (<https://www.inps.it/osservatoristatistici/5/74/45/o/306>)

43 Numerous studies show how increasing production costs by improving wages, health and safety and other components, could increase the prices of low-cost fashion, reducing consumption levels with both environmental and social benefits. Of course, such corrective measures have to be introduced, tested and evaluated with a multidimensional approach taking into account several objectives to be achieved simultaneously, on a national and global scale. Specifically, to improve the living and working conditions of millions of workers and at the same time drastically reduce carbon emissions, without penalising low-income countries, since it is the 'rich' countries that mainly have to change their lifestyles and consumption patterns to reduce impacts. For more, read the interesting study 'Higher Wages for Sustainable Development? Employment and Carbon Effects of Paying a Living Wage in Global Apparel Supply Chains' (2019) S.Mair, A. Druckman and T. Jackson in Ecological Economics. Finally, it is worth mentioning that the transfer of increased production costs to consumer prices is certainly desirable in the case of low-cost fashion, while in other cases (see e.g. the luxury sector) this increase (total or partial) could be absorbed by brands and retailers through a redistribution of the value produced and increased production efficiency.

44 European Strategy for Sustainable Textiles (2022) European Commission (https://ec.europa.eu/commission/presscorner/detail/it/ip_22_2013)

45 The European Commission has launched a public consultation on the action plan outlined to implement the Strategy by 2022 (<https://ec.europa.eu/eusurvey/runner/TextilesTransitionPathway>)

46 The European Shadow Strategy for Sustainable Textiles is promoted by 65 European civil society organisations, (2020) (<http://www.abitipuliti.org/regole-vincolanti-per-le-imprese/strategia-ombra-della-societa-civile-servono-nuove-leggi-sul-settore-tessile-e-dellabbigliamento-dellue/>)

47 Joint reaction of European civil society to the publication of the European Sustainable Textiles Strategy (2022) https://cleanclothes.org/file-repository/eutextilestrategy_jointcsa_web.pdf/view

focuses on 'quality, durability, extended use, repair and reuse'⁴⁸ seems to forget that supply chains will not be able to embrace change without putting workers at the centre and the guarantee that they fully enjoy freedom of association and collective bargaining, fundamental enabling rights to achieve decent living standards. According to the Commission's policy document, among other things, 55% of European companies, SMEs in the lead, struggle to attract (young) workers who are qualified and trained to face the new challenges of the green and digital transition. One of the winning actions, currently ignored in the action plan, could precisely be to ensure living wages for all workers in the sector. The transition to

a new model, which abandons the current levels of exploitation, overproduction and overconsumption, will also benefit from the new employment opportunities offered by the investment in the circular economy, which can compensate for the jobs loss due to the abandonment of the consumption model driven by the overproduction of cheap and low-quality goods.⁴⁹

In short, we must aim for a total paradigm shift based on decent work for all and everyone, quality production, and a reduction of the ecological footprint.



⁴⁸ Scenarios towards co-creation of a transition pathway for a more resilient, sustainable and digital textiles ecosystem, Commission Staff Working document (2022) (<https://ec.europa.eu/docsroom/documents/49360>)

⁴⁹ It is estimated, for example, that the recovery and sorting for regeneration of 6 million tonnes of textile waste in Europe would lead to the creation of 120,000 jobs in the recycling sector alone, with a reduction in the ecological footprint of 20 to 30% by extending the life cycle of products by just 9 months. Ethical principles for the clothing re-use sector. (2016). reuse (www.reuse.org/wp-content/uploads/2015-06-textiles-position-RREUSE.pdf). Furthermore, authoritative studies have shown that the introduction of the minimum wage in countries such as Germany or England has not had a negative impact on employment, if anything, it has resulted in a reallocation of workers to more efficient and higher-wage companies: jobs are not destroyed but upgraded: INPS tra emergenza e rilancio. XIX rapporto annuale (2020)

7 Complementary measures to the decent living wage

The wage compression dynamic that has occurred in recent decades in Italy coincides with a progressive compression of rights favoured by legislative reforms aimed at reducing the system of guarantees that had reached its peak in the 1970s with the Workers' Statute.

Today it is certainly urgent and a priority to get to grips with the wage issue in order to curb the poverty emergency in our country. However, it is worth emphasising that, alongside the need to guarantee the enjoyment of a decent wage to all workers, it is necessary to intervene on the multiple causes that contribute to the progressive precariousness and debasement of work, in order to incentivise stable, secure and lasting employment relationships. In this report, we try to indicate two measures in support of the living wage, which could be tried out with enormous benefits for society.

WORK LESS, WORK ALL, WORK (AND PRODUCE) BETTER.

It was a textile worker, Rose Schneiderman, who

more than a century ago launched a slogan that has long guided the struggles for shorter working hours: 'the worker must have bread, but she must also have roses'. The proposal for a living wage, which aims to emancipate work from its exclusive value as a commodity and connect it to the needs of the person, is therefore coherent and indeed complementary, both economically and ethically, with working time redistribution. Working time represents the most dramatic contradiction of the current development model: technological progress⁵⁰ would allow the progressive liberation from work - just think of how much a textile factory produces today compared to the spinning mill where Rose used to work - but condemns millions of people to unemployment and exploitation, because it expels surplus workers, the 'reserve industrial army' which drives blackmail and the race to the bottom in wages and rights. Without addressing this structural cause upstream, it is hard to attempt to distribute income downstream.

The reduction in hours worked per individual has already been taking place, for decades, in all advanced economies⁵¹, faster in the countries undergoing deindustrialisation, slower in the recipients of relocations which, in any case, will have the same destiny in the long term. It is, however, a reduction that is not democratically governed, i.e. left to the arbitrariness of the markets, and which increases the polarisation between the underemployed and the

⁵⁰ Automation processes still seem to be rather limited in labour-intensive, very low-cost supply chains such as clothing and footwear. It is precisely for this reason that technological change could lead to large expulsions of low-skilled workers, so organisational models that combine product quality and protection of the employment base should be promoted to prevent this outcome.

⁵¹ data.oecd.org, Dataset: Level of GDP per capita and productivity, Average hours worked per person employed. The generalised trend of reduced hours observed a slowdown in intensity in the last years before the Covid emergency, which lowered overall and per capita labour activity. The medium- and long-term structural effects of this global event have yet to be identified, but it is reasonable to doubt that the previous labour force requirements will be fully restored, so the magnitude of the average reduction could increase significantly again.

overemployed: on the one hand, hours, rhythms and flexibility that are devastating for health and private life, on the other hand, unemployment and 'small contracts' of a few hours/days/months.

In the fashion supply chains, including 'made in Italy' luxury, it is precisely the need to keep production costs low, together with the need to develop collections ever more quickly, that has pushed companies to make increasing use of subcontractors, for an extremely advantageous proximity delocalisation with a growing recourse to atypical contracts, so-called pirate contracts, supply agencies and trainees. Women, migrants and young people pay the highest cost of this race to the bottom that can kill the most exposed workers with overwork or insecure work while leaving a growing mass of unemployed in poverty and precariousness.⁵² The choice is therefore not 'whether' to reduce working hours, but 'how', with a view to redistributing work and the value produced. There is certainly a need for a legislative framework to guide the distribution of work, but trade unions and international campaigns can anticipate it culturally and contractually, as happened in the past in the "West" for the major breakthroughs on working time, the 8-hour day and then the 40-hour week, first won by some production categories and then extended to all.

Let us start from the fact that not all workers have the same needs and not all seek the same answers. At some stages of life more salary may be preferable, at others more time. Different needs require different answers. An organic national plan for work distribution could be oriented along two complementary axes:

1. Allowing those who wish or particularly need to work less at certain periods of life to work less, within the given organisation of working time, favouring e.g.: the subjective right to voluntary, 'long' and reversible part-time, in the absence of documented organisational constraints; extension of the duration and remuneration of parental leave; new leave for care, study, specific purpose (e.g. for cultural and civic activities); substantial economic penalisation of overtime

and promotion of time banks; convertibility of performance bonuses and other ancillary economic institutions into additional time off. These measures are already largely regulated and sometimes adopted in national and/or company agreements, and can therefore be easily systematised and extended.

2. Start a multi-year, gradual process of collective reduction of working hours, changing the general organisation of work, with appropriate economic levers and mechanisms of incentives and disincentives that make it inconvenient to work more hours than planned.

The reduction of the working week for the same wage, together with a careful reorganisation of work that optimises processes without intensifying work rhythms, could contribute to achieving multiple goals with very positive impacts.

Fight against unemployment, better reconciliation and balance between life and work time, particularly relevant from a gender perspective, greater psycho-physical well-being for workers⁵³, reduction of accidents, greater efficiency and profitability for companies, improvement of organisational processes and production quality, reduction of pathological levels of production and consumption with enormous environmental and social benefits, as we have seen in the previous chapter.

The gradual transition to reduced hours over a period of a few years can be incentivised by means of economic leverage (tax and social security contributions), arranged by legislation, contract or agreement, preferably on a national scale, alternatively also on a sectoral scale. The criterion is simple: working more must cost more. There is no need to set the same target hours for everyone (35 hours), but rather a convenient 'ordinary hourly band' (e.g. 25-35 hours), for which the economic burden will be stable

52 "I cieli e i gironi del lusso. Processi lavorativi e di valorizzazione nelle reti della moda" (2017) D.Bubbico, V.Redini, D. Sacchetto.

53 The World Health Organisation (WHO) and International Labour Organisation (ILO) report analysed the health outcomes of people who work fifty-five or more hours per week. Those who work long hours have an estimated 35% higher risk of stroke and 17% higher risk of heart disease than people who work thirty-five to forty hours per week. (2021) OMS-ILO (<https://www.sciencedirect.com/science/article/pii/S0160412021002208#b0135>)

or even more favourable over time, while higher hours (>35) would remain possible, but progressively more onerous. The burden must be significant and higher than the fixed costs that would entail hiring new staff, otherwise it would not bring about the desired effects (in the Italian example, the mere pay increase envisaged for overtime work does not discourage this practice, which is sometimes in fact imposed, because it does not affect the accrual of holidays and rest periods, nor other economic labour cost items, while also ensuring greater organisational flexibility with respect to the enlargement of the workforce).

The contribution could feed a special 'Solidarity Fund for Work Distribution', public or inter-company, to support further measures of individual reduction of working time (e.g. care leave) or even to supplement income support measures (see next chapter) to counter in-work poverty caused by precariousness and involuntary part-time work.

Thus, by guaranteeing the freedom of enterprise and the flexibility needed to organise work in very different production realities, bargaining will have full autonomy to adopt the most suitable models in each sector and company: 35 horizontal hours, 32-hour short week, eight-hour day with compensatory rest periods, etc.

Even shorter hours (<25) could cost proportionally (on an hourly basis) a little more, in order to limit the use of involuntary part-timers, while overtime should be heavily disincentivised, with significant additional burdens (e.g. +100%), both for companies and workers. The industrial sector offers significant international experiences in terms of organisational and contractual models adopted. The numerous experiments underway around the world, whether initiated by companies with social partners or at the hands of governments, show that there is no one-size-fits-all solution. Instead, it is crucial to opt for planning together with the social partners to ensure a fair and desirable transition. The garment and textile sector could be used as a testing ground for a pilot project to assess the different impacts of the measure, on workers and companies.⁵⁴

There is a perverse effect that low wages and long hours have in common: they are competitive advantages in the very short term, but they hold

back productive investments, research, product and process innovation (what is produced and how). Since the fashion sector is among those most characterised by this drift of low-cost competition, increasing wages and reducing working hours can be the levers to reverse the downward race, enhancing the highest quality companies and promoting more qualified production to replace disposable fast fashion, with undoubted benefits also on the environmental level.

Last on the list, but first in importance, is the intrinsic value of life time, the rarest and most precious resource of every human being, as Rose and her companions rightly pointed out.

INTEGRATING LOWER LABOUR INCOME: TOWARDS THE INTRODUCTION OF AN IN-WORK BENEFITS SYSTEM

Among the social benefits provided in Italy, unlike in most advanced economies, one observes the absence of instruments to supplement and support lower labour incomes (not based on a contributory mechanism), what in English are called in-work benefits, the introduction of which is advocated from several fronts. Currently, there are measures such as the so-called *Bonus Dipendenti* (Employees Allowance) and the *Reddito di Cittadinanza* (Citizenship Income or RdC) that only partially go in this direction, but cannot be considered in-work benefits in the strict sense. First of all, it should be emphasised that such an instrument should be designed in such a way as to interest both employees and self-employed workers, whose income from work does not reach a certain threshold and could take the form of an emolument to be paid monthly, also taking into account the characteristics of the household (this is not the only possible way in which in-work benefits can be presented; an alternative way is the tax credit for workers with lower wages).

As partly demonstrated in the economic literature, this instrument could also be more effective than the legal minimum wage in combating in-work poverty, both because it would be more capable of targeting workers in situations of economic vulnerability (including at family level) and because it would also apply to the self-employed, who are excluded from the coverage offered by the legal minimum wage.

However, in-work benefits and minimum wages (statutory or contractual) are not two alternative measures, but rather they are in a closely complementary relationship. In fact, if on the one hand in-work benefits can benefit a better identified group of working poors, both employed and self-employed, on the other hand, the presence of a minimum wage is necessary so that in-work benefits are not used in a distorted way, turning into a *de facto* subsidy to companies, which could reduce their share of remuneration.⁵⁵

In a comparative perspective, among the most recent and successful experiences of in-work benefits, we find the French Prime *d'activité*, introduced in January 2016 by rationalising the then existing instruments (the RSA *activité* and the prime *pour l'emploi*) whose

amount, paid monthly, depends on the income received in the household and its composition. An instrument structured in this way could be the one most in line with the Italian case as well and could use as a reference threshold precisely that of the monthly floor living wage we indicated, with the calculation method borrowed from the two experiences of the Asian Floor Wage and the Europe Floor Wage.

The hope is that the introduction of this instrument to supplement lower labour incomes can be financially covered by a reform of the tax system that goes in the direction of a higher level of progressivity, whereby those with higher incomes contribute more to the formation of tax revenues due to their greater ability to pay.

THE CITIZENSHIP INCOME (REDDITO DI CITTADINANZA OR RDC)

Introduced by Decree-Law No. 4 of 28 January 2019, is a measure to combat poverty and a form of economic support aimed at reintegration into the world of work. The RdC is disbursed to households that, at the time the application is submitted and for the entire duration of disbursement of the benefit, meet certain economic, citizenship and residence requirements and is conditional on the beneficiary's declaration of immediate availability to work. The amount payable varies according to household income and household composition (an equivalence scale is used) and can be used for a maximum period of 18 months renewable by submitting a new application.

THE SUPPLEMENTARY ALLOWANCE

(*Trattamento Integrativo*, replacing the so-called 'Bonus Renzi' or 'Bonus 80 euro') is an income tax credit of 100 euro per month (€1,200 per year) recognised in the pay slip to employees with an income below a certain threshold. With the recent changes introduced by the Budget Law 2022, the credit is only recognised for incomes up to €15,000, while for incomes between €15 and €28,000 it is recognised provided that the sum of certain deductions exceeds the gross tax. In this case, the credit is recognised for an amount (in any case not exceeding €1,200) resulting from the difference between the sum of the deductions to which one is entitled and the gross tax paid.

THE PRIME D'ACTIVITÉ

Is a social benefit in force in France since 2016, which aims to supplement the more modest employment incomes of those who are employed or self-employed, or who receive unemployment benefits. This supplement is paid monthly in an amount that is benchmarked to the minimum wage (Smic) and varies according to income and family composition. Every three months, in order to continue receiving the supplement, recipients must declare their household income for the previous quarter and if the requirements are no longer fulfilled, they lose the right to the benefit.

⁵⁵ On this point, see the Report on combating in-work poverty by the group of experts appointed by the Minister of Labour and Social Policy Andrea Orlando and available at this address: <https://www.lavoro.gov.it/priorita/Documents/Relazione-del-Gruppo-di-lavoro-sugli-Interventi-e-misure-di-contrasto-alla-povera-lavorativa-in-Italia.pdf>

Recommendations

According to the United Nations Guiding Principles on Business and Human Rights, based on the so-called 'Protect-Respect-Remedy framework', states and companies have a duty and responsibility respectively to protect human rights, as well as to ensure access to justice for those who have suffered violations as a result of the business activities of companies. From these principles derives the concept of Human Rights Due Diligence, a risk-based approach that involves mapping and managing, through corrective measures, the adverse impacts on human rights caused by the company along its supply chain.

Businesses must therefore perform due diligence to ensure that all workers employed in their supply chain receive living wages and must take clear and timely action to remedy cases of violation. Likewise, states must act legislatively to ensure the necessary regulatory framework to ensure that all workers actually enjoy floor living wages commensurate with the cost of living, which can protect working citizens from poverty and social exclusion.

In particular:

The European Union has a duty to:

- in the legislative process that will lead to

the approval of the *Directive on Corporate Sustainability Due Diligence*, do not amend the Annex currently published in the Proposal in the part where it applies Article 7 of the UN International Covenant on Economic, Social and Cultural Rights, which requires the verification of the payment of a fair wage that allows all workers without distinction to have a decent living;

- adopt a *Directive on Adequate Minimum Wages in the European Union* in which adequacy is clearly and bindingly defined in relation to the cost of living to cover the basic needs of workers and their families (living wages) in line with the European Social Charter.

The Italian government, in cooperation with social parties has a duty to:

- through a smart and coherent mix of policies, incentives and standards, ensure that companies respect human and labour rights, including the right to a decent wage, wherever they produce and throughout the supply chain;
- establish a legal minimum wage commensurate with the cost of living to protect all workers from poverty and social exclusion;

- oblige companies to monitor and publicly disclose wage data disaggregated by gender, share of migrant workers and contract types, including the lowest wage level paid by each supplier, risk assessments and compliance with labour rights throughout the supply chain;
 - set up income support measures for workers who cannot achieve continuity of employment and full-time employment;
 - linking the disbursement of public funds to companies to the respect of human and labour rights, including the guarantee of payment of living wages, to all workers in the supply chain;
 - strengthen the National Labour Inspectorate's control, inspection and documentary surveillance systems through greater investment of public resources and the optimisation and improvement of existing databases.
- Brands/distributors are responsible for:
- respect internationally recognised rights, including the right to a living wage, going beyond compliance with national regulations where these do not protect human and labour rights;
 - ensure fair business practices and purchasing prices that provide suppliers with the economic and financial capacity to pay living wage levels commensurate with the cost of living and in a manner that prevents violations of human and labour rights, including the rampant phenomenon of in-work poverty;
 - monitor and make public wage data disaggregated by gender, share of migrant workers and contract types, including the lowest wage level paid by each supplier and risk assessments and compliance with labour rights throughout the supply chain;
 - adopt a public, concrete and measurable action plan to ensure living wages for all workers in the supply chain within a reasonable period of time; this implies adopting a method to isolate labour costs and exclude them from negotiations with suppliers;
 - sign enforceable wage agreements with workers' representatives to increase purchasing prices so that all suppliers in the supply chain, in Italy and abroad, can pay wages sufficient to meet the basic needs of workers and their families.



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