



Made in... Eastern Europe



The new 'fashion colonies'

Bettina Musiolek and others report on appalling working conditions in the garment industry

Made in ... Eastern Europe

Bettina Musiolek and others

We have recently witnessed the emergence of "fashion colonies" and, make no mistake about it, they are booming. There's only one problem with this scenario: There happens to be lots of women toiling away in the name of fashion, which is not unlike what is happening in many Asian, Central American, and African countries.

Although this booming garment industry raises the hopes of many people, the seamstresses, the actual workers are left out in the cold while fashion multinationals turn a handsome profit.

The radical changes caused by the processes of globalisation, transition and EU trade policies just further exacerbates the power imbalance and increases the gap between rich and poor along the entire garment supply chain.

Let's put a stop to this way of doing business immediately! The time is now to create a resistance movement to counteract these global forces!

Read this and then ask the Clean Clothes Campaign (CCC) for further instructions!

The publication was made possible with funding from



and

Fondation des Droits de l'Homme au Travail

Stiftung Menschenwürde und Arbeitswelt

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1. Nothing New in the East - toiling for Fashion - like in Asia or Central America



Are appalling working conditions in the garment industry now also becoming the norm in Eastern Europe? In global terms, this situation unfortunately is nothing new. And yet, for the people of the region it remains a new phenomenon. The United National Development Program in its regional report calls it "the most acute poverty and welfare reversal in the world" (UNDP 1999). For its 1999 International Labour Conference, the General Director of the ILO (International Labour Organisation) noted a dramatic level of social disintegration and an explosion of poverty in the region.

During the last 12 or 13 years, the region has undergone historically unprecedented levels of social change and social backlash, which has led to a deep sense of frustration and insecurity among the region's people. One aspect of these changes unfortunately is the proliferation of inhumane working conditions in the garment production sector. Just as in many countries in Central America, Africa, and Asia, where sweatshop conditions are more likely to be suspect, Eastern Europe has witnessed an explosion of these types of conditions in its workplaces - in fact, conditions only seem to be getting worse.

The garment sector in Eastern Europe is not just some peripheral and inconsequential part of the economy. Quite the contrary, it is at the heart of many of the region's economies (see also trade facts in Chapter 4). Fashion is one of the region's major exports and for some of the region's countries, one of the only remaining dynamic industries along with food processing, wood and furniture production and some mining industries. In Bulgaria for example, 2002 garment exports surpassed energy as the leading export items.

¹ The author is aware that the geographical term "East" and "West" are biased terms and historically have a negative connotation particularly in Europe's German-speaking region. In this brochure, "Eastern Europe" means the central, southern and eastern Europe region consisting of the former state-socialist countries and the former Yugoslavia.

This state of affairs reveals one of the great paradoxes of apparel production in Eastern Europe (and Turkey): while the general economic picture for many of these countries has turned very grim, the garment industry by contrast seems to be booming in a number of these places. This situation is certainly used to full advantage by the local garment sector employers and their international clients.

And why should we be concerned about Eastern Europe's seamstresses?

Well, because about 70 to 80% of all the apparel produced in Eastern Europe are shipped to the EU and nearly half of all the apparel produced in Eastern Europe is exported to Germany². The combined garment imports from Eastern Europe and Turkey alone comprise a third of Germany's total garment imports - equalling the total from all of Asia.³ When it comes to garments, Germany is the EU's most import-intensive nation overall and for Eastern European imports.

Mail order and brand name companies, discount and off-price stores, mass merchandisers and specialty stores such as Adidas, Nike, Puma, Kappa, Betty Barclay, Hugo Boss, Strellson, H & M, 3Suisse, Replay & Sons, Sara Lee, C & A, Triangle, Adler, KarstadtQuelle, Benetton, Steilmann, Gerry Weber, Bernd Berger among many others all source from Eastern Europe.

West German garment producers began relocating parts of their manufacturing operations as early as in the 1970s, to places like the former Yugoslavia, other East European countries and the former DDR or East Germany. These companies developed a strong political lobby and gained favourable conditions by lobbying for a foreign trade policy beneficial to their industry, which encouraged relocation and the foreign sourcing of ready-made garments.

In the 90s, pre-existing business contacts expanded rapidly. Other "garment nations" like Italy, the Netherlands, and Switzerland increased their own garment production outsourcing. The civil war in the former Yugoslavia forced many fashion manufacturers to relocate to places like Romania, Bulgaria, and other Eastern European countries. By the end of the 90s, much of the garment production was shifting away from Hungary to Romania and Bulgaria.

list countries and the former Yugoslavia.

² Then is either sold there or traded onward (i.e., the fact that garments are imported into Germany does not necessarily mean they are sold solely to German consumers)

³ TextilWirtschaft no. 18, 2 May 2002, p 75.

Eastern Europe's "Competitive Edge"

- Geographic and cultural proximity to the "West", which means shorter delivery times and relatively easier communication with trade partners.
- Already available production capacities, a qualified labour force and a developed infrastructure.
Drastic devaluation of the region's national currencies especially during the early 90s boosted the region's attractiveness in terms of trade especially for those paying in Euros or US dollars.
- EU-trade legislation regarding Eastern Europe (EU-Association-Agreements): Most countries are not subject to MFA-quotas and enjoy tariff exemptions for their garment exports to the present EU states which are made under the Outward Processing Trade Scheme.
- The low level of respect for, and the generally inadequate implementation of, national labour laws as well as a comparatively uncritical citizenry concerning these issues. And in the name of transformation, EU accession and globalisation, the rise of workplace problems, especially those related to women remain widely ignored.

In one word: The opportunity to create cheap and appalling workplace conditions makes the region attractive for garment manufacturing orders.

Recently these relocation movements (and threats) involve the further transfer of factories to areas like the Ukraine, Russia, and Albania. Saxonian (southeastern Germany) ready-made garment manufacturers mostly outsourced their production to the Czech republic; Czech manufacturers in turn subcontracted the orders to Ukrainian firms. At the same time big Turkish and Greek manufacturers began establishing their own or subcontracted production facilities in Romania, Macedonia, Albania, and Bulgaria. A Romanian NGO-activist described it this way:

"We are Europe's backyards".

Labour law not implemented and safeguarded

In an industry that has distinguished itself as one of the more successful industries in Eastern Europe, the big discrepancy between current existing labour regulation and the reality of the workplace is stri-

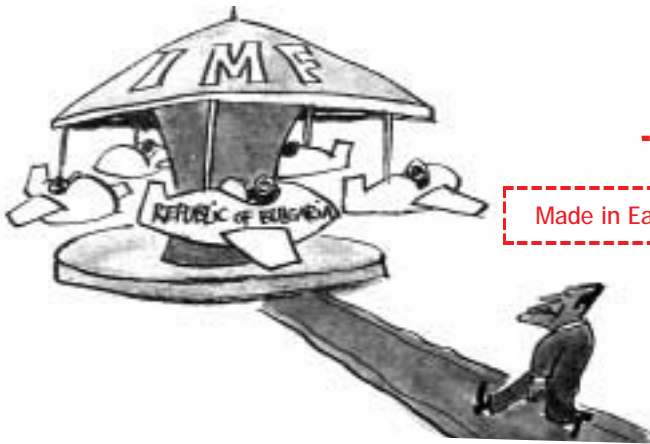
king. Generally, the ILO core conventions have been ratified in all of the region's countries. Although governments often "adjust" the labour laws to the demands of the EU and the international financial institutions (e.g., International Monetary Fund), labour legislation remains comparatively far-reaching because of the legacy of the state-socialist era prior to 1989.

"Investors come to Romania to exploit the people and to finance Western wealth with Romania's cheap wages."
(anonymous German investor)

This is not to say that countries like Germany don't have their own share of discrepancies between the law and reality. But in Eastern Europe, social security and the rights of workers are seldom respected to any degree. There are countless examples of breeches of the law. For example, there are laws that protect mothers like the one that requires employers to offer 2 years of paid maternity leave in some eastern European countries. This law is, needless to say, circumvented by employers who do everything within their power to avoid hiring young mothers. Employees are often fired just before they retire so that employers do not have to pay for their severance packages. These same workers may even get rehired as "new" employees. In Poland, Ukrainian seamstresses are hired as cheap labour without any employee rights. The trends toward hiring employees on a fixed-term basis; and the replacement of permanent employees with contract and hired labour is becoming increasingly widespread because the laws mostly only protect permanent employees with labour contracts. In some Eastern European countries, the state labour inspection officers are denied legal access to the very companies they are supposed to be inspecting except when they are accompanied by the police.

Circumventing the law has become so commonplace that it has inspired some truly bizarre justifications: Foreign buyers have stated quite openly that they cannot agree to pay their legal social contributions and taxes to "these corrupt governments", which means a quite fairly elected democratic government.

State labour inspectors get a particularly good sense of the economic pressures placed upon garment industry working conditions. When a company is doing well



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Bulgaria's ex-Premier Kostov on his way to the IMF (International Monetary Fund) carousel. Source: Sega, 13 July 1999 financially and begins exporting its products, no labour inspector would seriously consider imposing a fine - even if existing laws are seriously being violated. In fact, there have been numerous incidents, some of which were reported in the media, involving labour inspectors and their families being personally threatened. Furthermore, the labour inspection department is dramatically understaffed especially considering their daunting task.

Naturally, poignant labour legislation has its outspoken opponents: by using lobbying tactics and public pressure, and applying direct influence upon the legislative system, employers and international buyers attempt to scuttle and alter existing laws in their favour. In Bulgaria, for example, employers tried to get all garment industry employment classified as seasonal labour, where most social security, benefits, and labour rights would cease to apply. Laws that regulate the number of hours in a work week and overtime hours do not apply to seasonal workers - all details that are of particular interest to garment producers. In another case, popular sportswear brands presented their arguments against the 40-hour work week limit in Bulgaria.

The exception in this scenario: legal minimum wage

In this predominantly frustrating atmosphere where supposedly far-reaching labour laws are basically ignored at most workplaces, there is one remarkable exception: the legal minimum wage in each of the Eastern European countries. This provision was basically added to the countries' labour laws only after the upheavals of 1989-1990 and thus they have the support of the major international financial institutions, whose influence during the transition period cannot be overestimated.

The World Bank and the IMF do not lobby for legal minimum wage legislation that is connected to the actual cost of living. On top of that, laws do not customarily provide for legal minimum wage inflation compensation (indexation). Considering the reality of considerable consumer price increases, legal minimum wages end

up not keeping up with the costs of living over time, sometimes even falling below the poverty or subsistence level.

Any minimum wage adjustment takes place in political negotiations. In Eastern Europe, where trade unions are weak in the private sector, these negotiations as a result of the one-sided economic perspective maintained by international (and national) lobbyists usually lead to minimum wage levels unfavourable to workers. In Poland, for example, it was common knowledge that the IMF and World Bank recommended the already-meagre minimum wage (approximately 200 per month) be eliminated to break down the last "investment hurdles".

It therefore comes as no surprise that minimum wage regulations are often the only legal provisions respected by employers and foreign clients. Multinationals and employers often place great emphasis on this particular regulation, which ironically justify the extremely low wages paid in their production facilities.

A widespread practise throughout the region is for employees to be paid the legal minimum wage 'officially' with all earnings beyond that paid in cash - with taxes and social security contributions being withheld. Any annual or sick leave is only paid at the legal minimum wage rate - in other words, without the under-the-table "extra" income. This usually means that seamstresses cannot afford to and thus seldom go on leave. Entitlements for social services and pensions are therefore meagre, with the nominal pensions falling far below the legal minimum wage, while social services continue to be cut as a result of the infamous adjust-



ment measures. Therefore, employees have no trust in the social system and readily agree to their employers' evasive wage practices. Seamstresses have actually stopped making plans for the future because their daily survival takes up all their energy and resources. They commonly view their situations as unbearable and hopeless, particularly for their children.

This general state of affairs is certainly used to full advantage by the multinationals and foreign clients. They calculate their sourcing prices on the basis of the legal minimum wage and circumventing the existing laws, often claiming ignorance as their defence. A small Romanian supplier of winter coats, for instance, receives 3.50 € per piece for sewing this complex, high-quality item. How can fair wages, legal working hours, and decent working conditions ever realistically be paid out of this price?

"It would be fine with us to pay more to the workers as long as it applies to all our competitors as well. For example if governments raise the legal minimum wages."
(Ingrid Schullström, H&M)

For fashion multinationals anything goes when it comes to cutting costs: they buy companies and close them as they please, cancel orders arbitrarily, treat employees disrespectfully, and ignore existing environmental laws without having to fear any repercussions, while workers face consequences for any 'misbehaviours'.

Where is the critical public?

A genuine critical public that insists on state measures protecting employees and the implementation of monitoring practices of companies has only recently begun to emerge. The general absence could be especially felt in the context of the transition pressures as each country moves toward a market economy, and is further affected by globalisation and EU accession. They can easily justify drastic cuts in social services - especially in light of the recent NATO military rearmament "obligations". The media and politicians continue to promise that saviours in the guise of more investors will arrive en



"When West European investors come here, they think this is Alaska: Anything goes, there are no rules and everything free of charge".
(Bulgarian woman manager)

masse after they join the EU and NATO. These investors will magically eliminate the high levels of unemployment and the economic depression. Meanwhile, the vicious circles of global and regional competition continue to tighten the noose. "The high levels of unemployment basically undermine all of our efforts" observes a Bulgarian trade unionist. In countries where unemployment in real terms is over 20% - in some areas over 50% - the employees' bargaining position remains feeble. The neo-liberal fantasy of an unregulated economy and a market that renders the "human capital" totally submissive to the "market" demands has already become reality here in Eastern Europe. There's only one flaw in this fantasy - the fact that the economies still remain devastated. Workers have willingly adjusted to employer demands and "market" factors even as their lives grown increasingly desperate and less secure. The populace is fully aware of this dilemma, which in turn only leads to a sense of hopelessness when it comes to alternatives.

Under these sorts of circumstances and in a situation of general lack of a tradition of civil rights as it is needed for capitalist societies, a civil society can evolve only very gradually. Another factor of some relevance involves the notion among many of the region's people that they have to solve their own problems locally, without any outside assistance. This





Made in Eastern Europe - 6

In a quota and piece rate system, seamstresses suffer from high levels of stress caused by the time pressures of piece-work. (Cartoon-idea: CCC-Belgium-Flemish speaking) attitude does not facilitate a situation that leads to critical monitoring of multinationals. Given the imbalance of influence and power along global supply chains⁴, there seems to be very few solutions, if any, that could be successfully tackled solely on a local level.

Even in more positive economic situations where unemployment figures are under 10%, wages and working conditions are not showing significant improvements. Comparative investigations bear these findings out in various areas in both Romania and Bulgaria - two countries witnessing a boom in garment production. This seems to imply that there is a lack of forceful public criticism and a lack of strong organised labour representation and is characterised by a situation where creating jobs is always more important than better working conditions - the typical trade-off of jobs over rights that usually leads to a social and economic vicious circle and downward spiral.

That is why seamstresses in all of the countries being investigated always deny that there is forced or bonded labour in their workplace, but they express precisely this economic situation that creates a structural force - a structural violence - which compels workers to accept their worsening working conditions.

However, critical voices are emerging that have begun monitoring the practices of multinationals. For instance, Danone's exploitative and reckless practices in Hungary or those by French and German retail chains like Carrefour and Metro in Poland and other countries has led to public discussion and campaigns. It is increasingly apparent that the demands and claims of investors so often received with open arms should not always be blindly accepted by the host nations (see articles by BEPA and Mariana Petcu).

"My job is good, at least I receive pay checks on time."

These kinds of low-level criteria for evaluating job quality attest to the general conditions in the factories that lead to such low expectations, where the basic criteria is whether an employer is at all paying his or her workers. Systematic violations of any other

labour rights are subsequently pushed ever further into the background. And yet, issues of private property and the market economy seem to be incontrovertibly connected to tax evasion and ignorance of labour laws.

The most common violations of basic labour rights in the garment industry in Eastern Europe are not unlike those in other regions and include:

1. consistently required to work excessive hours
2. low pay
3. obstructing the right to organise and collective bargaining.

(See chapter 8 and the end of this brochure for more complete list of basic labour standards.)

The pressure to work excessive and underpaid overtime, plus meagre wages and the absence of workers' representation are characteristic for pre-fordist capitalist labour relations. There are also reports that include severe sexual harassment, arbitrary punishments, ethnic discrimination, and child labour - although these incidents do not occur regularly, they can be classified as systematic. Health problems are also frequently reported.

Fashion multinationals commonly have themselves 'subsidised' by women's labour.

Pay rates in the garment sector can only be described as starvation wages. The female labour force is systematically underpaid - and classified as qualified by virtue of the fact that they are women and women "naturally" have the necessary "nimble fingers" and thus never fully reimbursed for these skills. Their average monthly pay check ranges from approximately 80 - 150 in Romania and Bulgaria relegating them to a bare subsistence lifestyle and thus families are forced to supplement their incomes through small subsistence agriculture for their own consumption and other income-generating activities. Entire areas in these countries are impoverished and - ironically enough - survive in part because they are able to fall back on the benefits they took advantage of during the state socialism era. For example, many were able to acquire their own flats prior to 1989 and so now have one less cost to worry about.

Low remuneration stimulates conditions for production flexibility, i.e., allowing employers to demand

overtime at any time, because workers are made to feel "grateful" for the chance to earn some extra income by working overtime. Because remuneration is commonly based on a piece rate, overtime is often necessary just to meet the high quotas. That means that the overtime they work is not officially categorised as overtime and therefore not paid at a higher overtime wage rate.

The garment industry is commonly considered to be among the worst paid sectors world-wide. In Romania for instance, only forest workers and wood cutters earn less than seamstresses.

Trade union organisations and collective bargaining only exist in those formerly state owned factories that are left over after privatisation and deindustrialization following the "shocktransformation"⁵ Here one can still find active trade unions. They provide for relatively regulated working hours; but the wages are sometimes even lower than those in small private firms because overtime is regulated creating a vicious circle. This again points to the pre-fordist interrelationship between wages and working hours still prevalent in the garment industry. Workers are always in need of earning a decent monthly wage even although it means working excessive hours.

In companies where employees are still represented by unions, it has become more and more difficult for trade unions to operate normally due to employers' intimidation. Many new owners of formerly state-owned companies simply ignored existing collective bargaining agreements and demanded, and sometimes even succeeded - that trade unions be driven out of their factories. The ICFTU (International Congress of Free Trade Unions) frequently reports on the violations of the right to organise and collective bargaining in this region.

Fashion multinationals continue to succeed in playing the weakest actors of globalisation, those seamstresses at the bottom of the global supply chain, against each other.

"Italians come to Romania precisely because there are no trade unions in this country. The conditions are very good for us, especially those concerning employment relationships, for instance. I mean, you know, employers want to be able to dismiss workers as the need arises."
(an Italian manager)

⁵ For the early 90s, the term "shock therapy" as instituted by various international financial institutions is frequently used in the literature. It means that problems occurring during the

The "Wild Wild East"

The privatisation process in the garment sector in this region, with a few exceptions, is almost complete. Many of the formerly large textile trusts have been unable to survive or survive as small sewing shops. The overwhelming majority of companies in the sector are new, private, micro-enterprises.

A comparison of various Eastern European garment producers points out the discrepancy between formerly state-owned companies and new private enterprises. The work situation varies widely in these new private shops, but workers are commonly deprived of their basic labour rights. The formerly state-owned trusts, if they even exist, have become the focus of labour inspectors who have a much harder time getting inside to inspect the newer private companies.

In Serbia and Montenegro, in Bosnia and Herzegovina and in Moldavia, there are periodic reports, attesting to the extreme poverty of the people after the various economic recessions and civil wars and how these factors are being used to exploit the workers.

For these reasons, researchers in the region repeatedly note that the garment industry is a core sector that is characterised by the informalisation of work where basic rights and legal protection no longer apply. Work arrangements are destabilised and 'flexibilised' and what used to be formal work has become free of all constraining regulations because these new private firms simply ignore existing labour laws from the very beginning which has led to the emergence of small sewing sweatshops that have arisen outside the regulated structures in backyards and private flats.

Gender-specific discrimination - a taboo

Are women discriminated against in the Eastern European garment industry? The answer is often "no". The reasons offered include that women don't earn lower wages than men performing the same job and that seamstresses are badly paid all over the world.

The first reason remains difficult to prove because there are so very few male seamstresses. But what can be safely stated is (see factory profiles):

1. The wages, working hours, and conditions in the garment industry are among the worst of any sector

transition process, can only be cured by speeding up market economy reforms.

despite the high skill demands and the intensity of the work;

2. The wages of male employees in the sector, who supposedly do the "heavy" work of, for instance, cutter or packer, but are not under quota pressure and have generally lower qualifications, often earn more than seamstresses;
3. Sexual harassment and sexism remain difficult to report because of the perceived lack of actual harassment;
4. High levels of age discrimination when recruiting women over 35 years of age and women with children.

These facts clearly indicate a situation of structural discrimination based on gender and age. The availability of qualified females who are systematically underpaid has become a crucial pillar of the fashion industry. Female labour remains cheap because of the perceived natural abilities and skills of women which are not compensated for with higher wages. These so-called innate skills are actually skills learned over time. Besides that, a woman's income is still perceived as a family's supplementary income while the perception remains that the man is still the breadwinner. Although the global reality sharply contradicts this perception of women as supplementary earners. Estimates by trade unionists in the Eastern European countries investigated, highlight the fact that in 50 - 60% of garment workers are female family breadwinners or single mothers. Seamstresses are highly dependent on their wages for their survival, even though it remains low.

Trade unions have long misunderstood or ignored these details and thus have never focused on developing concrete strategies oriented toward a predominantly female workforce. This neglect of the "women's sectors" is unfortunately a reality in Eastern European trade unions as well.⁶

Another factor influences the lack of concern for female workers: the mistaken notion that to focus on gender relations is a disrespectful throwback to "communist times". And no one wants to be accused of promoting outdated ideas? After the changes in 1989-1990 there was a renaissance of conservative family values and traditional gender roles. Women were to return to their role as "queens of the household" and

"mothers of the nation"⁷. These tendencies were no small factor contributing to the silence concerning the appalling working conditions of women in particular.

Conclusion

The garment industry is strategically important for the Eastern European countries in terms of production, exports, and employment opportunities. At the same time, the region is a crucial supplier for the EU market. The Euro-Mediterranean zone is a region with vertically integrated textile production chains and long-standing traditions in textile and garment economies including related financial, textile, and economic services. It is emerging as one of the world's main textile/garment regions. The present major garment producers including Romania, Poland, Bulgaria, and Hungary stand to play a major role in this zone along with Turkey.

However, this strategic position and its potential thus far has not filtered down to benefiting the workers and their labour rights situation - in fact, it has been quite the contrary. It is not unlike the situation in other regions of the world - basically, the fashion multinationals are the ones who profit.

Ironically, a booming garment industry in Eastern European countries has meant a series of economically fatal structures: suppliers' and subcontractors' production systems are highly dependent, highly vulnerable and highly one-sided (especially in the aftermath of the Outward Processing Trade). And on top a downward spiral in labour and living conditions. These processes, usually associated with globalisation, in this region are interwoven with the transition processes and their accession to the EU. "

"It is hard to believe for outsiders that seamstresses concede that they have to work ever harder to earn ever less."
(Polish trade unionist)

⁶ See Jasna A. Petrovic (2001): "The Male Face of Trade Unions in Central and Eastern Europe (The Secret of Invisible Women)", Report ICFTU/FNV Gender Project and Sonja Lokar "Promotion of Gender Specific Policy within Trade Unions in

CEE", February 2001, FairPlay: The Gender and Development Magazine of the KARAT Coalition, 7/2002, p. 7; Stasa Zajovic 6/2002.

2. The Pillars of Fashion Production

One of the first highly globalised sector with lousy working conditions:
The trade-off between jobs and rights



3. Global Supply Chain Patterns and Their Eastern European Variants

Garment and sportswear retailers and mail-order companies



Buying agents

Manufacturers



Actual producers: subcontractors



I n f o r m a l w o r k

(Sweatshops, homebased work)



ex. Adidas-Salomon, NIKE, Benetton, Marks&Spencer



Buying agents in Hungary, Romania, Turkey...



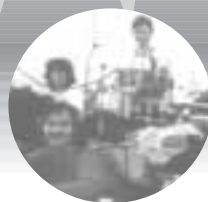
Steilmann, Gerry Weber... Fanko, Tricolan
(based in Germany) (based in Greece)



Tens of thousands of production shops in East Europe produce garments for various buyers (agents, manufacturers, brand-name companies...)



I n f o r m a l w o r k

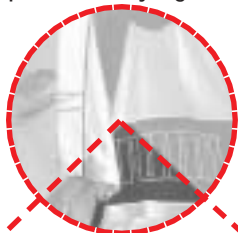


4. Facts About the Garment Trade

Germany is the EU's most import-intensive country when it comes to garments and it is the largest buyer of garments from Eastern Europe.

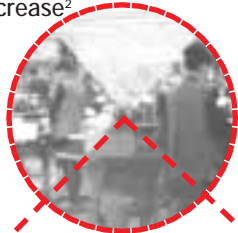
"Three quarters of all German manufacturers presently produce goods in the former Eastern block".
(German garment sector lobbyist)

One quarter of Germany's garment imports are from Eastern Europe and this continues to increase, despite an overall slump in Germany's garment imports¹.



Made in Eastern Europe

One quarter of all garment imports into Germany are OPT (Outward Processing Trade) garments and this continues to increase².



OPT

80% of all German OPT imports originate in Eastern Europe - in 1999 approximately 17% of these were from Poland and 18% Romania³.



OTP made in Eastern Europe

OPT. Outward Processing Trade, assembly production, production sharing, cut-make-trim or cut-make production (CMT/CM) are interchangeable terms (s. chap. 5). Full package supply is similar to OEM (original equipment manufacturing) and specification contracting.

¹⁻³Sources: Corporate Solution: Bekleidung in Osteuropa, Market Guide 2001, Bad Nauheim 2001, p. 4-11; TextilWirtschaft: 6.5.1999, Nr. 18, p. 74 +29.4.1999, Nr. 19, p. 74 + 2.5.2002, Nr. 18. p. 76

Fashion goods made under the OPT scheme are strategically important for the German market - and Eastern Europe is the principal location of OPT production facilities (see chapter 5).

Germany's five main garment suppliers 2002⁴

(in billions of)	
China/Hong Kong	1.4
Turkey	1.3
Poland	1.0
Romania	0.9
Italy	0.8

EU's main garment suppliers 2001⁵

(in billions of)	
China/Hong Kong	14.8
Turkey	6.2
Tunisia	3.0
Romania	2.8
India	2.8



^{4,5} Sources: TextilWirtschaft 2 May 2002, no. 18. p. 76; Marketing and Distribution of Garments in the EU, May 2002, Hong Kong Trade Development Council p. 56.

The garment sector is crucial to Eastern Europe's economies and export figures

Rank of garments among the leading export goods of East European countries and Turkey⁶:

	1980	1990	1998	Rank of garments among overall exports to Germany in 1999	Share of garments in overall exports in 1998
Turkey	6	1	1	26	
Poland	6	10	1	8	2
Romania	3	4	1	24	1
Hungary	8	9	4	12	4
Czech Rep.	10	7	7	15	nal*
Bulgaria					1
Croatia					1
Lithuania					1
FYROM					1
Moldava					1
Slovakia					3
Slovenia					3
Ukraine					1
Belarus					1

*nal = not among the leading 4 export goods

Note: The value of Eastern European exports is undervalued because it consists mainly of OPT garments, which statistics don't fully account for or not count at all (at the border). Compared to Turkey e.g.: Turkey does not produce much under OPT while the Eastern European countries export mainly OPT garments.

The high and increasing rank of garment sector in terms of exports verifies the de-industrialisation in Eastern Europe and the downgrading of their industrial structure particularly in the textile and garment economy. Garments have continued to replace products with higher internal added values. In Bulgaria for example, garments have replace energy exports at the first rank in exports since 2002. Thus the foreign trade structure of many countries in the region has been reversed to resemble those of 'developing' countries with few exceptions like that of the Czech Republic.

Trends for the future

Eastern Europe has continued to increase its overall share of the garment trade. Sourcing from within Europe has continued to expand. Meanwhile, China will as forecast continue to emerge as an evermore important global fashion supplier (WTO membership and phasing-out of Multi-Fibre-Agreement). This will, however, have only a limited impact on the intra-European garment trade from East to West because of Eastern Europe's main advantage, its proximity to EU markets. Delivery times are ever shorter, allowing for increased numbers of rotations of stocks and seasons, increased order size and reductions in fixed capital and just-in-time-deliveries. Plus with the expected increases in air transport costs the region becomes an increasingly attractive production location. The region will in the

long run continue to be attractive because of its general high level of labour skills, its power and water infrastructure, and its political and legal adjustments to EU rules. Some of the region's countries will probably become prominent within the Euro-Mediterranean textile & garment industry zone, which will include full-package production and some (re-)upgrading of the industry.

In the short term, the region's EU membership and customs exemptions for OPT re-imports will further facilitate garment trade from Eastern to Western Europe (of course, not without some resistance from EU-sector lobbies alleging unfair competition and the dangers of the elimination of tariffs).

⁶Sources: Gary Gereffi: "Outsourcing and Changing Patterns of International Competitiveness in the Global Apparel Commodity Chain", paper delivered at the conference "Globalization

and Labour" at the New School, New York , 8 March 2002, table 3; Corporate Solution: Bekleidung in Osteuropa, Market

5. The EU, Outward Processing Trade, and the Exploitation of Labour

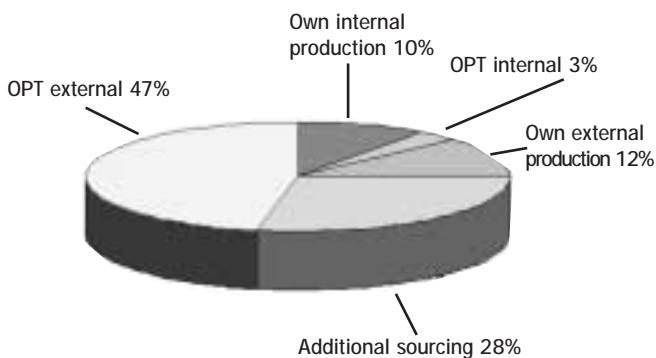
What is "Outward Processing Trade"?

Outward Processing Trade (OPT) or assembly production¹ is a way of manufacturing and trading garments whereby the imported - mostly pre-cut - inputs are assembled and sewn and then re-exported to the input country of origin. The main cost component of this business transaction are allegedly wages. This re-importation arrangement can only be profitable for the buyer/input-supplier company in the country of origin, when the assembly costs (wages, rent, energy costs, etc.) are kept attractively low, the terms of trade are favourable and the trade transactions are not subject to customs or tariff expenditures. Some examples include garments assembled-produced in Central America and Caribbean countries destined for the North American market and those in Eastern Europe destined for West European buyers.

OPT, Germany, and the EU

Germany's OPT imports comprise a considerable share - some 25% - of its total garment imports; whereas this share is approximately 15% for the entire EU. Two thirds of all EU assembly production orders are placed by German buyers.

German garment industry turnover distribution by production and sourcing location²:



¹ OPT-Outward Processing Trade, assembly production, production sharing, cut-make-trim or cut-make production (CMT/CM) are similar terms. In some of the region's countries, the terms Lohnsystem (Lohn is German for wage) or Ishleme (originally Turkish for embroidery) are used.

OPT and Eastern Europe

OPT's share of Eastern Europe's garment exports to Germany is sometimes almost 100%; while in Poland and Romania the share is some 90% (1999/2000)! These two countries alone, account for some 35% of all German OPT imports. Among the 16 largest supplier-nations of assembled garments there are only three non-Eastern-European countries: Tunisia, Morocco, and Turkey.

Germany's main OPT suppliers³:

	2000 (billions of)	% change between 2000 - 1999
Poland	0.8	- 5%
Romania	0.7	+3%
Tunisia	0.3	- 7%
Czech Rep	0.25	+6%
Hungary	0.2	-10%

OPT, the Textile and Garment Sector and National Economies

The main motivations for outsourcing and foreign investment in Eastern Europe also apply to OPT (see page 3). There are three important factors: One, the pre-existence of intact industrial infrastructures; two, a skilled and qualified workforce, submissive to the demands of employers - the "this is market economy" argument; and third, the attractive exemptions from quotas and tariffs, granted by the EU to Eastern European countries since 1982 in the "Europe Agreements", a situation which facilitates the outsourcing of assembly production and thus stimulates the buyers' increased flexibility, just-in-time delivery, and time economy strategies.

But these trade enhancement measures apply exclusively to OPT-produced garments, and not others like full package production where the production country's own inputs are used. Textiles and full package garments are subject to EU exports tariffs and customs. Textiles have even been declared "sensitive" goods because their importation into the EU endanger the EU's technology-intensive textile industry. The EU can

²Source: "IG Metall: Entwicklung und Perspektiven: Textil- und Bekleidungsindustrie in Deutschland", January 2002.

³ Source: "Corporate Solution: Bekleidung in Osteuropa, Market Guide 2001", Bad Nauheim 2001, p. 10; own calculations

furthermore impose "anti-dumping-measures" for certain categories of textiles and clothing - to prevent allegedly unfair competition. On the other hand, however, the EU has pressured the Eastern European countries into opening up their textile and clothing markets⁴. The idea behind this trade policy has been to relocate what cannot be kept profitably operating inside the EU; in other words, protect their own R & D and technology industries and ensure the free access of EU products in other countries.

The immediate consequence of these kinds of trade policies is that the heretofore developed textile and garment sector within COMECON/CMEA (the former Eastern European economic block) survives as nothing more than a sewing shop for the EU. Over the past 13 years, Eastern Europe's textile and garment sector has been downgraded to providing nothing more than assembly manufacturing³ - An upgrade would signify a situation whereby clothes, fibres, yarn, accessories and designs would all be produced and/or procured within the nation. This would stimulate the future business and national economic prospects for the region.

Instead, the vertically integrated trusts lose their structure and are eventually forced to adjust to the OPT demands of buyers: they end up sewing and nothing more as a matter of survival. Their skills and knowledge in the earlier textile production stages (fibre, cloth, and yarn production, for instance); in fashion design, garment pattern-making and the development of collections by local designers; and in the financing services around production and marketing of garments have remained under-developed and eventually dwindle away. When a sector is reduced to primarily garment assembly, the profit margin is low compared to full package production and so these sewing shops work from "hand to mouth".

Despite expanding trade, the EU trade policies toward Eastern Europe include a low level of involvement among Western European buyers. If OPT is easily accessible for Western buyers, why should they make the effort to invest directly. Hence, the buyer-supplier relationship is rather parasitic.

The assembly shop that relies on OPT becomes extre-

mely vulnerable, fragile, and dependent from the buyer. The dramatic market fluctuations bear witness to this; for instance, Hungary has experienced a downturn of some 10 %, while some countries like Slovakia have experienced deviations of up to 23%. Assembly production is characterised by its high level of dependence on buyers, those companies that place OPT orders. Decisions by buyers can have drastic impacts on the small producers, while even small deviations in production costs can in turn drive the producer "out of the market". Apparel supply chains involving OPT tend to be more complex. To add to these OPT economic problems is the fact that garment assembly shops tend to concentrate in certain regions - southern Bulgaria and the Republic of Macedonia (FYROM) along the border to Greece and Turkey - which only aggravates sub-regional disparities.

Thus, OPT is generally considered a dead end as far as economic development goes, especially when it is based on pure cost competition, which ultimately prevents the future upgrading of the value chains⁵. OPT creates an 'artificial' competitive situation among the thousands of small assembly producers of which there are an estimated 10,000 in Romania alone. Meanwhile, the buyers, retailers, brand name companies and big manufacturers have increased their sourcing power through mergers and acquisitions. On top of the chain, we find situations of concentration and consolidation, whereas at the end of the chain there are ever more suppliers and subcontractors competing for orders. Buyers are in the position to choose and they select suppliers increasingly through auctions. All this only further exacerbates the growing imbalances along the supply chains of garments.

OPT and Working Conditions: "Assembly Production Constitutes Slave Labour"

The consequences of this trade scheme are clear but all too often ignored. It inevitably leads to the impoverishment of entire regions where the only surviving workplaces involve sewing. The vicious circle of low wages, excessive work hours, the abuse of other basic labour rights and very limited business perspectives for OPT subcontractors has grown particularly constrict-

⁴ Graziani, Giovanni (1998): "Globalization of Production in the Textile and Clothing Industries: The Case of Italian Foreign Direct Investment and Outward Processing in Eastern Europe", working paper 128, Università degli Studi Parma; Moebius, Uta (1995): "Industriegüterimporte der Europäischen Union und passiver Veredelungsverkehr bei Textilien und Bekleidung, DIW Berlin; Kalyuzhnova, Yelena (1995): "Outward Processing

Trade between the European Union and the Associated Countries of Eastern Europe: The Case of Textiles and Clothing," in: Economic Bulletin for Europe, vol. 47, p. 109-127, Economic Commission for Europe, United Nations. For EU trade in textiles: <europa.eu.int/trade/goods/textile/whatson.htm>

⁵ Gereffi and Graziani emphasise these OPT-related problems - see given sources.

tive. Foreign buyer purchasing practices have had a dramatic effect on labour because buyers exert an intense pressure on prices, delivery times and other conditions. These pressures leave little economic room for the preservation of decent working conditions. The local employers transfer the pressures they experience onto the seamstresses. The seamstresses often describe the production arrangements as nothing short of slave labour - 19th-century factory-style - which undermines their health and exhausts them. And on top: without any guarantees or opportunities for the future. Workers work under slave-like conditions without hope to eventually benefit.

However, there is a world-wide shift away from mere wage competition/OPT toward full package and quality production concentrated in fewer countries. This trend will occur most significantly in countries that can offer a full range of textile and garment production and related services such as financial and business consulting. This situation has already begun evolving in Turkey. Eastern Europe's near-fatal concentration on OPT over the past 13 years, has meant that the region has lost essential aspects of their textile expertise, which means they will again be dependent on external "assistance" as they rebuild it.

While a shift to full package production offers more room to manoeuvre in an effort to improve working conditions, the intensification of competition between production locations plus the increased pressure to lower costs - typical of buyer-driven supply chains - in turn, limits their elbow room.

"There is far more manufacturing capacity in the world than consumers and purchasing power."
(sector lobbyist based in London)

EU-Integration - Upgrading or Marginalisation?

Former EU enlargements seem to reveal a pattern where candidate states fear adjustment and the detrimental impact on their traditional assets while the original member-states fear competition, "floods" of labour migrants and the stretching of EU finances to their limits. The newcomers could make good deals and the oldtimers benefited. Why should it be different this time?

⁶ Financial Times, May 9 2001, p. 2: Mr. Verheugen, EU's enlargement commissioner, in this way attacked the mentality of EU-member bureaucrats that characterised candidates in this manner.

Current negotiations are uneven and unfairly tipped toward the current member-states at the expense of the new members; after all, the EU makes the rules. Candidate-states have to follow EU-prescriptions without much input. Candidate-states pressured to react quickly and if they fail to do so they are characterised as "freeloaders" and "tiresome petitioners"⁶. Some politicians have managed to successfully stir up the irrational fears of the EU's citizens towards the East and claim that millions of eastern Europeans stand poised to invade the Western labour markets⁷.

Many believe that EU membership for these candidate-states - taking the example of the OPT - will not necessarily be a win-win situation. EU and German companies stand to profit the most, while Eastern European companies will have little access to markets due to - among other reasons - non-tariff-barriers, oligopolistic markets, economic power imbalances throughout supply chains into Eastern Europe best exemplified by the garment sector. According to some estimates based on earlier expansions, trade and employment gains will mostly occur in the existing EU countries and Germany in particular⁸.

What will happen to the textile and garment sector in countries about to join the EU?

New members, are not expecting to have to pay tariffs for garments exported from their countries to the present EU members unless there is a new wave of protective measures by the present EU countries to prevent new members from exporting their garments to the EU. Theoretically, these new members will have the chance to upgrade their textile and garment sector and move away from the OPT deadlock. Given the imbalances described above, however, this does not seem to be realistic on a large scale. It remains to be seen whether some Polish or Romanian manufacturers, for example, can begin to effectively vertically re-integrate their production process, institute their own research & development departments and their own brands - perhaps using the model developed by South Korean manufacturers, which in the 1970s evolved from assembly producers to full package suppliers or brand name companies.

And it remains to be seen, if an upgrading of the sector in some places will improve working conditions as

⁷ IOM calculations, International Organisation for Migration.

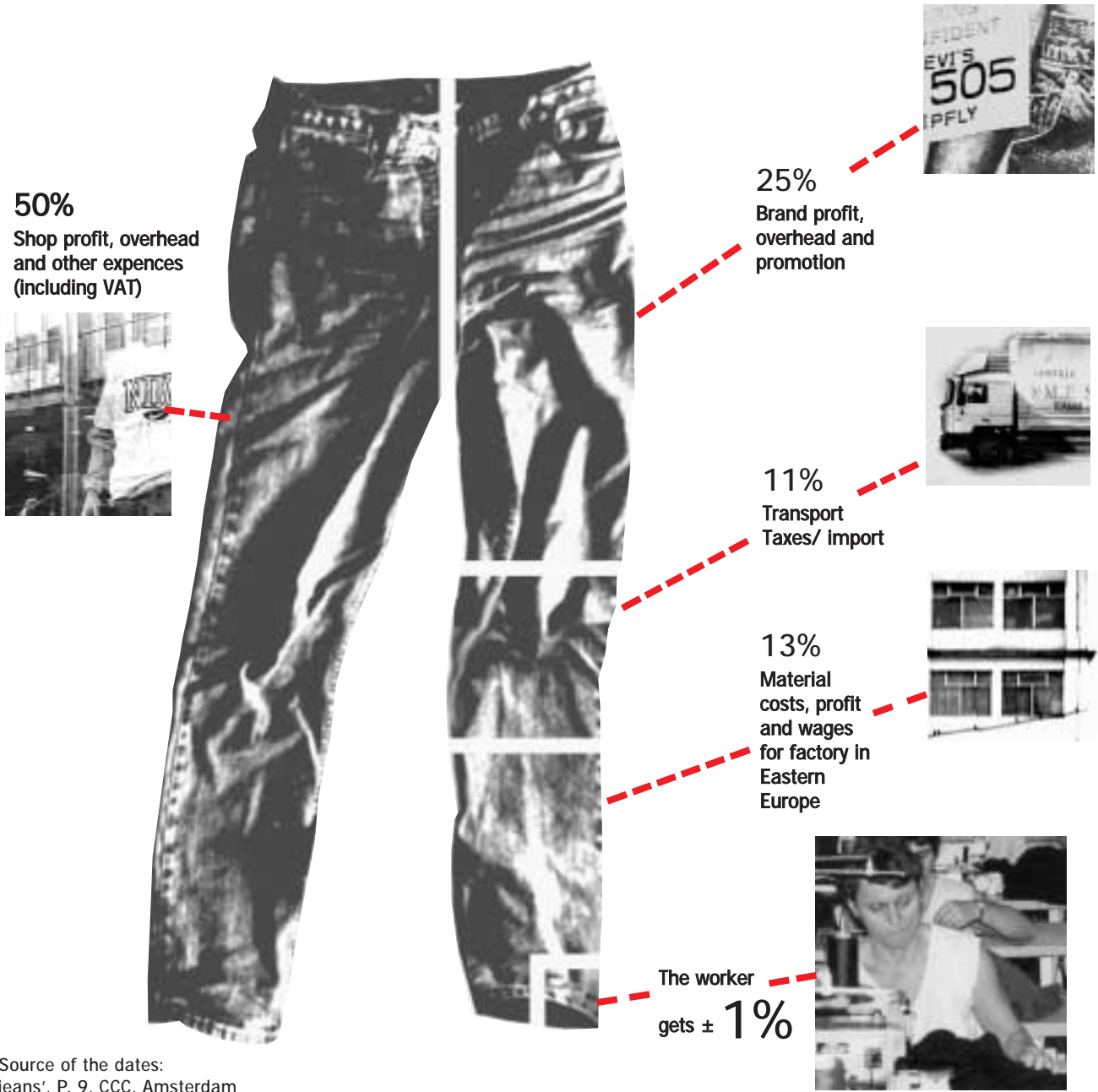
⁸ Richard Baldwin, Joseph F. Francois, and Richard Portes (1997): "The costs and benefits of Eastern Enlargement: the Impact on the EU and Central Europe, in: Economic Policy, April 1997.

Made in Eastern Europe - 17

well. Taking Mexico as an example where upgrading has been observed, it is still unclear if working conditions have benefited - certainly not for women. But what will happen to that part of the accession

countries' (esp. Poland) garment sectors where upgrading is not successful and surviving on OPT has become obsolete?

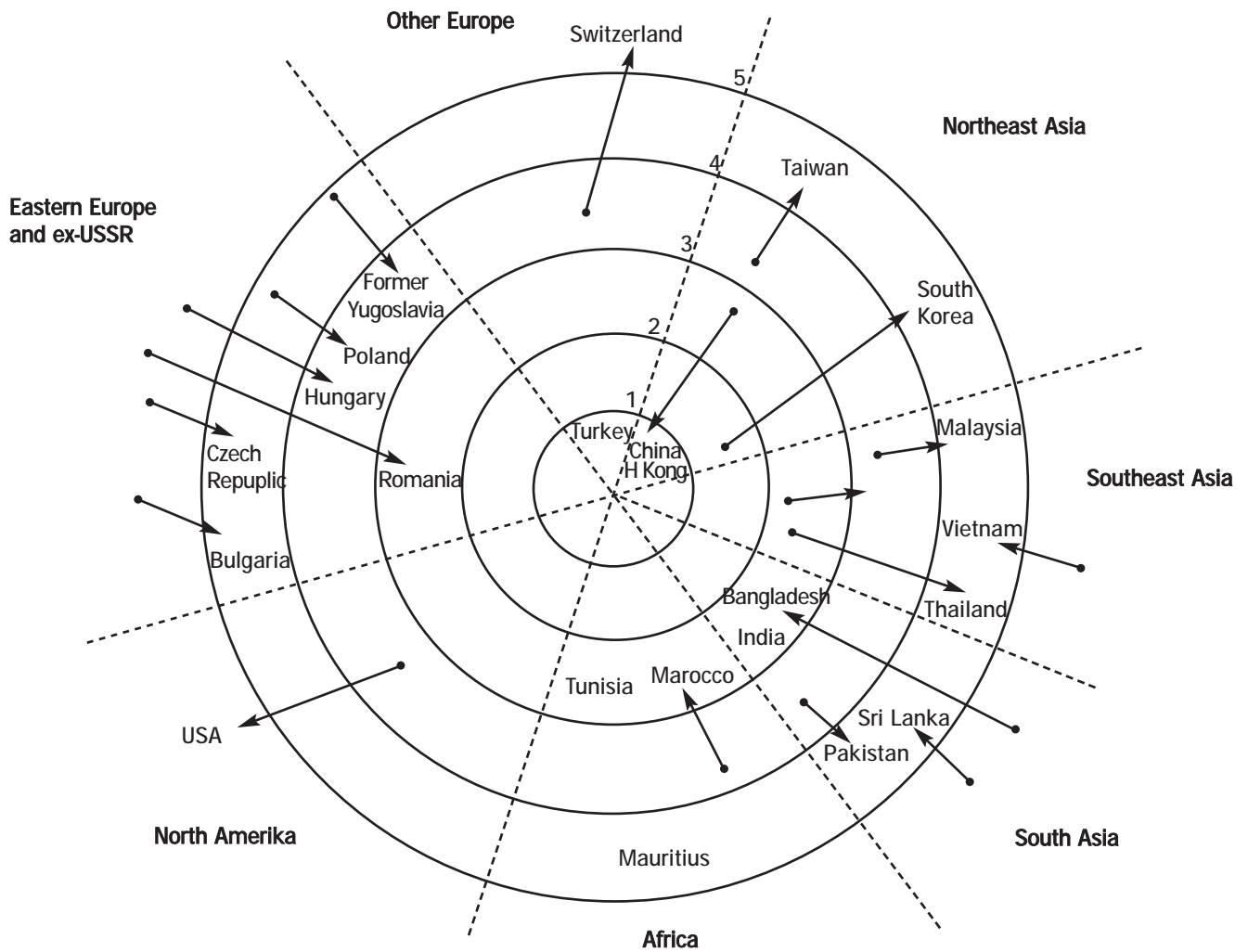
Price make-up for a pair of jeans from Eastern Europe¹



¹Source of the dates: 'jeans', P. 9, CCC, Amsterdam

6. Apparel Importation Changes in the EU

by Gary Gereffi



Shifts in the Regional Structure of European¹ Apparel Imports from 1990 to 2000²

The rings indicate the share of total European imports in U.S. dollars by partner country:

1. 10% + 2. 6.0% - 9.9% 3. 4.0% - 5.9% 4. 2.0% - 3.9% 5. 1.0% - 1.9%

Total value of extra-regional European clothing imports was \$24.6 billion in 1990 and \$53.6 billion in 2000

¹This chart excludes intra-European trade among the 15 member states of the EU (Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom). Total apparel imports are for the entire European region, but exclude the former Soviet Union.

²The 2000 position corresponds to the ring where the country's name is located; the 1990 position, if different, is indicated by a small circle. The arrows represent the magnitude and direction of change over time.

³Former Yugoslavia refers to the combined output of Bosnia-Herzegovina, Croatia, Slovenia, Macedonia, and Yugoslavia.

Source: World Trade Analyzer, based on United Nations data for SITC 84 ("Article of apparel and clothing accessories").

Source: Gary Gereffi, "Prospects for Industrial Upgrading by Developing Countries in the Global Apparel Commodity Chain," *International Journal of Business and Society*, Vol. 3, No. 1 (2002): 27-60.

7. Maria, a Brave Trade Union Activist Roska's Cooperative by Monika Balzer

Maria is a small sturdy woman with brown hair and a warm smile. She is a shop steward in a big garment factory in one of Romania's big cities with a traditionally strong textile industry. Maria started here as a normal employee. She was considered an industrious worker, even winning various "golden hands" awards. But she eventually thought it was her duty to get involved in union activities, representing workers interests. Her colleagues trusted her and suggested she become their trade union representative.

However, in 1988, at a trade union meeting, she was expected to read aloud a prepared text that painted a positive - and inaccurate - picture of conditions in the factory. But Maria stood up and refused to give the speech prepared for her and began discussing some of the many real problems at the factory. The consequences of her outburst were not severe but also not without their significance; the party secretary at this company told his superiors that she had some mental problems. Thereafter, she was no longer allowed to attend trade union meetings and lost her position as union rep.

After the Romanian Revolution of 1989, she returned to her position at the factory and was re-elected shop steward. This was during a very difficult time because many of her fellow workers were losing their jobs because the company was no longer receiving enough orders. After privatisation, the former technical director, together with a German partner, bought the company. The new management tried to expel Maria and the trade union from the factory. But Maria did not give up, she convinced her colleagues to not give up the struggle for their rights. She told them that without a trade union there would be no one left to strive for their rights by assessing their labour contracts, controlling overtime, maternity leave, etc. At first, Maria was regularly threatened and the management even tried to bribe her with a new car and free clothes. But ultimately their efforts failed and management accepted her and the trade union. And from that point on she was able to successfully represent the workers and win numerous benefits for "her" workers.

Lately, Maria has begun thinking about leaving the factory to help her husband with his business. But she also does not want to quit, especially not before she has found a qualified replacement to continue the struggle that she began. She is afraid that otherwise the management may take advantage of this situation to get rid of the union.

The following story of an Eastern European seamstress, a former factory worker, was told to a CCC researcher during several visits to Sandanski in Bulgaria in 2000 and 2001 - recorded by Bettina Musiolek.



Roska V. established a small sewing shop together with three of her former colleagues in the factories. They had had enough of working in factories for oppressive foreign bosses and so they were proud of having taken that ultimate step after years of hesitation and they called their sweatshop a "cooperative". They have been working on joint accounts since late 2000. The shared risk has eased their move into self-employment. Single home-based workers are rare in this region because they say it is impossible to make it as a lone seamstress because you need a production line to manufacture garments.

All four women have more than 10 years of experience in garment factories in the Southern Bulgarian town of Sandanski, a Bulgarian spa town along the Greek border. Over the past 10 years this area has become a haven for Greek garment manufacturers. The entire region literally lives off the assembling (see chapter 5) of garments for mainly Greek manufacturers and German retailers. The area's only other significant "industries" are tourism and prostitution, and the periodic kidnapping of girls who are then trafficked into the Balkans and onward into EU countries.

Roska's "cooperative" is located in a small room in the basement of a private house in Sandanski. The four of them form part of the 10% of the area's employees who work out of "garage shops" and produce garments exclusively as part of the assembly/ OPT system. 60-70% of the area's workforce is employed in the garment industry, i.e. in OPT production.

They lease or rent machinery and borrow the necessary money from relatives and friends to establish their makeshift small production lines. Bank loans are out of the question because banks have high interest rates and require impossible loan guarantees, which would bankrupt them before they even got started. They are now emerging as self-reliant small entrepreneurs and, although the work is hard they certainly earn no less - some 115 EUR per month - than they did in the 10 years working in various garment factories.

In 1996, they led a successful strike in one factory to bring attention to their unbearable working conditions, which led to various reprisals by the employers and they were almost blacklisted. They ultimately quit and had no trouble finding jobs in another factory because of the high demand for qualified seamstresses in the area.

While younger women may not mind working in the factories, many middle-aged women like Roska and her friends now prefer their own small "cooperative". This may also have to do with the fact that employers prefer younger women employees, even if they do have to be trained from scratch. Younger women have to contend with sexual abuse and harassment, though sexual harassment has reportedly decreased, as have other major rights' violations in the area, especially since the CCC became active in the region.

As an illustration, Roska and her three colleagues received an order for over 1000 T-shirts for the Henry I. Siegel "H.I.S." label, which they had four days to finish. They each put in eight-hour days and managed to finish the job. They received 0.20 EUR per T-shirt. For more complicated jobs such as making blouses, they receive 0.50 EUR per piece. They get most of their orders from a Bulgarian woman, who also supplies the pre-cut fabric, the yarn, and other necessary materials. This Bulgarian woman, in turn, works for a Greek buyer-manufacturer who either exports the finished

garments directly to Western Europe, or via Greece.

Greek buyers-manufacturers have a near monopoly of the assembly production business in the Southern area of Bulgaria and Macedonia. The main anxiety for Roska V. and her partners is whether the Greeks will continue to try to lower the price paid for their labour. The Greek owners have also thwarted efforts by the "cooperatives" from jointly negotiating their asking prices and have hindered the creation of larger cooperatives (more than 10 workers) by not paying these concerned for the delivered orders. Roska noted that another cooperative of 20 women was not paid for their finished product because the owner wanted to teach them a lesson and punish them for undermining his authority; the client simply refused to pay for the order, citing a frivolous quality excuse. This is the way Roska believes that the Greek employers control the sweatshop industry and prevent serious competition.

There are currently some 100 cooperatives like Roska's in Sandanski alone, meaning there is fierce competition among them. The four women have tried to enter into negotiations with their buyer, but the buyer has thus far shown an unwillingness to give in to their price demands.

The tax authorities monitor the activities of the cooperatives closely. But they are only interested in the timely payment of taxes and license fees. There seem to be no local government officials who are in the least bit interested in the issue of working conditions. The seamstresses on the whole feel that with a bit of cooperation from local authorities, their organising of workers would be far less difficult. Roska and her partners know of only one trade union active in this area. One of the quartet has resigned herself to the current climate, insisting that it is almost impossible to trust anybody.



8. Factory Profiles from Belarus, Romania, Bulgaria and Poland

All of the companies in question have been monitored with respect to 8 labour standards (see page 22). The investigations took place between 2001 and 2002, some of these were follow-up visits. These took the form of off-site interviews with employees, trade union representatives, and some interviews that involved management representatives. **There were no cases where any of the employees at the various companies had any knowledge about any existing code of conduct!** Management had this knowledge only in one case. (labour law quoted as of 2002 - note that in most countries of the region, labour law 'adjustments' took place)

We decided not to name any of the suppliers, because of past instances where buyers - retailers and brand name companies - had escaped their responsibilities for bad working conditions by their tactic of "cut and run", basically cutting the orders from a violating supplier and just placing them somewhere else. And this is by no means the aim of the CCC This cor-

porate strategy is detrimental to the workers at the violating factories and shows a lack of responsibility on the part of the companies. In fact, the CCC wants to avert these corporate "cut and run" scenarios whenever possible. Most workers clearly do not want the names of their companies to become public knowledge for fear they may lose their jobs.

The aim, then, of publicising these company profiles is not to create "scandals" and perhaps force retailers and brand name companies to make one-time-only improvements. The aim is to highlight the normal conditions in garment producing companies with their numerous labour rights violations. In this manner, it is hoped that retailers, buyers and brand name companies will implement often long-overdue structural measures for all of their suppliers to implement and monitor their own Corporate Social Responsibility claims and therefore broadly improve the labour rights situation (see chapter 12) beyond singular cases.



The 8 Labour Standards:

1. No forced or bonded labour (ILO Conventions 29 + 105): Nor shall workers be required to lodge "deposits" or their identity papers with their employer.
2. Freedom of association and the right to collective bargaining (ILO Conventions 87, 98, 135 and Recommendation 143): Workers' representatives shall not be subjected to discrimination and shall have access to all workplaces necessary to carry out their representation functions (ILO Convention 135 and Recommendation 143). Employers shall adopt a positive approach towards the activities of trade unions and an open attitude towards their organisational activities.
3. No child labour - minimum working age of 15 years (ILO Conventions 138 and 182): There shall be no use of child labour. Only workers age 15 years or above the compulsory schooling age, whichever is higher, shall be allowed to work (ILO Convention 138).
4. No discrimination in employment (ILO Conventions 100 and 111): In recruitment, wage policy, admittance to training programs, employee promotion policy, policies of employment termination, retirement, and any other aspect of the employment relationship shall be based on the principle of equal opportunities, regardless of race, colour, sex, religion, political affiliation, union membership, nationality, social origin, deficiencies, or handicaps. (According to a recent EU Ministerial Council guideline (76/207/EWG) sexual harassment and "indirect discrimination" are also subject to this anti-discrimination convention.)
5. No excessive work hours: Work hours shall comply with applicable laws and industry standards. In any event, workers shall not on a regular basis be required to work in excess of 48 hours per week and shall be provided with at least one day off for every 7-day period. Overtime shall be voluntary, shall not exceed 12 hours per week, shall not be demanded on a regular basis and shall always be compensated at a premium rate (ILO Conventions 1 and 47).
6. Payment of a living wage (ILO Conventions 26 and 131 and the Universal Human Rights Declaration of the UN): Wages and benefits paid for a standard work week shall meet at least legal or industry minimum standards and always be sufficient to meet basic needs of workers and their families and to provide some discretionary income. (ILO Conventions 131, 133, UN Universal Declaration of Human Rights, Resolution 217 A (III) of the UN General Assembly of 10 December 1948, Article 23).

Deductions from wages for disciplinary measures shall not be permitted nor shall any deductions from wages not provided for by national law be permitted. Deductions shall never constitute an amount that will lead the employee to receive less than the minimum wage.

All workers shall be provided written and easily understood information about the conditions and particulars concerning wages before they enter employment.
7. Decent working conditions (ILO Convention 155): A safe and hygienic working environment shall be provided, and the best occupational health and safety (OHS) practices shall be promoted, bearing in mind the latest information about the industry and its specific hazards. Physical abuse, threats of physical abuse, unusual punishments or discipline, sexual and other harassment, and intimidation by the employer are strictly prohibited. (Conventions 174 and 176 on industrial accidents, safety and health)
8. Established employment relationship: Obligations to employees under labour or social security laws and regulations arising from the regular employment relationship shall not be avoided through the use of labour-only contracting arrangements, or through apprenticeship schemes.

Belorussian Suppliers for Western European Retailers and Buyers

	Belorussian Labour Law	Situation at Supplier #1	Situation at Supplier #2
No bonded or forced labour	All quoted ILO Conventions are implemented into national law (constitution and various labour laws)	This small private firm has approximately 40 employees	Founded in the early 1990s; delivers to Dutch companies/labels such as Bonita, We Women, Vroom & Dreesmann, Miss Etam, Adler, Difference, Ragazzi.
Freedom of Association		There are currently no trade unions active at this factory. The interviewees did not know if there was a CBA.	No trade unions present although only 3 or 4 years ago there was a union presence. Union and employer friction occurred during a negotiation of a factory-level CBA. The entire trade union leadership was forced to quit. The interviewees did not know whether there was a CBA on any level at present.
No child labour	The minimum employment age is 16. Between ages 16 and 18, the maximum work week shall not exceed 35 hours. Certain types of light employment are open to children between ages 14 and 16 only with the consent of parents, and only if school attendance is unaffected.	none	none
No Discrimination	The constitution and crime legislation prohibit workplace discrimination. Labour law article 16 p. 6 specifically prohibits the refusal to employ pregnant women or young mothers.	Upon recruitment interview, women were asked for their family situation. For mother of small or disabled children it is very difficult to get a job.	
No excessive working hours	The standard work week consists of 40 hours with 21 days of paid annual holidays. Maximum overtime shall not exceed 120 annually; and shall not exceed 4 hours for 2 consecutive days. The employer is responsible for the timely registration of overtime; compensation of overtime with time off is possible if employee agrees.	Often, the working time exceeds 8 hours a day, sometimes up to 12 hours a day in order to meet the quota. The overtime necessary for meeting the quota is not seen as overtime.	
Living wage	Employees have a right to a "just and fair" wage according to constitution (art. 42) and labour law (art. 11 p. 5). Legal monthly minimum wage is 17,000 Belorussian Rubles or less than 10 USD/€ (Feb. 2002). With an inflation rate of more than 5%, the legal minimum wage and the actual paid wage must be adjusted and indexed annually. Overtime bonus: minimum 100% of standard hourly rate. Official "minimum consumer budget" is calculated at around 67 USD for a family of 4. There is no official poverty threshold.	Wage varies according to quota. In Feb. 2002, a seamstress earned 150 € per month, while in January, she earned 120 € because several quotas were not met on time. Only some 70% of seamstresses meet their daily quota in an 8-hour work day. Employer social security contributions are only paid on about 50 € of the wages. Workers cannot remember the last adjustment for inflation. There are no arbitrary wage cuts, but also no bonuses. Quotas are increased regularly while wages tend to decline.	All wages are paid through bank account and taxes and social contributions withheld. Wage rates varies between 70 and 225 € per month depending on the job description and quotas. Supervisors receive cash bonuses. There is a 20% premium if an employee has worked 5 years in the same factory, has taken no sick leave, and always meets his or her quota.
Occupational Health & Safety (OHS)	The ILO Conventions have not been ratified. However, the national constitution and labour legislation include OHS regulations. However, fines imposed by labour inspectors are very low, usually some 5 times the legal minimum wage, or, in other words, approximately some 50 €.	The interviewed employees consider these working conditions as normal.	
Established employment relationship	Written labour contracts are obligatory - this also covers part-time and temporary employees, seasonal and home-based workers if employed for more than 10 days. The labour contract must include wage rates.	Labour contracts exist. Meanwhile, other employees work in the "black" or under the table, with no contract, no social security, no taxes withheld, and no registration. These seamstresses also work for a state garment factory for very low wages (40 €) but, in this case, with social security. To survive they work two jobs.	There are labour contracts. But some employees work without contract.

Romanian Suppliers for Western European Retailers and Buyers

	Romanian Labour Law	Situation at Supplier #3	Situation at Supplier #4
	As a rule the respective ILO Conventions have been ratified.	Employer has workforce of 1,500 employees in the cutting, ironing, and sewing departments. The factory runs on 2 shifts. It is a former state-owned company, now partly German-owned. It is located in a relatively well-off region of Romania, nevertheless, wages are average. Factory produces goods of higher quality and prices. Factory system runs on the "lohnsystem"/assembly production. However, full package production would be preferred because of the higher profit margins. Buyers included Steilmann, Bernd Berger, Eugen Klein, Benetton, Mariella, Betty Barkley (as of Sept. 2001). 40% of goods are exported to Germany, another 40% to Italy, with the remaining 20% going to the UK and Switzerland.	Factory has approximately 250 employees in knitting, sewing, and ironing departments. In the early 1990s, it was founded as a private Romanian-owned company. Full package production mainly destined for German retail chains (KarstadtQuelle, Metro) and Italian and French buyers. Management considers its prospects as very good especially with continued customs-free unlimited access to EU markets. The company develops its own collections, which are only sold within Romania. Foreign clients have their own designs.
No bonded or forced labour	ILO Conventions have been ratified and implemented into national law.	None	None. However, again and again, workers talk about the structural pressure that is exerted by the fear of losing ones job. - Structural violence compels employees to accept any conditions offered to them; for instance, workers are afraid to reject excessive overtime, are afraid to become pregnant, and do not unionise.
Freedom of Association	In order to form a trade union, 15 employees of a company are needed. The shop steward or trade union representative at a company of a certain size is entitled to five paid days per month to devote to union activities and he or she cannot be fired. Companies with more than 21 employees must enter into collective bargaining negotiations. There is a CBA in Romania's textile and garment industry.	Rather positive example due to active trade unionists. 80% of employees are unionised, actually remaining so from former state-owned period. With privatisation, new owners tried to scuttle CBA with attempts to intimidate and corrupt shop steward. Conditions for trade union activity are becoming increasingly difficult. Employees increasingly neither trust management nor the trade union and are very hesitant to talk about working conditions openly. The management at a sister company, founded as a private firm after the "Romanian revolution", has successfully thwarted all trade union activity.	In the cases of conflicts, however, workers often seek for help. But most employees had never heard about any attempts to organise a trade union within the company and had no idea whether a CBA existed. Management, needless to say, has a negative attitude towards trade union activities.
No child labour		None	None
No Discrimination	There is a law against mentioning age and gender preferences in job announcements.	Young women are the employee preferred when the company is hiring.	90% of employees are women, most are preferably young (under 35) and some have attained A-Levels, colleges degrees, and some even have masters degrees.
No excessive working hours	Regular work week consists of 40 hours with a maximum of 120 overtime hours annually. Annual paid leave includes a minimum of 18 work days. Sectoral CBA stipulates 40-hour work week, 120 overtime hours annually and bonus of 50%, 22 days of leave. Overtime arrangements must be agreed to by trade unions.	Employees work an average of 10 overtime hours per week. Management wanted to introduce obligatory overtime, but trade unions have thus far successfully blocked this effort.	The factory functions 24 hours per day, 7 days a week. Employees work an average of 10-12 (2-4 hours overtime) daily. They often also work on Saturdays and during rush periods, may even be required to 7 days a week.
Living wage	As of 1 March 2002, the legal minimum wage is 1,750,000 Lei (63 €) per month. According to an anecdotal survey, the living wage for a family of 4 should be between 8-10 million Lei (280-350 €) per month (fall/winter 2001/2002).	Average wage (piece rate): approximately 3-4 million Lei gross (approximately 90-150 €) depending on overtime and orders plus "meal tickets" of 1 € per day that can be redeemed in certain supermarkets for food. Approximately 45% of wages are spent on food. Saturday work is often not a higher overtime rate. All bonuses have been abolished since privatisation. - Management at the sister company prohibits employees from discussing wages with fellow employees. Annual leave is paid at the legal minimum wage which is also the wage usually quoted in the labour contract (i.e., when workers work they get extra cash money, but during leave they only get the legal minimum wage).	Wages are approximately 200 € including overtime per month. Without overtime the monthly wage is approximately 2.5-3 million Lei (80-90 €) plus travel allowance and "meal tickets" of 1-1.5 € per day to be redeemed in certain supermarkets. Employees do not understand how their wages are calculated. 40-50% of wages are spent on food.

Occupational Health & Safety (OHS)	Respective ILO Conventions have not been ratified. Labour inspection fines are low.	The work climate is said to be rather good, although the ventilation system is old and needs to be updated.	The work day is stressful and usually quite intense. Workers hardly have the time to look up. The factory is new, has relatively new equipment, air conditioning, fire extinguishers and is well lit. But some departments are very noisy and workers generally don't wear protective noise reduction gear. There is no canteen or lounge where workers can take breaks. The aisles are dangerously narrow. And in cases of accidents, workers do not know whether they are permitted to go to the doctor and whether the employer pays the costs to see the doctor.	
Established employment relationship	There are far-reaching obligations for employers. A copy of each labour contract must be filed with the labour inspection authorities. Workers also have a "work book".	Workers know about their rights due to the activities of shop steward	Workers do not know their rights concerning dismissals and the stability of their employment relationship.	
Bulgarian Suppliers for Western European Retailers and Buyers				
All companies work on the "lohnsystem". Suppliers 5 and 6 work in subcontracting arrangements for Greek companies. In all 3 of the analysed companies, women make up between 83 and 95% of the total workforce.				
	Bulgarian Labour Law	Supplier #5	Supplier #6	Supplier #7
	All relevant ILO conventions have been ratified.	This Greek-owned company has some 150-200 employees and was founded in 1994. Buyers include Adler. All produced goods are exported to Germany and the Netherlands. Only management representatives were interviewed at this location.	This company has some 50-70 employees. Buyers include C & A; labels include B-YOUNG, CAMERA, RC Collection, Jeanswear by Crocker, Kris Reutter 1840. This region along the Greek border has hundreds of mostly Greek-owned sewing shops. Working conditions here are considered normal.	This formerly state-owned company has some 1,600 employees. 99,5% of their production is for export, of which almost all is destined for Germany. Labels include "Canda", "Berghaus", "Kant", "Rossini", "Ronaldo", "Daniel Hechter", and buyers include C & A, Steilmann, Berghaus, among others.
No bonded or forced labour	Existing labour legislation generally obligates employers to conduct business in good faith.	None	None. However, workers talk about the structural pressure that is exerted by the fear of losing ones job. This structural violence compels employees to accept their present work conditions.	None
Freedom of Association	Included in the labour law. The national recognition of trade unions depends on their representativity.	A labour conflict occurred at a time when the trade union was still active here. But today there are no trade union activities.	There are at present no active trade unions. In the beginning, there were some attempts to form a trade union. But management suppressed the efforts. Complaints are impossible to convey to anyone in a position of authority. Besides, nobody would file complaints with the trade unions. - It is an open secret, that in this area trade unions are not tolerated by Greek buyers and owners. People are afraid to reveal their relation to trade unions.	According to management, three-quarters of the employees belong to trade unions. A CBA has not been revised for the past 4 years. Negotiations always break down when it comes time to discuss wages and working conditions.
No child labour	The minimum employment age is 16. There are extensive requirements for the employment of children between ages 16 and 18.	Underage employees work in the company, mostly in assistant capacity. The legality of their employment was difficult to determine.	Underage employees often work during the summer vacations. They work normal hours.	None
No Discrimination	Labour legislation requires equal wages for both sexes for the same or comparable jobs.	The average employee age is 35.	There have been cases of sexual harassment by Greek management personnel and demands for sexual favours.	No reports.

No excessive working hours	<p>The work week, according to Bulgarian law, is 40 hours or 8 hours per day. Overtime maximum is set at 2 hours daily with a maximum of 60 days per year. Employers must keep overtime log books. Real overtime is only possible in cases of emergency and "intense seasonal work". In these cases, employers are exempt from the law and can compel their employees to work overtime.</p>	<p>Overtime is "sometimes" performed, management noted.</p>	<p>Average work day is between 10-12 hours long with no breaks. Employees often work 7 days a week, adding up to some 70-80 overtime hours per month. Employees could refuse overtime. When workers arrive in the morning, however, it remains unclear how long their work day will be. It is very difficult to take a day off or take one's annual holidays. This situation has not changed much since 1999.</p>	<p>Overtime is considered mandatory for pressing orders. It is not recommended that an employee refuse overtime. Every other weekend, employees expect to work. Company management determines time for annual leave.</p>
Living wage	<p>Legal minimum wage as of spring 2002 was 110 BGL (56 €) while in Oct. 2001 it was 100 BGL (51 €) per month. Overtime bonus is 50% above standard rate during regular work days; 75% on weekends; and 100% on public holidays. Meanwhile, the "Social Minimum" for a family of 4 according to National Institute for Statistics and two large trade unions: in 2001 was set at 1,100 BGL (550 €). 42% of family budgets are spent on food!</p>	<p>The basic wage rate is 80 € per month. The company works on a mixed piece and basic rate schedule.</p>	<p>Most workers are the family breadwinners in this region of Bulgaria. Wages are based on daily quotas. For example, some earn 12 BGL (6 €) per day or 220 BGL (110 €) per month; and including overtime 350 BGL (180 €). Overtime is paid at 50% over the standard wage. However, not all overtime is paid at the higher rate. There are always delays in payment of wages. Payment during days off, annual leave, sick leave is paid at the legal minimum wage of 51 € per month. Only the legal min wage is socially ensured/ covered by social contributions. The family income of a seamstress is roughly 400 BGL (200 €) per month. While the living wage has been estimated at some 1000 BGL (500 €). And so, families learn to survive through subsistence farming and multiple job holding.</p>	<p>The basic wage is 1120 BGL (= legal minimum wage). Bonuses are rewarded for high quality work. Overtime bonus can run up to 85% above standard hourly wage. Employees are required to sign a contract promising that they will not discuss their wages with other persons.</p>
Occupational Health & Safety (OHS)	<p>The legal obligations of employers are far-reaching and include, among other things, information for employees and reimbursement for health insurance, while women prohibited from performing certain kinds of labour. OHS committees must be established in every company.</p>	<p>There is no OHS committee. The air is described as dusty and poor. The workplace is hot in the summer, with insufficient ventilation.</p>	<p>There is no OHS committee. The provisional factory hall is often over-crowded. Half-finished clothes are scattered all about. A nurse is only present some of the time. Medical provisions are lacking. The work floor is very dusty, noisy, and hot in the summer. In winter there is insufficient heat. There are no protective masks. During breaks, workers can only eat outside as there is no proper canteen. It is impossible to discuss these problems with management. Workers complain about rheumatic pains. There were work accidents, among them, an accident due to fatigue and heart problems and there was no discussion.</p>	<p>Medical provisions are insufficient. Workers complain about rheumatic pains. There were work accidents.</p>
Established employment relationship	<p>Labour contracts are obligatory, and cover temporary employees as well. eed 6 months. The applicability of temporary labour contracts is limited. Apprenticeship employment contracts are prohibited under law.</p>		<p>Labour contract only contains the legal working time and the legal min wage.</p>	<p>There is only the legal working time and the legal min wage specified in the labour contract.</p>

Polish Suppliers for Western European Retailers and Buyers

	Polish Labour law All core conventions have been ratified.	Situation at Supplier #8
No bonded or forced labour	Included in labour law.	Factory has approximately 600 employees. It is a formerly state-owned company, now private Polish ownership. Two-thirds of production is under the "lohnsystem". 80% of production is for export, mainly to Germany. Buyers include Gerry Weber, Leithäuser.
Freedom of Association	There are extensive provisions to protect the right to organise. Labour law provides for protection against dismissals of shop stewards, for example. CBAs (chap. 11 labour law) must be submitted to labour inspection and registered.	Trade unions are active in the workplace but are not trusted by most of the employees. On top of that, some employees fear management reprisals if they do actively engage in unionisation activities.
No child labour	Minimum employment age until 1 September 2002 was 16. After "EU-harmonisation" the age will be 15. There are detailed conditions for employing children under 16.	None
No Discrimination	Since 1996, labour law guarantees dignity of employees. There are general regulations against discrimination contained in Poland's labour laws.	Elderly women and younger mothers are seldom hired. Only women considered to be in the "most productive" age can stand the work stress. Pregnant women take sick leave because they cannot anymore stand the quota pressure.
No excessive working hours	ILO Convention 1 (8-hour work day) has not been ratified, but has been implemented in national labour law. Maximum work week in 2001: 42 hours, 2002: 41, 2003: 40. Overtime maximum is 4 hours per day, 150 hours per year. Overtime bonus for the first 2 hours is 50% above standard wage, thereafter the rate is 100% above standard wage.	The company sets high production goals and high level of labour intensity. Employees often end up working over 60 per week. They feel pressured to accept all the overtime. Overtime is often necessary just to fulfil their quotas and thus is not considered overtime. When employees arrive in the morning, they often do not know how long their work day will be. Management decides upon annual leave. The state labour inspection agency reports that 98% of the inspected companies in 2001 violated the regulations concerning work hours and overtime.
Living wage	ILO Conventions 26 and 131 have not been ratified, but national labour law has covered this since 1956 and it was renewed in 1997. Legal minimum wage must be adjusted to the cost of living (inflation). - The minimum wage as of 1 Jan. 2001 (art. 77 labour law) is 760 PLN (200 €) gross. The Polish "Institute for labour and social issues" IPISS calculated a "social minimum" for a family of 4 at the end of 2000 at 1925 PLN (ca. 550 €). There is no CBA for the garment industry.	Wages are paid regularly, however, they did not keep pace with the rate of inflation and the increases in quota pressures. The average wage is approximately 850 PLN (240 €) gross. The legal minimum wage was only paid if a worker was not sick and always met the quota. Employees don't understand how their wages and the quota system are calculated and why certain deductions are made. Average wages in Poland in Dec. 2001 were 2,047 PLN (560 €); meanwhile, the average wages in the garment industry in Dec 2001 were 984 PLN (ca. 270 €), which is only approximately 50% of the overall average wage. The labour inspection agency reports that 63% of all inspected companies are not paying wages on time or not in full.
Occupational Health & Safety (OHS)	Labour law provides for things like the display of First-Aid-Instructions in workplace. Every company must have an accident log book.	In the workplace, emergency exits are often only partly accessible. Employees complain about bad air, dust, and all of the resulting health problems related to these conditions. Workplace stress also leads to various OHS-related problems.
Established employment relationship	Included in labour law.	All employees have a labour contract. Employees can be fired if they do not reach their quotas.

9. Once upon a time Adidas produced at Savinia in Bulgaria

In 1999, a Bulgarian journalist was investigating companies in Bulgaria near the Greek border. Not long before the start of the 2000 European football championships she discovered Savinia, a sportswear supplier for Adidas and Nike. Savinia is a Greek-owned company consisting of two factories with 120 and 70 employees each, 90-95% of whom were women. This company is not unlike thousands of other small and medium-sized companies in the region surrounding the border town of Sandanski, a spa town swaddled in a breathtaking mountain valley. Greek garment manufacturers are constantly seeking cost advantages as well as E.U. and government subsidies to help with investments schemes beyond the border. All of these firms produce their goods under the disastrous "lohn-system" - the outward processing trade scheme (see chapter 5).

The Bulgarian journalist discovered a situation in this corner of the Balkans, similar to situations the Clean Clothes Campaign has been discovering for more than 10 years all over the world - among them, other Adidas suppliers. These companies offer starvation wages - between 70 and 100 EUR gross per month - wages that nobody in Bulgaria can hope to survive on. The company also insists on extreme workplace pressures by insisting on high quotas, excessive and erratic working hours with overtime way above the legally permitted maximum.

Employee's wages are paid partly in the "black" (under the table), which in turn requires a "double book-keeping". Employees cannot afford taking annual leave or sick leave because during these times they are only paid the "official" wage, which is the legal minimum wage - approximately 45 EUR per month (1999-2000 figures). It is unthinkable for an employee to request maternity leave, ergonomic chairs, better lighting, better heating or air conditioning, less dust, more space in the workplace, or accessible emergency exits. For 10 years now, everything in the workplace has been temporary and provisional - except, of course, the work, which always has to be of the highest quality.

Employees as well as local trade unionists have come to see these conditions as the norm. Sexual harassment including the demand for sexual favours under the threat of losing one's job is not uncommon and mostly involves Greek managers harassing Bulgarian seamstresses. Greek managers demand submission

from their mostly female employees utilizing a combination of sexist and racist practices that are predicated on the "natural" superiority of the Greeks.

In the spring of 1999, just prior to the Bulgarian journalist's investigations, an unsuccessful strike took place in Savinia. One of the only positive effects of the strike was that the workday became more standardized. But on the negative side, the attitude of the owners toward the trade unions only got worse. The owners went so far as to try to ban trade union activities at their factories and even threatened to relocate if the unions persisted. This was not the first time that workers had been confronted with the threat of relocation. The simple fact is that seamstresses are often the family's breadwinners. The region's economy is pretty much dependent on garment production or "lohn-system" to be more precise, with the only other regional "industry" being tourism - and the trafficking of women and girls.

Despite the stressful situation, however, the local partners agreed to publish their findings on Savinia during the Clean Clothes Campaign's (CCC) activities that focused on the 2000 European football championships.

How did Adidas-Salomon respond?

It was only in early 1999 that Adidas began reacting to the many public protests that called attention to the horrible working conditions in the workplaces of its suppliers. Adidas' strategy was to publish its own "Standards of Engagement", which included a charter of labour standards that it supposedly required of its suppliers. Adidas also employed an NGO-representative as the "global director for social and environmental affairs".

In the summer of 1999, just before the Bulgarian journalist's investigation, Adidas checked the working conditions at Savinia, which noted some violations such as missing fire extinguishers and insufficient lighting. Of course, these are the easiest sorts of infractions to detect. Meanwhile Adidas did not make much of an effort to investigate the many more serious violations as detailed in this multinational's own code of conduct. During the CCC's European football championship campaign, the company's "global director" assured the

CCC that, in the case of Savinia, the existing conditions were unacceptable and that Adidas was going to take genuine steps to remedy the situation. He noted that Adidas was going to take a more pro-active approach by employing its own staff to inspect the working conditions in the factories of its Eastern European suppliers to bring them in line with its own standards. Adidas checked the Savinia factories again only to discover that no one was working more than the legally permitted 12 hours overtime and that wages had improved. These kinds of conclusions only beg the question of just how serious Adidas' own monitoring system can be.

Have there been any concrete improvements in working conditions?

Another joint visit to the Sandanski region by the CCC and its Bulgarian partners in September of 2000 came up with decidedly mixed results. The worst of the conclusions was that Adidas and Nike had completely stopped placing new orders here. Meanwhile, the management had intensified its intimidation tactics against trade union activities. Some workers were forced to sign a statement that they promised not to engage in trade union activities. There were other grievances as well. All in all, the Savinia workers were facing increased company intimidation tactics. Subsequent investigations in 2002 revealed pretty much the same situation. Nobody in the factories had ever heard of a code of conduct, while the local trade union representative was only informed of the code's existence by the CCC. What had happened to all of Adidas' high-minded promises?

Adidas-Salomon: Cut & Run

A case investigated by the CCC in El Salvador revealed similar developments. In this case, Adidas negotiated at length with the German CCC about establishing an independent verification of labour standards that would have meant concrete improvements in working conditions. But, after 2 years, Adidas decided to break off the negotiations - at about the same time they were severing their business ties with their Salvadoran supplier! Subsequent investigations concluded that in El Salvador as well as in a case in Indonesia nothing had actually changed concerning the working conditions at their suppliers.

The problems in El Salvador remain unresolved and

include impediments to the right to organise, excessive and unplanned working hours, starvation wages, and obligatory pregnancy testing.

Positive impacts realised through national grassroots networking and international pressure

However, the Sandanski region has also seen some positive effects, mostly as a result of the local activities of NGOs and trade unionists as well as that of international pressure. It actually led to some unique actions - by Bulgarian government standards. The state's labour inspection agency actually employed additional personnel to the Sandanski region; normally labour inspectors are only located in the district centres. On top of that, Bulgaria's state labour inspection agency declared the garment industry as its focus sector for 2001.

Moreover, the local trade union representatives confirmed that sexual harassment was no longer being reported. The problem had obviously diminished dramatically. It used to be that women came to the union representative only because there was no one else to turn to.

The pro-active approach of H&M

Any progress that has been made has not been achieved by Adidas, however. Instead, it has come because of the efforts of local and international CCC activities. Until now (2002), there had never been a known case where Adidas would ever have voluntarily pressured Greek manufacturers at the factories of their Bulgarian subcontractors to implement Adidas' "standards of engagement" - never mind facilitating cooperation between state authorities and Adidas itself. Instead, Adidas preferred to focus on pressuring state tax authorities to foil the production and sale of counterfeits in Bulgaria. Their cooperation with state authorities on the improvement of working conditions was unknown until only very recently.

Meanwhile at H&M it has been a very different situation: this multinational has chosen to approach state officials to start a dialogue about how labour standards can be fully complied with. This is a positive approach, although it remains to be seen what the results of this decidedly pro-active approach will be.

10. New Initiative for Social Standards in Romania by Mariana Petcu

We only recently began to successfully raise Romania's public awareness about working conditions in the garment sector particularly in the context of globalisation. This initiative was realised with the cooperation of the Clean Clothes Campaign. Romania is one of the largest garment exporters to Western Europe. Prior to 1989, the textile and garment sector was already one of Romania's strongest production sectors. Romania's highly qualified work force and pre-existing infrastructure attracted numerous big name brands who established production facilities here. In Romania's efforts to integrate itself into the EU market, it has welcomed foreign investment with open arms and at almost any price. But the reality of a dozen or so years of Romania's pro-business policies has clearly demonstrated that this "foreign capital" is only profitable for the foreign investors themselves. Local investment remains low and the economic situation for Romanian workers has grown steadily worse. Recently, foreign investment in Romania has decreased, which has increased the undermining of Romanian employees' working conditions and wage rates. The basic litany being that in order to remain competitive in the face of international competition Romanians should accept their working conditions and feel lucky just to have a job.

The conduct of multinational companies in Romania and any threat of potential litigation against them is currently a very delicate issue in Romania. Only very recently, people only recently began to comprehend that they do not have to accept every aspect of "privatisation" and that they do not have to blindly trust international "big names" without any recourse to a verification process. The successful prosecutions of some steel plants and telecommunications companies, who had broken Romanian law, opened the eyes of many people.

In the garment industry, as the situations in the large former state-owned companies became increasingly difficult, people began to openly question the benefits of privatisation. However, this increased suspicion has only occurred in unionised companies. Meanwhile, the numerous new private companies employ the very young, who often have no idea about their rights and are ready to accept their lot. The common reaction is: "In a private company workers must be willing to accept completely different working conditions than

existed prior to 1989; they must be more flexible and obedient to management to keep their jobs".

In conclusion, the Clean Clothes Campaign's activities in Romania (as well as in the rest of Central and Eastern Europe) concentrates on three areas: 1. an effective education programme, especially for the younger generations who increasingly find themselves working in the "informal economy"; 2. the effective dissemination of pertinent information and educational materials, written for the common worker and related to their basic labour rights; and 3. the development of strong internal public support and the involvement of local authorities who need to be informed about the realities concerning the multinational companies operating in Romania.

Furthermore, consumer campaigns should be initiated in the various EU countries to help "convince" the member states' largest retailers to take full responsibility for the working conditions found in their supply chains.



International meeting of CCC-activists in Hamburg

11. Making the Hidden Visible

by BEPA

Investigating Working Conditions in the Garment Industry in Bulgaria by BEPA - Bulgarian European Partnership Association, Sofia, Bulgaria¹

Features of the Garment Sector in Bulgaria

Since the mid 90s the following trends were observed:

1. Rapid growth in a number of the companies in the sector - the numbers given on business entities in "manufacturing and trade in clothing" vary between 3,000 actually functioning and 18,000.
2. Increase in the number of the employed persons during the last 12 years by an average of 10,000 annually, while the general employment in the economy has dropped. However, these data reflect only partially the real picture due to the prevalence of informal work: in registered firms not all of the workers have regular work contracts; not all production workshops and all employees have been registered, part of the operations are performed by home workers, etc.
3. The Bulgarian garment industry is clearly export-oriented and has a constantly growing export volume. This, however, does not mean that for Bulgaria this export is characterized by high profitability and currency return. The EU is the most important export target (80%). The biggest customers are Germany (21 per cent), Italy (18 per cent), France (17.5 per cent) and the USA (9.5 per cent). The garment industry is the no 1 export sector since 2002.
4. About 95% of all garments are manufactured under the "Lohnsystem" (assembly production/outward processing trade).

Rapid Privatisation

Along with the above employment trends, a significant change in the forms of ownership of the enterprises has been unfolding. In 1996 in the private enterprises of the economy only 47.4% were employed, in 2000 70.8%. In the garment industry this process is much more obvious - from 55.0% for 1996 for those employed in privately owned enterprises, to close to 100 % in 2001.

In many former state-owned companies, the management and the workers acquired the ownership of the

enterprise. Along with that, however, almost everywhere, including the garment industry, the directors in person or through proxies, created parallel companies where the valuable information and the intermediary activities were concentrated. Thus the production enterprises were presented as "sinking" and the profit remained for the parallel company. Plenty of such companies can also be found in the garment subcontracting chains in the country.

Employment and gender

Many small and medium-sized firms were established in looking for a way out of the high unemployment, both for men and women. In most cases, the owners are men while the workers are women, made redundant from enterprises that have either been closed down or have gone bust. One can also come across women in managerial positions but usually they are not owners.

Gender composition of the personnel and of the employment:

Owners - 90% men

Management - 80% men

Administrative personnel - 50% men

Workers in production - 90% women

Home workers (domestic and external) - 100% women

While for men, out of a total of 24 respondents, 18 have permanent contracts, for women the picture is different. Out of a total of 146 respondents - 46 work are on permanent employment contracts; 21 work on short-term employment contracts; 75 work on a piece-rate basis which places them in a precarious position; 1 has indicated that she works without contract; 4 did not respond.

Working Conditions

There are some isolated cases of enterprises where the working conditions are good, the pay is decent and the requirements of the law are complied with. A rather good example is the German owned company "Pirin Tex Production" EOOD with nearly 2,000 employees. As a whole, however, the picture in the garment industry is quite gloomy. Here is a description by labour standard of the working conditions according to a survey done between 2001 and 2003.

¹This article is Bettina Musiolek's excerpt from a survey report by BEPA (2003), which forms part of the overall research report on garment industry subcontracting chains in nine countries from the Women Working Worldwide Project "The

rights of workers in garment industry subcontracting chains" by Women Working Worldwide, UK, Asian NGOs and BEPA, Bulgaria.

Employment is freely chosen

The workers have chosen their job really voluntarily. However behind this "choice" there is strong economic constraints hidden, almost dead lock. Almost all respond that they do not have other proposals and in case they find another job with better remuneration, they would leave. This conclusion could be supplemented by the responses related to overtime. In many cases the overtime is also voluntary - for additional payment, in most of the cases cash in hand, and not according to the required premium rate. But in most cases the overtime is 'voluntary' under the threat of firing and losing the job. There are also cases of compulsion - locking till the execution of the order. Such overtime ends late in the evening or during the night and is not compensated according to the amount, terms and manner provided for in the Labour Code (Chapter 8, para. II - Art. 143 -150).

There is no discrimination in employment

The workers are unanimous that with respect to the remuneration there are no cases of discrimination for equal work. There is no discrimination at the work place reported with few exceptions, unfortunately related to foreign employers. The gender composition of the workforce as described above however gives serious grounds for consideration whether there is or there is no gender based discrimination in the garment industry where women are underrepresented at the leadership level while seamstresses make up to 100% at the factory level.

Childlabour is not used

According to the responses in some enterprises during school holidays in the South-western region there are cases of working children between 14 and 18 years. The incentive is additional family income. The workers report that children carry out auxiliary activities within the adults' working day duration. It is not known whether the employers comply with the special legal requirements concerning work of persons between 14 and 18.

Freedom of association and the right to collective bargaining are respected

The private form of ownership and the fact that most of the enterprises are small and medium-sized are the main reasons for the absence of workers' organizational structures as a prerequisite for the protection and standing up for workers' labour rights.

According to the answers it is clear that there are trade unions in the few big enterprises and in some medium sized, while there are no such in all the small and most of the medium sized enterprises. In the enterprises with trade union organisation structures bad attitude of the employers towards trade union members, cases of preventing trade union activities and even firing are reported. In some enterprises signed collective bargaining agreements exist but their updating is difficult and in others an agreement could not be reached. The main demands of the trade unions have been related to wage increase, regulation of the working time, improvement of occupational health conditions. In the enterprises without trade unions there is no other form of workers organisation. There are some demands to create a trade union organisation but they face the employer's refusal. The main argument to create such organisation is to sign collective agreement.

The workers believe that it is impossible to raise the issues related to the improvement of working conditions - individually or collectively. All of them waive the possibility to protect their rights in court. There is no confidence that improvement is possible through eventual protest - individual or organised by trade unions. The possibility for leaving the enterprise is more likely. Almost all are ready to leave the job in case they had a better opportunity. However, they consider trade union as the only possibility to submit their demands or protest in case of violation of their labour rights. None of the workers knows anything about companies' Codes of Conduct.

Living wages are paid

As of 1 January 2003, the legal minimum salary per month for the country is 110 BGL = 55 EUR. Those employed in production, mostly women, receive remuneration on a piece-rate basis ranging between 65 and 125 EUR per month, with rare exceptions, resulting from overtime. However, it is a common practice that they are not paid for their overtime with the rate provided for in the Labour Code. The administrative personnel receive fixed remuneration, no piece rate. Packers are getting the lowest wages. In this position women are paid less than men. Similar is the situation with controllers where for equal work; women are paid less than men. In some enterprises there are some extra-payments for work clothing or for transport. Workers report regular delay in salary payment. There are

many cases of illegal salary deductions. The additional payments beyond the legal minimum wage are paid in-hand. The result is that workers suffer the loss of non-payment of health and social insurance and for the state - less revenue in social security funds.

For home workers, the picture is somewhat different. It comprises a lot more aged women who - having been laid off - have little chance of finding permanent jobs. Resulting from age and professional deficiencies, they are unable to stand the physical burden of working at the factories. As for their family status, the majority are married. Half of the interviewed women are the only wage earners in the family. Their husbands are unemployed, doing some kind of agricultural work and household activities or services and/or working as home workers. The home workers in the sector, however, are only women, and they are involved in sewing and/or related supporting activities. They work on the basis of a verbal agreement, payment is on piece-rate.



Generally the remuneration is not enough for both the individual's subsistence and as a contribution to the household budget. This is despite of the fact, that in some cases other members of the family are also employed and sometimes there is income in the household from other sources, such as farming, etc... Even with additional incomes the family concerned is not in a position to earn a living wage. The big gap between the living wage and minimum wage is striking. In Bulgaria a family of four needs about € 650 - 700 per month in order to subsist. If seamstresses work 12 - 16

hours a day without breaks, the workers can earn up to € 225. Still this is not sufficient.

Except for one, all workers have complaints related to the remuneration but they are afraid to raise them or there is nobody to address. The workers point out that they are under constant pressure to reduce the production costs in order to be competitive. This competition threat is the justification for the unpaid extra working hours and for locking the workers in the factories until they have executed the order.

Unfortunately, the increase of persons employed in the garment industry is accompanied by a gradual reduction of the ratio between the average annual salary in the garment industry and the average annual salary in the economy as a whole. Thus for 1996 the average annual salary in the garment industry was 69.7% of the average annual salary in the economy, and in 2000 it had already dropped to 65.2%.

The reduction of those employed in the economy was accompanied by a certain improvement of the work pay, while in the garment industry the reverse process has unfolded - an increase of those employed with a lowering average pay.

Hours of work are not excessive

(See above.) Here the number of violations is the greatest. The working day continues at least 10 hours with very few exceptions in the big enterprises. Workers work overtime "very frequently", "all the time", "every month", "in cases of urgent orders", etc... Again except for the big enterprises, the overtime is 70 to 150 hours monthly. The working week is 6-7 days, including Saturday or Sunday or both. Very often a refusal for overtime is a pretext for dismissal. In Regional Labour Inspectorate reports it is pointed out that overtime is the most difficult to prove.

In the majority of enterprises during the annual leave - which is theoretically granted - workers are paid the legal minimum wage only. Therefore only very few workers take leave. At the same time it is very difficult to get it. There is evidence for compulsory use of leave - a couple of days in periods when there are no orders. So the annual leave is wasted and it is hard to plan.

A recent trend is the calculation of "accumulated" working hours without taking into account the real overtime and applying the rules for its payment.

Working conditions are decent

Workers in all enterprises complain of high temperatures in summer. None of them has air conditioners. The dust level is too high in almost all enterprises. That requires the use of breathing devices, which are not available. Lighting is not sufficient. There are complaints related to noise level, bad sanitary conditions and many more complaints.

Due to bad occupational health & safety conditions there are accidents. They may be different - from faints to injuries due to failure and obsolete equipment used, lack of needle protectors, of steel gloves for cutters, etc. Medical services are not provided, except for the big enterprises.

The employment relationship is established

The answers outline the workers' fears for their jobs. Pressed by the high rate of unemployment and high living costs, they are forced to keep silence about the violations, although most of them are aware of their rights without being especially informed. Such violations may be lack of labour contracts or labour contracts based on minimum wage, non-payment of statutory social security contributions, benefits for length of service and overtime, difficulties in using the holidays during periods preferred by workers', etc.

"In garment factories it is a common practice to stick notices about fines and penalties for such improper behaviour as speaking or drinking water during work time, for sitting idle or resting, or frequent visits to the toilet.

The women engaged in the garment industry work 10 - 14 hours a day, six or seven days a week. Grave non-compliance with conditions of labour safety often leads to accidents in the factories."
(BEPA researcher)

contradictory picture is exacerbated by employers' efforts to consider labour in the garment sector "seasonal" or "temporary" which would deprive workers in the sector of major rights - primarily working time limitations and obligations concerning labour relationships. One trade union and BEPA could prevent the corresponding legal decisions from entering into force.



Experience shows that employment contracts are concluded in so many different forms that in some cases it is even hard to assess whether they are short-term contracts or permanent ones. At the same time, to the question "Are orders regular?" in nearly 2/3 of the enterprises the answer is positive. This assertion is contradictory to the workers' precarious situation. This

12. Escaping the Vicious Circle

A recent case in Bosnia-Herzegovina involved the Salamander shoe multinational, where it simply cut its business ties with a supplier when its employees - represented by a trade union - demanded that Salamander abide by the laws that required companies to pay the national legal minimum wage. The shop steward who helped organise the minimum wage strike, declared "This went way beyond what we could accept".¹

In 1989, an action much like this one in the Philippines at a subcontractor of C & A inspired the establishment of the European network that came to be called the Clean Clothes Campaign [CCC].² The women workers at IGMC, located in the Bataan Free Trade Zone, were fired for demanding a legal minimum wage. Their strike continued for over a year. This lockout in a clothing factory in the Philippines became the focus of attention for a number of groups active in the solidarity movement in the Netherlands - C&A's headquarters locate in the Netherlands - and the UK. At the time, this kind of issue didn't seem to be the norm, but that was only because there was virtually no information available in Western European countries about the way consumer goods were being produced, and how this affected (mostly women) employees. It was considered big news that companies like C&A produced in faraway countries under bad conditions, news that there were women involved, and especially news that some people held a retailer company such as C&A responsible for all of this. After all, what did C&A have to do with what was happening in the Philippines? Not their company, not their country, not their employees, not their business. Or so it seemed.

A public protest that included the burning of C & A clothes in front of its flagship store in Amsterdam led to fights between activists and police. This led C & A to take some initial measures, although publicly they continued to deny any responsibility for what had happened at the IGMC company in question. They published a leaflet on the company's buying practices and distributed them in all of their stores in the Netherlands. They wrote letters to their representatives in the Philippines encouraging them to negotiate a settlement with the IGMC.

¹ Scherrer, Peter (2001): "Ein Staat im Staate - Leben in der Republika Srpska", in: VWD

² This description of the emergence of the CCC is based on the article "The Code Debate in Context: A Decade of Campaigning

In the mean time, the activist organisations involved spoke with the local worker organisations. More organisations began to show an interest in the issue. A national day of protest against C & A's overseas practices was organised. The IGMC workers negotiated a settlement that included the payment of some back wages. But the main demand, the payment of minimum wages, was not met. The coalition of Dutch activist groups continued and it was out of this sustained initiatives that the Dutch Clean Clothes Campaign was officially founded in 1990. More research on C & A continued to reveal new violations, in places like Bangladesh, India, and even closer to home in the sweatshops still located in the Netherlands. The CCC published a classic report called "C & A: The Silent Giant".



Bottom-up Globalisation

Clearly, this initiative struck a nerve: campaigning for "Clean Clothes" provided a concrete way of taking up the political demands of women's and labour organisations in the South at the time: change the behaviour and the policies of Trans-national corporations [TNCs] and governments in the North, since they remain ultimately responsible for the way people in the South and the East live and work.

In the early 1990s, German women's groups began interviewing personnel in the various retail chains about the conditions under which the clothes they sold were produced. In 1995, the German Clean Clothes

for Clean Clothes" by Nina Ascoly and Ineke Zeldenrust; published in German in: Bettina Musiolek et al: Gezaehmte Modemultis, Frankfurt-am-Main and Vienna, Brandes & Apsel, 1999.

Campaign was established, joining the increasing demand for a social charter that included 8 basic labour standards that retailers could undersign and agree to uphold. With the predominance of "globalisation" as economic reality, companies can no longer simply ignore their social responsibilities in the production of the clothes they sell in their retail stores and hope to go undetected. It is because of the tireless efforts of the CCC that retail chains and brand name companies have had to respond with positive efforts on their part. For instance, C & A, among other fashion multinationals, has agreed to adopt a social code of conduct.

It is fairly well known at this point that West European consumers are aware that many of the clothes they buy are made in appalling working conditions in Asia. But these same fashion multinationals also have their goods produced in Eastern Europe. And to make the hidden reality visible, the CCC engages in on-going research that investigates working conditions in this region in conjunction with partners in each country. The special conditions found in Eastern Europe (see chapter 1) make doing research and networking a particular challenge - as collaborative partners have made clear earlier in this brochure. This is exacerbated by the fact that solidarity groups in Western European countries have no tradition of working collaboratively with

What is Corporate Social Responsibility?

Corporate Philanthropy? Social or environmental charity projects financed by multinationals that don't have anything to do with the company's actual operations?

A PR policy? A ploy?

Simply respecting the laws of the host nation?

The concept of CSR refers to the notion that companies have a responsibility for the social and environmental impact of their activities in their host countries, the idea of a "social contract" between a corporation and its host society. Corporate Social Responsibility (CSR) is comprised of a company's activities based on the adoption and proactive implementation of national regulations as well as the Universal Human Rights along their entire supply chain, with particular focus on the aforementioned minimum social and labour standards.



groups from Eastern Europe, while there are long-term relationships with organisations in Asia, Latin America and Africa. But some intrepid groups and individuals in the region have managed to establish fruitful relations with the CCC.

Independent Verification of Minimum Labour Standards and the Chief Actors in Production Countries

A current hotly debated issue involves the rules included in accurately verifying the social standards established by the various fashion multinationals in their "ethical charters". Questions arise about who verifies whom and how the monitoring and verification procedures should be instituted? In response to some of these issues, the European CCC has developed a unique expertise in this field and has been regularly consulted by various international organisations. The CCC maintains that it is of central importance to involve the major stakeholders in the production countries in question. The rules for the independent and external verification of labour norms cannot be developed without



the involvement of the Southern and Eastern partners. Multistakeholder Code Initiatives in the sector are comprised of business associations, trade unions, nongovernmental organisations (NGOs), and governments. They include the Ethical Trading Initiative in the UK, which emphasises co-operation with the various local stakeholders.

Some US and Western Europe garment retailers have initiated considerable activities within their Corporate Social Responsibility policy. They have instituted various monitoring activities by their own personnel or through hired commercial auditing companies to check the social standards (as stipulated in their codes of conduct) at their suppliers and producers. This is called "internal monitoring" because it involves a permanent process of checking the implementation of a social policy within the company and its suppliers. These efforts by companies themselves are long overdue firstly because of the inhumane conditions under which garments are produced, secondly because many of the investigation findings confirm the fact that most employees know almost nothing about codes of conduct (see chapter 8). Management knows almost as little about the existence of codes of conduct.

But even a company's best efforts to monitor the implementation of their own declared standards are structurally limited. What kind of results will a Romanian social auditor - subcontracted by an international consulting firm - come up with concerning working conditions when he is hired by the buyers or suppliers? How can he assert any kind of pressure on the retailer and supplier concerning the introduction of corrective measures? The auditing profession is obviously trapped in a conflict of interest.



Plus there are conflicting interests at the retailer or brand-name level because a buying or sourcing policy is in direct conflict with basic CSR policies, which usually entails a permanent effort of in-house social management and a long-term relationship with suppliers. In contrary purchasing policies are geared towards getting the best prices and so the cheaper the sourcing price/costs the higher the bonus for the buyer. Buyers are also interested in ever-quicker delivery times, in shifting the commercial risks to the supplier (just in time), and serving the short-term interests of shareholders for quick profits. In a word, buyers continue to

From Recognition of CSR to the Implementation of Labour Standards

World-wide protests have convinced most retailers and brand name companies to accept some level of social responsibility in the form of corporate codes of conducts or "ethical charters".

The Obligations Involved in the Implementation and Verification of Codes

The Obligations of retailers and brand name companies include:

1. the implementation of codes at the workplaces of their manufacturers and suppliers;
2. the internal monitoring of this implementation;
3. the involvement in developing an independent, external verification of the accepted multistakeholder codes.

The Obligations of the fashion multinationals, civil society, and governments in the chief consumer countries include:

Becoming active in bodies that oversee the independent, external verification of labour standards.

exert ever-greater economic pressures on their suppliers, which is always at the expense of those at the bottom of the production chain, the seamstress.

These kinds of structural limitations and a lack of credibility of the internal social monitoring system employed by retailers and brand-name companies can only be rectified by instituting an external or "independent" verification system.

Companies have generally tried to water down their commitments to social responsibility - in both words

and action. They consistently:

- reduce the number of labour standards included in their codes;
- externalise the responsibilities by shifting them to the suppliers;
- dilute the rules for the monitoring and verification of the codes of conduct so that they become basically low-profile, voluntary.

Meanwhile, retail chains and brand name companies have developed their own social regulatory systems with the aim of setting certain standards. To increase their credibility vis-à-vis the public, they incorporate edited versions of criticism and the conclusions of less-critical NGOs. TNCs act as an interest group that tries to influence the international CSR agenda.

The Dutch Fair Wear Foundation developed a credible system for external verification of minimum labour standards. This organisation carries out verifications only in co-operation with local partners including trade



Principles of External Verification

by the **Fair Wear Foundation**

(<http://www.fairwear.nl>):

- **Labour standards:**
Eight internationally accepted minimum social standards which are based on ILO Conventions.
- **Externality or "independence":**
Implies that multistakeholders are composed of business, trade union, and NGO representatives.
- **Supply chain responsibility:**
Verification along the entire supply chain without being able to shift the responsibility to suppliers.
- **Involvement of local stakeholders:**
Verification and all related operations shall only be carried with the participation of actors in production countries.
- **Development and process approach:**
The aim of verification is not to encourage buyers' "cut and run" but the improvement of the conditions in the workplaces of the suppliers. Enforcement of social standards therefore requires a cooperation process between the buyer and the supplier.

unions, NGOs, business associations, and various government agencies. An essential aspect of these verifications are the anonymous off-site workers' interviews - an instrument that cannot be performed without the participation of local partners. Credible workers' interviews are seldom carried out by social monitoring agencies hired by corporations to perform their "social audits".

The Fair Wear Foundation has carried out various pilot audits of its own code of labour practices in places like Eastern Europe and is presently evaluating the data they have collected there. Romanian and Polish trade unions and NGOs have assessed the value of pressures applied by foreign buyers and clients as an effective tool for change. The early evaluations of the FWF strategy point to substantial positive effects for the local employees when it comes to the exercising of their rights as workers, which includes the right to organise, and it offers them some room to manoeuvre as they attempt to realise substantial improvements in the region's working conditions.

The First Undertakings in Bulgaria

Women's groups in Bulgaria were the first to raise the issue of adverse impacts of globalisation and transformation in the context of the garment industry, and at the same time to use the chances of globalisation in

terms of transnational cooperation. This comes as no surprise: Bulgaria is, after all, one of the most important countries for garment manufacturing in the region.

Long-term trust building and investigations by the coalition of women's groups finally bore some fruit, when in October 2001 the initiative achieved its first success. A seminar was organised that included representatives from a garment exporters association, state labour inspectors, trade unions, NGOs, and various European guests. These initial informative discussions laid the groundwork for the subsequent reputation of the organisers, which became known as the Bulgarian European Partnership Association and the Bulgarian Gender Research Foundation. They have developed a close co-operative relationship with local trade unionists. They try to alert miscellaneous public and state institutions such as the labour inspection agency by presenting them with their research findings. They are organizing training sessions, informal discussions, and international networking opportunities.



The Road to EU Regulation

In view of the fact that the EU is on the brink of a major expansion, the CCC's Eastern European partners are emphasising the adjustments in regulations so that they satisfy EU standards. They know that this is of the utmost concern for their governments.

The CCC has also tried to find ways to transform the seemingly voluntary character of the codes of conduct into legally binding documents. However, codes of conduct are binding if they are part of the contract between the buyer and the supplier, though these obligations are then not part of labour and social law. Still the problem remains how corporate social responsibility in times of globalisation can be verified and enforced with legally binding regulations

The CCC participates in conferences organised by various EU agencies that discuss the prospect of multinationals acting upon their sense of social responsibility by improving the working conditions at their various suppliers. The CCC Partners in the production countries have maintained that this level of regulation is preferred over such measures as trade restrictions or import conditionality, which threaten existing jobs and do nothing to alleviate poor working conditions.

The European Parliament has adopted resolutions that calls on multinationals to take the responsibility for enforcing the social standards. The European Commission engaged in a long discussion process on Corporate Social Responsibility (CSR). In 2001 it issued a Green Paper, that the CCC could appreciate because it took into consideration the established principles of the international debate on CSR and Codes of Conduct, including:

1. the complementary relationship between legislation and "soft law" measures like codes of conduct,
2. the necessity of including the entire chain of production into the scope of application
3. systems of verification, transparency, and reporting
4. the inclusion of new stakeholders into verification systems.

However, the CCC reckons that the Commission places too much focus on voluntary approaches. The CCC does not believe that voluntary initiatives go far enough to ensure that international labour and human rights are going to be respected.

The CCC believes that certain aspects have not been given enough attention such as the impact of globalisation on the informalisation of labour, the deterioration of working conditions and the deregulation of labour markets which undermines national labour

laws and leads to a downward spiral for a large portion of the workforce. Therefore, the CCC has recommended that the EU agencies not only facilitate discussions but also actively lead the process toward the implementation of binding regulations. The CCC believes that the EU should establish clear standards for CSR including various indicators and criteria.

In a May 2002 resolution, the European Parliament called for legislation requiring companies to make public their annual reports on their social and environmental performances in conjunction with their required annual financial reports. This would go a long way toward making corporate board members more personally responsible for their business practices, and would help establish jurisdiction against European companies' abuses in other countries of the world. The European Parliament also asks for monitoring systems to take into consideration the experience and knowledge as gathered by organisations like the European-wide CCC, Social Accountability International, the Dutch Fair Wear Foundation, and the British Ethical Trading Initiative.

But, unfortunately, the European Commission has thus far failed to follow through on this call. It has, in fact, rejected a regulatory approach to corporate social responsibility (CSR) as outlined in its 2002 White Paper on the subject. In fact, the EC has retreated even further by deciding to not require mandatory reporting; supporting instead a "multistakeholder forum on CSR", which will discuss CSR on a voluntary basis.

Regulation within the OECD

The OECD guidelines for multinational companies represent a new tool for requiring CSR. The Guidelines include social standards and one binding requirement - the establishment of National Contact Points in OECD-member countries which are supposed to monitor the relevant activities of the various multinationals with headquarters in the respective country. In many countries like Germany, these so-called Contact Points are located at the Ministry of Economic Affairs. Organisations can submit their complaints against multinationals at these Contact Points. There have already been a number of complaints filed against various multinationals at some of the established Contact Points. The CCC, for instance, filed a complaint against

Adidas that had originally been submitted by the Austrian CCC and then transferred to the German Contact Point. The complaint (violations of workers' rights in Indonesia) was accepted and the two sides - the CCC and Adidas - exchanged statements on the issue, which eventually led to Adidas-Salomon agreeing to re-investigate the matter. So far it was achieved that the issue of the living wage standard has been discussed even though this standard is not included in the OECD guidelines, and that the complaint was brought to the public. Still the procedures involved in petitioning the National Contact Points is cumbersome and requires intense advocacy efforts on the part of the plaintives vis a vis the multinationals - reflecting a power imbalance of the David-versus-Goliath variety. In other words, the effectiveness of this tool in improving working conditions remains to be seen.

However, the CCC will not sit idly by, it will continue in its efforts to hold multinationals responsible for the impact of their operations on the lives of its workers.

13. Brief Introduction to the Clean Clothes Campaign (CCC)

Aim: Improving Working Conditions in the global garment industry.

How do we work? European and international networking, cooperation, and information exchange.

There are CCC coalitions in 11 European countries involving hundreds of women's, human rights, consumers rights, development, religious, fair trade/worldshop and solidarity organisations, trade unions, and research institutes. The CCC has also established links with the anti-sweatshop movement in the USA, Canada, and Australia.

Scope of activity: Production of garments and sportswear: cut, make, and trim.

Strategic focus: The main responsibility for inhumane working conditions is placed with the retailers, brand name companies, and mail order companies like KarstadtQuelle, C&A, Adidas-Salomon, Puma, Marks & Spencer ... By placing orders and realising the profits, they determine the working conditions and ultimately have to be held responsible for these conditions along their entire supply chain.

Main demand: These companies must recognise certain labour standards, implement them, and then monitor the implementation themselves. In addition, they must also engage in external verifications of their operations with regard to labour norms. This demand had been agreed upon by CCC-member organisations and partners in production countries and was formulated in the "Code of Labour Practices for the Apparel Industry Including Sportswear", also known as the CCC code. Retailers in Sweden, Switzerland, and the Netherlands have already approved this code.

Fields of operation include:

- Solidarity actions: The CCC conducts urgent actions in support of employees in the garment industry and develops long-term participatory relationships with labour-related organisations in production countries;
- Public awareness raising;
- Cooperating with willing retailers but also confronting resistant retailers;
- Legal initiatives: The CCC seeks ways to legally claim the rights of workers along the supply chains of multinationals. It also pursues the rights of consumers to be informed about the conditions under which the clothes they buy are produced.

www.cleanclothes.org



Made in Eastern Europe - 42

No forced or bonded labour
(ILO Conventions 29 and 105)

No discrimination in employment
(ILO conventions 100 and 111)

No excessive working hours - with a maximum 48-hour work-week, overtime maximum of 12 hours per week
(ILO Conventions 1 and 47)

Payment of a living wage
(ILO Conventions 26 and 131 and the Universal Human Rights Declaration of the UN)

Minimum Social Standards

The following 8 labour standards are largely accepted for the garment sector as principal rights - and affirmed by Multistakeholder Code Initiatives - the Ethical Trading Initiative, GB, the Fair Wear Foundation NL, the SA 8000 Standard, the ICFTU-base code, and in the Clean Clothes Campaign's "Code of Labour Practices for the Apparel Industry and Sportswear"

Decent working conditions
(ILO Convention 155)

No child labour - minimum working age of 15 years.
(ILO Conventions 138 and 182)

Freedom of association + the right to collective bargaining
(ILO Conventions 87, 135 and Recommendation 143)

Established employment relationship